



DEUTSCHE  
PFANDBRIEFBANK

# Invitation to the Annual General Shareholders' Meeting

## **Convenience translation**

Please note that only the German language version of the invitation to the 2020 Annual Shareholder's Meeting of Deutsche Pfandbriefbank AG, as published in the German Federal Gazette (*Bundesanzeiger*), is effective.

Deutsche Pfandbriefbank AG  
Registered office: Munich  
ISIN DE0008019001

We hereby invite our shareholders to the Annual General Meeting of Deutsche Pfandbriefbank AG which will be held as a virtual Annual General Meeting without physical presence of either shareholders or their authorized representatives on Thursday, 28 May 2020, at 10:00 hours (CEST).

The Annual General Meeting will be broadcasted by audiovisual means live on the internet for shareholders. The shareholders' voting rights will be exercised exclusively by way of postal voting or by granting power of attorney to the Company Proxies. The place of the Annual General Meeting within the meaning of the German Stock Corporation Act (*Aktiengesetz*, "AktG") is Parking 28, 85748 Garching.

## I. Agenda

### 1. Presentation of the adopted annual financial statement and the approved consolidated financial statements as well as the combined management report of Deutsche Pfandbriefbank AG and of Deutsche Pfandbriefbank Group for the 2019 financial year, the Management Board's proposal for the appropriation of the distributable profit as well as the report of the Supervisory Board for the 2019 financial year

The above-mentioned documents also include the remuneration report and the explanatory report for the notes pursuant to sections 289a (1) and 315a (1) of the German Commercial Code (*Handelsgesetzbuch*, "HGB"). The above-mentioned documents as well as the corporate governance report and the non-financial report for the Deutsche Pfandbriefbank Group according to sections 315b, 315c in conjunction with sections 289c – 289e HGB have been published at [www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/). They will be explained by the Management Board and – as far as the Supervisory Board's report is concerned – by the Chairman of the Supervisory Board at the virtual Annual General Meeting.

The Supervisory Board has approved the annual financial statements and the consolidated financial statements prepared by the Management Board. Therefore, the annual financial statements have been adopted in accordance with section 172 sentence 1 of the AktG. Therefore, in accordance with the statutory provisions, no resolution of the Annual General Meeting is required with regard to this item on the Agenda.

### 2. Appropriation of the distributable profit

The Management Board and the Supervisory Board propose to allocate the distributable profit (*Bilanzgewinn*) of EUR 121,027,777.20 reported by Deutsche Pfandbriefbank AG for the 2019 financial year in its annual financial statements in accordance with the HGB as follows:

Allocation to other revenue reserves:  
EUR 121,027,777.20

As published among other things in the annex to the annual financial statements for the 2019 financial year under no. 53 on page 41, the Management Board and the Supervisory Board initially intended to propose to the Annual General Meeting the distribution of a dividend of EUR 0.90 per no-par value share entitled to dividends. As announced in the ad-hoc release of 3 April 2020, the Management Board and the Supervisory Board have since resolved to withdraw this proposal. They are thus following a recommendation issued by the European Central Bank to all banks subject to its direct supervision to refrain from paying out any dividends for the 2019 financial year, or to refrain from doing so prior to 1 October 2020. Deutsche Pfandbriefbank AG thereby accounts for the particular challenges arising from the COVID-19 pandemic, contributing to related stabilisation efforts.

### 3. Discharge of the members of the Management Board

The Management Board and the Supervisory Board propose that discharge be granted, for the 2019 financial year, for the members of the Management Board who were in office during that period.

### 4. Discharge of the members of the Supervisory Board

The Management Board and the Supervisory Board propose that discharge be granted, for the 2019 financial year, for the members of the Supervisory Board who were in office during that period.

### 5. Resolution on the appointment of the auditor for the annual financial statements and the consolidated financial statements, and the auditor for any review of interim financial information

The Supervisory Board proposes, based on the recommendation of the Audit Committee, to resolve:

a) KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, shall be appointed as the auditor (HGB) and group auditor (IFRS) for the financial year 2020 and as the auditor for the review of any interim condensed financial statements and interim management reports for the Group for the financial year 2020 if and insofar as they are subject to an audit review.

b) Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, shall be appointed as the auditor for the review of any interim condensed financial statements and interim management reports for the Group prepared for periods after 31 December 2020 and before the Annual General Meeting 2021, if and to the extent that they are subject to an audit review.

On the basis of a selection procedure carried out in accordance with Article 16 of EU Regulation 537/2014, the Audit Committee recommended to the Supervisory Board as its preferred candidate that the Annual General Meeting shall appoint Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditor for the review of any condensed interim consolidated financial statements prepared for the periods after 31 December 2020 and before the Annual General Meeting in 2021.

The recommendation made by the Audit Committee to the Supervisory Board, as well as the proposal made by the Supervisory Board, are free from any undue influence by third parties. Furthermore, no arrangements were in place which could have restricted the selection of the auditor.

### 6. Resolution on the cancellation of the Authorized Capital 2015, the authorization of the Management Board to increase the share capital (Authorized Capital 2020/I) – with the authorization to exclude the subscription right of the shareholders – and the corresponding amendments to the Articles of Association

The Company's Authorized Capital 2015 pursuant to section 4 (4) of the Articles of Association in the amount of EUR 190,188,029.83 has not yet been used and the authorization continues until 9 June 2020. This Authorized Capital 2015 shall be replaced by new authorized capital in the amount of EUR 114,112,817.90 and authorized capital in the amount of EUR 38,037,605.96, which can be used until 27 May 2025 (Authorized Capital 2020/I and Authorized Capital 2020/II). The Authorized Capital 2015 is to be cancelled.

The Management Board and the Supervisory Board propose the following resolutions:

- a) The Authorized Capital 2015 resolved by the Annual General Meeting on 10 June 2015 is cancelled, revoking section 4 (4) of the Articles of Association.
- b) The Management Board is authorized, subject to the approval of the Supervisory Board, to increase the share capital of the Company until 27 May 2025 by up to a total maximum amount of EUR 114,112,817.90 by issuing new no-par value share against cash contributions once or several times (Authorized Capital 2020/I). In this context, the shareholders must generally be granted a subscription right; the statutory subscription right may also be granted in such a way that the new shares are acquired by one or more credit institutions or companies equivalent to credit institutions pursuant to section 186 (5) sentence 1 AktG with the obligation to offer the shares to the Company's shareholders for subscription. However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription right in the following cases:

- to exclude the subscription right for fractional amounts;
- to issue shares to members of the Management Board, members of the management or to employees of the Company or its group companies within the meaning of section 18 (1) AktG up to a pro-rata amount of the share capital of EUR 2,852,820.44. If shares are to be issued to members of the Company's Management Board, the power to decide lies with the Supervisory Board.

If shares are issued to members of the Management Board, members of the management or to employees of the Company or its group companies within the meaning of section 18 (1) AktG against cash contributions under exclusion of the subscription right of the shareholders, the pro-rata amount of the share capital attributable to them must not exceed 0.75% of the Company's share capital existing at the time of the resolution by the Annual General Meeting. When calculating the aforementioned 0.75% limit, the pro-rata amount of the share capital has to be taken into account that is attributable to shares issued or sold during the term of this authorization under another authorization to members of the Management

Board, members of the management or employees of the Company or its group companies within the meaning of section 18 (1) AktG against contributions in cash or in kind under exclusion of the subscription right of the shareholders.

The Management Board is authorized to specify the further conditions of the capital increase and its implementation.

The Supervisory Board is authorized to amend the wording of the Articles of Association after complete or partial implementation of the share capital increase by use of the Authorized Capital 2020/I and after the expiration of the authorization period.

- c) Section 4 (4) of the Articles of Association is restated as follows:

*"(4) Authorized Capital 2020/I*

*The Management Board is authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital until 27 May 2025 by up to a total maximum amount of EUR 114,112,817.90 by issuing new no-par value shares against contributions once or several times (Authorized Capital 2020/I). The shareholders must generally be granted a subscription right; the statutory subscription right may also be granted in such a way that the new shares are acquired by one or more credit institutions or companies equivalent to credit institutions pursuant to section 186 (5) sentence 1 AktG with the obligation to offer the shares to the Company's shareholders for subscription. However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription right in the following cases:*

- *to exclude the subscription right for fractional amounts;*
- *to issue shares to members of the Management Board, members of the management or to employees of the Company or its group companies within the meaning of section 18 (1) AktG up to a pro-rata amount of the share capital of EUR 2,852,820.44. If shares are to*

*be issued to members of the Company's Management Board, the power to decide lies with the Supervisory Board.*

*If shares are issued to members of the Management Board, members of the management or to employees of the Company or its group companies within the meaning of section 18 (1) AktG against for cash contributions under exclusion of the subscription right of the shareholders, the pro-rata amount of the share capital attributable to them must not exceed 0.75% of the Company's share capital existing at the time of the resolution by the Annual General Meeting. When calculating the aforementioned 0.75% limit, the pro-rata amount of the share capital has to be taken into account that is attributable to shares issued or sold during the term of this authorization under another authorization to members of the Management Board, members of the management or employees of the Company or its group companies within the meaning of section 18 (1) AktG against contributions in cash or in kind under exclusion of the subscription right of the shareholders.*

*The Management Board is authorized to specify the further conditions of the capital increase and its implementation.*

*The Supervisory Board is authorized to amend the wording of the Articles of Association after complete or partial implementation of the share capital increase by use of the Authorized Capital 2020/I and after the expiration of the authorization period."*

- d) The Management Board is instructed to apply for registration of the Authorized Capital 2020/I and the amendments of the Articles of Association pursuant to the above letters b) and c) in the commercial register in such a way that they will not become effective until after the cancellation of the Authorized Capital 2015 pursuant to letter a) has become effective or the Authorized Capital 2015 has expired at the end of 9 June 2020.

## **7. Resolution on the authorization of the Management Board to increase the share capital (Authorized Capital 2020/II) – with the authorization to exclude the subscription right of the shareholders – and the corresponding amendment to the Articles of Association**

As outlined in the introduction to Agenda item 6, the existing Authorized Capital 2015 is to be replaced by a new Authorized Capital 2020/I and a new Authorized Capital 2020/II. It is intended for the new Authorized Capital 2020/II in the amount of EUR 38,037,605.96 to be able to be used until 27 May 2025 (Authorized Capital 2020/II).

The Management Board and the Supervisory Board propose the following resolutions:

- a) The Management Board is authorized, subject to the approval of the Supervisory Board, to increase the share capital of the Company until 27 May 2025 by up to a total maximum amount of EUR 38,037,605.96 by issuing new no-par value shares against contributions in cash or in kind once or several times (Authorized Capital 2020/II). The shareholders must generally be granted a subscription right; the statutory subscription right may also be granted in such a way that the new shares are acquired by one or more credit institutions or companies equivalent to credit institutions pursuant to section 186 (5) sentence 1 AktG with the obligation to offer the shares to the Company's shareholders for subscription. However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription right in the following cases:
- to exclude the subscription right for fractional amounts;
  - to the extent necessary, to grant to holders or creditors of conversion or option rights issued or still to be issued by the Company or its group companies within the meaning of section 18 (1) AktG a subscription right in the amount in which they would be entitled to such right after exercising the conversion or option right or after fulfilling the respective conversion or option obligation;
  - to increase the share capital against contributions in kind;
  - in the case of capital increases against cash contributions, if the issue price of the new shares is not

significantly lower than the stock exchange price for shares of the Company at the time the issue price is determined. The shares issued on the basis of this authorization under exclusion of the subscription right pursuant to sections 203 (1), 186 (3) sentence 4 AktG must not, in total, exceed 10% of the Company's share capital at the time this authorization takes effect or – if this value is lower – at the time this authorization is exercised. When calculating the aforementioned 10% limit, the pro-rata amount of the share capital has to be taken into account which is attributable to shares to be issued to service conversion or option rights or conversion or option obligations arising from bonds or profit participation rights issued in analogous application of section 186 (3) sentence 4 AktG under exclusion of the subscription right during the term of this authorization or the pro-rata amount of the share capital attributable to shares issued during the term of this authorization under simplified exclusion of the subscription right pursuant to or in analogous application of section 186 (3) sentence 4 AktG or attributable to shares sold after repurchase.

The pro-rata amount of the share capital attributable to shares issued against contributions in cash or in kind under exclusion of the shareholders' subscription right must not, in total, exceed 10% of the Company's share capital existing at the time of the resolution by the Annual General Meeting. Subject to any new authorization on exclusion of subscription right to be resolved by a subsequent General Meeting, subject to any new authorization to exclude the subscription right to be resolved by a subsequent General Meeting, when calculating the aforementioned 10 % limit, those shares have to be taken into account that are issued during the term of this authorization under another authorization under exclusion of the subscription right or to which financial instruments with conversion or option rights or obligations relate that are issued during the term of this authorization under another authorization under exclusion of the shareholders' subscription right.

If shares are issued to members of the Management Board, members of the management or employees of the Company or its group companies within the meaning of

section 18 (1) AktG under exclusion of the shareholders' subscription right against contribution in kind by contributing claims for variable remuneration components, gratuities or similar claims against the Company or its group companies, the Management Board may only make use of the authorization up to a total maximum amount of 0.75 % of the share capital existing at the time of the resolution by the Annual General Meeting. When calculating the aforementioned 0.75% limit, the pro-rata amount of the share capital has to be taken into account that is attributable to shares issued or sold during the term of this authorization under another authorization to members of the Management Board, members of the management or employees of the Company or its group companies within the meaning of section 18 (1) AktG against contributions in cash or in kind under exclusion of the subscription right of the shareholders.

The Management Board is authorized to specify the further conditions of the capital increase and its implementation.

The Supervisory Board is authorized to amend the wording of the Articles of Association after complete or partial implementation of the share capital increase by use of the Authorized Capital 2020/II and after the expiration of the authorization period.

- b) Section 4 of the Articles of Association is supplemented by the following paragraph 4a:

*„(4a) Authorized Capital 2020/II*

*The Management Board is authorized, subject to the approval of the Supervisory Board, to increase the share capital of the Company until 27 May 2025 by up to a total maximum amount of EUR 38,037,605.96 by issuing new no-par value shares against contributions in cash or in kind once or several times (Authorized Capital 2020/II). The shareholders must generally be granted a subscription right; the statutory subscription right may also be granted in such a way that the new shares are acquired by one or more credit institutions or companies equivalent to credit institutions pursuant to section 186 (5) sen-*

tence 1 AktG with the obligation to offer the shares to the Company's shareholders for subscription. However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription right in the following cases:

- to exclude the subscription right for fractional amounts;
- to the extent necessary, to grant to holders or creditors of conversion or option rights issued or still to be issued by the Company or its group companies within the meaning of section 18 (1) AktG a subscription right in the amount in which they would be entitled to such right after exercising the conversion or option right or after fulfilling the respective conversion or option obligation;
- to increase the share capital against contributions in kind;
- in the case of capital increases against contributions, if the issue price of the new shares is not significantly lower than the stock exchange price for shares of the Company at the time the issue price is determined. The shares issued on the basis of this authorization under exclusion of subscription right pursuant to sections 203 (1), 186 (3) sentence 4 AktG must not, in total, exceed 10% of the Company's share capital at the time this authorization takes effect or – if this value is lower – at the time this authorization is exercised. When calculating the aforementioned 10% limit, the pro-rata amount of the share capital has to be taken into account which is attributable to shares to be issued during the term of this authorization to service conversion or option rights or conversion or option obligations arising from bonds or profit participation rights issued in analogous application of section 186 (3) sentence 4 AktG under exclusion of the subscription right or the pro-rata amount of the share capital attributable to shares issued during the term of this authorization under simplified exclusion of the subscription right pursuant to or in analogous application of section 186 (3) sentence 4 AktG or attributable to shares sold after repurchase.

The pro-rata amount of the share capital attributable to shares issued against contributions in cash or in kind under exclusion of the shareholders' subscription right must not, in total, exceed 10% of the Company's share capital

existing at the time of the resolution by the Annual General Meeting. Subject to any new authorization on exclusion of subscription right to be resolved by a subsequent General Meeting, when calculating the aforementioned 10% limit, those shares have to be taken into account that are issued during the term of this authorization under another authorization under exclusion of the subscription right or to which financial instruments with conversion or option rights or obligations relate that are issued during the term of this authorization under another authorization under exclusion of the shareholders' subscription right.

If shares are issued to members of the Management Board, members of the management or employees of the Company or its group companies within the meaning of section 18 (1) AktG under exclusion of the shareholders' subscription right against contribution in kind by contributing claims for variable remuneration components, gratuities or similar claims against the Company or its group companies, the Management Board may only make use of the authorization up to a total maximum amount of 0.75% of the share capital existing at the time of the resolution by the Annual General Meeting. This 0.75% limit shall include the proportionate amount of the share capital attributable to shares issued or sold to members of the Management Board, members of the management or employees of the Company or its group companies within the meaning of section 18 (1) AktG in return for contributions in cash or in kind under the exclusion of the subscription right of the shareholders during the term of the authorization under another authorization.

The Management Board is authorized to specify the further conditions of the capital increase and its implementation.

The Supervisory Board is authorized to amend the wording of the Articles of Association after complete or partial implementation of the share capital increase by use of the Authorized Capital 2020/II and after the expiration of the authorization period."

- c) The Management Board is instructed to apply for registration of the Authorized Capital 2020/II and to file the

amendments of the Articles of Association pursuant to the above letters a) and b) in the commercial register in such a way that they will not become effective until after the cancellation of the Authorized Capital 2015 pursuant to Agenda Item 6 letter a) has become effective or the Authorized Capital 2015 has expired at the end of 9 June 2020.

#### **8. Resolution on the authorization of the Management Board to issue profit participation rights and other hybrid bonds with the authorization to exclude the subscription right of the shareholders, on the cancellation of the existing authorization and of the Conditional Capital 2015, and on the corresponding amendment of the Articles of Association**

While the authorization granted by the Annual General Meeting on 10 June 2015 to issue convertible bonds and warrant bonds, profit participation rights and other hybrid bonds is limited in time and expires on 9 June 2020, it is an integral part of the framework for corporate action in order to ensure that the Company has an adequate regulatory equity capital base. Therefore, a new authorization is to be granted to the Management Board which will replace the authorization issued by the Annual General Meeting on 10 June 2015. The new authorization does not provide for any conversion or option rights on the shares of the Company. Since no convertible bonds or warrant bonds, profit participation rights or other hybrid bonds with conversion or option rights have been issued under the authorization of 2015, the Conditional Capital 2015 is no longer needed and is to be cancelled.

The Management Board and the Supervisory Board propose the following resolutions:

##### a) Cancellation of the authorization of 10 June 2015

The authorization granted by the Annual General Meeting on 10 June 2015 to issue convertible bonds and warrant bonds, profit participation rights and other hybrid bonds (the profit participation rights and the hybrid bonds with or without conversion or option right and/or obligation) is cancelled.

##### b) Authorization to issue profit participation rights and other hybrid bonds that fulfill the requirements under European law for the capital paid in as consideration for the issuance thereof to be recognized as Additional Tier 1 Capital or other own funds under banking regulatory law

The Management Board is authorized to issue until 27 May 2025 once or several times bearer or registered profit participation rights with or without a fixed term. The Management Board is further authorized to issue in lieu of or in addition to profit participation rights until 27 May 2025 once or several times other hybrid financial instruments with or without a fixed term that satisfy the requirements set forth below but may not be classified as profit participation rights from a legal perspective, to the extent that, pursuant to section 221 AktG, their issuance requires the approval of the General Meeting due to the profit-dependent payment of interest thereon or for other reasons (these instruments are hereinafter referred to as "hybrid bonds", and the profit participation rights and the hybrid bonds are hereinafter collectively also referred to as "financial instruments"). The total nominal amount of the financial instruments to be issued under this authorization must not exceed a total value of EUR 2,000,000,000.00. The financial instruments may also be issued in the legal currency of an OECD country other than in euros, subject to the limitation to the corresponding equivalent value in euros. Other than against cash consideration, the financial instruments may also be issued against valuable considerations in kind as determined by the Company, specifically in the form of existing bonds or profit participation rights that are to be replaced by the new instruments.

The financial instruments must fulfill the requirements under European law for the capital paid in as consideration for the issuance thereof to be recognized as Additional Tier 1 Capital or other own funds under banking regulatory law.

The financial instruments may also be issued indirectly by the Company's group companies within the meaning of section 18 (1) AktG in Germany or abroad. In such case, the Management Board is authorized to assume



on behalf of the Company in a manner permissible under supervisory law the guarantee for repayment of the financial instruments and to grant to the group company within the meaning of section 18 (1) AktG non-transferable equivalent financial instruments up to the amount of the issuance by the group company within the meaning of section 18 (1) AktG. If this option is used, only the volume of the financial instruments issued by the group company within the meaning of section 18 (1) AktG will be applied for the purposes of the maximum amount stated under b) above. The shareholders' subscription right to the financial instruments issued to the group company within the meaning of section 18 (1) AktG is excluded.

In the case of the issuance of the financial instruments by the Company or by a group company within the meaning of section 18 (1) AktG, the shareholders are, in principle, entitled to a statutory subscription right. The statutory subscription right may also be granted in such a way that the financial instruments are acquired by one or more credit institutions or companies equivalent to credit institutions pursuant to section 186 (5) sentence 1 AktG with the obligation to offer the instruments to the Company's shareholders for subscription. If the financial instruments are issued by the Company's group companies within the meaning of section 18 (1) AktG, the Company must ensure that the shareholders are granted the subscription right accordingly. However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the subscription right of the shareholders regarding the financial instruments if, in the case of financial instruments issued against cash payment, the issue price of the financial instruments is not materially below their theoretical market value determined on the basis of recognized methods of financial mathematics. To the extent that the Management Board does not use the option of excluding the subscription right, it shall be authorized, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription right for fractional amounts which result from subscription ratios, and also to exclude the subscription right to the extent required in order to grant to holders of conversion rights issued on an earlier occasion or to holders of convertible bonds with conversion obligation a subscription right in the amount in

which they would be entitled to such right after exercising their conversion rights or after fulfilling their conversion obligations. Furthermore, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the subscription right to the financial instruments insofar as these are issued against contributions in kind. The Management Board is authorized, subject to the approval of the Supervisory Board, to determine additional details regarding the issue, the structure and the terms and conditions of the issuance, in particular, the volume, the timing, the interest rate and the issue price or, where applicable, to determine such details in consultation with the relevant corporate bodies of the group company within the meaning of section 18 (1) AktG issuing the instruments.

c) Amendment of the Articles of Association

The conditional capital resolved by the Annual General Meeting on 10 June 2015 is cancelled, revoking section 4 (5) of the Articles of Association, and the current section 4 (6) of the Articles of Association shall become section 4 (5) of the Articles of Association.

**9. Resolution on the authorization to acquire own shares in accordance with section 71 (1) no. 8 AktG, including under exclusion of the right to tender, and to use those own shares, also under exclusion of the shareholders' statutory subscription right, and on the authorization to redeem own shares acquired and to reduce the capital, and on the cancellation of the existing authorization**

The authorization to acquire and use own shares granted by the Annual General Meeting on 10 June 2015 is limited in time and expires on 9 June 2020. This authorization has not been used so far and is to be replaced by a new authorization.

The Management Board and the Supervisory Board propose the following resolutions:

- a) The authorization to acquire own shares issued by the Annual General Meeting on 10 June 2015 is cancelled.
- b) The Management Board is authorized, in accordance with section 71 (1) no. 8 AktG, to acquire until 27 May 2025

own shares up to a total of 10% of the Company's share capital existing at the time of the resolution or – if this value is lower – of the share capital existing at the time this authorization is exercised. Together with the own shares that were acquired for trading purposes or for other reasons and that are in the Company's possession or attributable to it pursuant to sections 71a et seqq. AktG, the shares acquired on the basis of this authorization must at no time exceed 10% of the relevant share capital of the Company. Own shares may be acquired on the stock exchange or by way of a public purchase offer made to all shareholders. Where the own share are acquired via the stock exchange, the consideration paid per share (excluding incidental acquisition costs) must not exceed or fall below the average share price (volume weighted average price of the share of Deutsche Pfandbriefbank AG in the Xetra trading system or a comparable successor system on the Frankfurt Stock Exchange) on the last three exchange trading days prior to the date of the obligation to acquire those own shares by more than 10%. In the case of a public purchase offer, the consideration paid per share must not exceed or fall below the average share price (volume weighted average price of the share of Deutsche Pfandbriefbank AG in the Xetra trading system or a comparable successor system on the Frankfurt Stock Exchange) on the last three exchange trading days prior to the date of the publication of the offer by more than 10%. Where, in the context of a public purchase offer, the volume of the shares offered exceeds the volume intended to be repurchased, shares must be accepted for purchase in proportion to the number of shares offered (tender quota) rather than in proportion to the shareholding of the tendering shareholder in the Company (shareholding quota). The offer may provide for a preferential acceptance of smaller quantities of up to 50 Company shares per shareholder.

- c) The Management Board is authorized to sell the shares acquired as well as of the shares acquired under a prior authorization pursuant to section 71 (1) no. 8 AktG via the stock exchange or by way of an offer to all shareholders. The Management Board is also authorized to sell the acquired shares against consideration in kind under exclusion of the shareholders' subscription right for the

purpose of acquiring companies, participations in companies or other assets. Furthermore, the Management Board is authorized, when selling own shares by way of an offer to all shareholders, to grant to the holders of option rights, convertible bonds and convertible profit participation rights issued by the Company and its group companies within the meaning of section 18 (1) AktG a subscription right to these own shares in the amount in which they would be entitled to such right after exercising the option or conversion right. The shareholders' subscription right is excluded in these cases and to that extent. The Management Board is further authorized to issue shares acquired under an authorization pursuant to section 71 (1) no. 8 AktG to members of the management or to employees of the Company or its group companies within the meaning of section 18 (1) AktG under exclusion of the shareholders' subscription right.

- d) The Supervisory Board is also authorized to issue shares acquired on the basis of authorizations in accordance with section 71 (1) no. 8 AktG, excluding shareholders' subscription rights, to members of the Company's Management Board.
- e) The Management Board is further authorized to sell the Company's own shares acquired on the basis of this and any previous authorizations pursuant section 71 (1) no. 8 AktG to third parties under exclusion of the shareholders' subscription right if the shares are sold for cash at a price which is not significantly lower than the stock exchange price of the shares at the time of the sale. The Management Board may only use this authorization if it is ensured that the number of the shares sold under this authorization does not exceed 10% of the Company's share capital existing at the time this authorization takes effect or – if this value is lower – at the time this authorization is exercised. When calculating the aforementioned 10% limit, the pro-rata amount of the share capital has to be taken into account which is attributable to shares to be issued to service conversion or option rights or conversion or option obligations arising from bonds or profit participation rights issued in analogous application of section 186 (3) sentence 4 AktG under exclusion of the subscription right during the term of this authorization, or the pro-rata

amount of the share capital attributable to shares issued during the term of this authorization under simplified exclusion of the subscription right pursuant to or in analogous application of section 186 (3) sentence 4 AktG.

- f) The Management Board is also authorized to redeem own shares acquired under this or a preceding authorization with no further resolution of the General Meeting being required for the consummation of the redemption. Redemption may also be implemented in accordance with section 237 (3) no. 3 AktG without a capital reduction and in such a manner that the percentage of the share capital attributable to each of the remaining no-par value shares of the Company is increased as a result of the redemption in accordance with section 8 (3) AktG. The Management Board is authorized pursuant to section 237 (3) no. 3 2<sup>nd</sup> half-sentence AktG to amend the number of shares specified in the Articles of Association accordingly. The redemption may also be combined with a capital reduction; in this case, the Management Board is authorized to reduce the share capital by the pro-rata amount of the share capital attributable to the shares redeemed and to amend the number of shares and the share capital specified in the Articles of Association accordingly.

#### **10. Resolution on the authorization to use derivatives in connection with the acquisition of own shares pursuant to section 71 (1) no. 8 AktG and to exclude the tender and subscription right**

Supplementary to the authorization to acquire own shares pursuant to section 71 (1) no. 8 AktG proposed to be resolved under Agenda item 9, the Company is to be authorized to acquire own shares using derivatives. The objective is not to increase the total amount of shares which may be acquired, but merely to provide for further options for acquiring own shares within the limit specified in Agenda item 9, which is further limited by letter a) of the following resolution proposal, which will also have to be counted towards that limit.

The Management Board and the Supervisory Board propose the following resolutions:

- a) Under the authorization to acquire own shares proposed to be resolved under Agenda item 9, the Company's own

shares may, in addition to the ways described under Agenda item 9, also be acquired using put or call options or forward purchases. The Management Board may sell put options to be physically settled to third parties and may purchase call options from third parties if the terms and conditions of the options are designed so as to ensure that these options are settled solely by delivery of shares acquired in accordance with the principle of equal treatment. All share acquisitions made using put or call options shall be limited to a maximum volume of 5% of the share capital existing at the time of the resolution on this authorization by the Annual General Meeting. The term of the options must be chosen such that the acquisition of shares through the exercise of options takes place on 27 May 2025 at the latest.

- b) The purchase price per share to be paid when a put option is exercised or when a forward purchase transaction falls due must not exceed or fall below the average share price (volume weighted average price of the share of Deutsche Pfandbriefbank AG in the Xetra trading system or a comparable successor system on the Frankfurt Stock Exchange) on the last three exchange trading days before the corresponding transaction is agreed by more than 10%, in each case excluding incidental acquisition costs but taking into account the premium received for the option. Call options may be exercised only if the purchase price per share to be paid does not exceed or fall below the average share price (volume weighted average price of the share of Deutsche Pfandbriefbank AG in the Xetra trading system or a comparable successor system on the Frankfurt Stock Exchange) on the last three exchange trading days prior to the date of the acquisition of the shares by more than 10%, in each case excluding incidental acquisition costs but taking into account the premium paid for the option. The option premium paid by the Company for the call option or received by the Company for the put option must not exceed or fall below the theoretical market value of the respective options determined on the basis of recognized methods of financial mathematics by more than 5%.
- c) If some of the Company's own shares are acquired using equity derivatives in accordance with the above provisions, any rights of the shareholders to enter into such

equity derivatives transactions with the Company and any tender rights of the shareholders are excluded.

- d) The sale and redemption of shares that have been acquired using derivatives is subject to the rules stipulated under Agenda item 9.
- e) The authorization relating to the use of derivatives for the acquisition of own shares and relating to the use of these shares as granted by the Annual General Meeting on 10 June 2015 and expiring on 9 June 2020 that has not been used thus far is cancelled.

#### **11. Resolution on the introduction of provisions for convening reorganization general meetings, amendment of the Articles of Association**

With the introduction of section 36 (5) of the Law on the Recovery and Resolution of Institutions and Financial Groups (*Sanierungs- und Abwicklungsgesetz*, "SAG"), the legislator has opened up the possibility of creating a statute of limitations, according to which the notice period for a general meeting, alone or in conjunction with other items, in which a resolution on a capital increase is to be made, can be reduced to ten days. By this, the legislator allows for the avoidance of a resolution situation according to section 62 SAG through a capital increase if the financial position of the institution has worsened significantly or is expected to worsen significantly in the near future pursuant to section 36 (1) sentence 1 or sentence 2 SAG. Pursuant to section 36 (6) SAG, the modalities in connection with the convening of a general meeting are adjusted to the shortened notice period. In particular, the notice period is not extended by the filing deadline, which in turn can be shortened to three days. In order to be able to use this possibility in such situations, it must already be provided for in the articles of association. The proposed amendment to the articles of association thus serves to open this possibility for any future restructuring situations.

The Management Board and the Supervisory Board therefore propose as follows:

Section 14 (4) of the Articles of Association is restated as follows:

*"Unless otherwise stipulated by law, the Shareholders' Meeting shall be convened at least thirty days before the date of the Shareholders' Meeting. By way of derogation, the Shareholders' Meeting shall be convened with a notice period of at least ten days prior to the Shareholders' Meeting, if this serves in particular to pass a resolution on a capital increase and the prerequisites of section 36 (5) sentence 1 of the Act on the Recovery and Resolution of Institutions and Financial Groups (Sanierungs- und Abwicklungsgesetz, SAG) are met. The period of notice shall be extended in the case of sentence 1, but not in the case of sentence 2, by the days of the registration period (section 14 (5) of these Articles of Association)."*

Section 14 (5) sentence 1 of the Articles of Association is restated as follows:

*"Shareholders are entitled to participate in the Shareholders' Meeting and to exercise their voting rights if they have registered, with evidence of their shareholdings, with the Company or any other entity named in the notice of appointment at least six days – in the case of section 14 (4) sentence 2 of these Articles of Association at least three days – before the Shareholders' Meeting."*

#### **12. Amendment of the Articles of Association in section 3 (2) (transmission of information to shareholders), section 14 (5) sentence 2 and sentence 3 (proof of share ownership) and section 14 (6) sentence 3 (exercise of voting rights by proxies)**

The prerequisites for the transmission of notifications to shareholders, the requirements for attendance at the Annual General Meeting and the exercise of voting rights as well as the rules for the exercise of voting rights by credit institutions and commercial proxy services were amended by the Act Implementing the Second Shareholder Rights Directive (ARUG II). The transmission of the convening of the Annual General Meeting to shareholders will in future be governed by section 125 AktG in conjunction with section 67a and section 67b AktG. As a result, section 128 AktG and the option provided there for regulating electronic communication in the articles of association has been repealed. Such a provision is currently contained in section 3 (2) of the Articles of Association. According to the amended section 123 (4)

sentence 1 AktG, in the case of bearer shares of listed companies, the proof of the last intermediary pursuant to the newly introduced section 67c (3) AktG shall in future suffice for attendance at the General Meeting or the exercise of voting rights. Pursuant to section 14 (5) sentence 2 and sentence 3 of the Articles of Association, in accordance with the provisions of the currently applicable version of section 123 (4) sentence 1 AktG, proof of ownership issued by a custodian institution in text form and in German or English is required for attendance at the General Meeting and the exercise of voting rights. In addition, the provisions on the exercise of voting rights by credit institutions and commercial proxy services in section 135 AktG have been supplemented and now cover intermediaries, proxy advisors, shareholder associations and commercial proxy services. Section 14 (6) sentence 3 of the Articles of Association refers to the previous version of section 135 AktG before ARUG II came into force.

ARUG II entered into force on 1 January 2020. The amended section 135 AktG applies immediately. The amendments to section 123 (4) sentence 1 AktG, sections 125 and 128 AktG and the newly introduced sections 67a et seq. AktG, on the other hand, shall become applicable only from 3 September 2020 and for the first time to Annual General Meetings convened after 3 September 2020. The changes will therefore become applicable before the Company's Annual General Meeting in 2021. In order to avoid a deviation from the regulations in the Articles of Association and the law regarding the notification of the Annual General Meeting to the shareholders and the proof for attendance at the Annual General Meeting of the Company or the exercise of voting rights, the amendment of the Articles of Association shall already be resolved upon now. The Management Board shall ensure by a corresponding submission to the commercial register, that the amendment to the Articles of Association shall become effective only after 3 September 2020.

The Management Board and the Supervisory Board propose the following resolution:

Section 3 (2) of the Articles of Association is restated as follows:

*"The Company is entitled to transmit information to shareholders of the Company via electronic media with their consent. Mandatory statutory provisions shall remain unaffected."*

Section 14 (5) sentence 2 and sentence 3 of the Articles of Association are restated as follows:

*"Registration requires text form and must be in German or English. Proof of shareholding must be provided by the last intermediary in text form in German or English; the proof must refer to the beginning of the 21<sup>st</sup> day before the Annual General Meeting."*

Section 14 (6) sentence 3 of the Articles of Association is restated as follows:

*"If the power of attorney is not granted pursuant to section 135 AktG, the power of attorney must be issued and proven in text form."*

The Management Board is instructed to apply for registration of the amendment of section 3 (2) of the Articles of Association and section 14 (5) sentence 2 of the Articles of Association in the commercial register in accordance with the above in such a way that the registrations are made as soon as possible after 3 September 2020.

## II. Report of the Management Board to the General Meeting

### 1. Report of the Management Board to the Annual General Meeting on Agenda items 6 and 7 in accordance with section 186 (4) sentence 2 AktG in conjunction with section 203 (1), (2) sentence 2 AktG

The Management Board and the Supervisory Board propose to the Annual General Meeting to be held on 28 May 2020 under Agenda item 6 and Agenda item 7 that the existing Authorized Capital 2015 be cancelled and replaced by the Authorized Capital 2020/I and the Authorized Capital 2020/II. It is intended that the issue of new shares under the Authorized Capital 2020/I and the Authorized Capital 2020/II may in each case also be carried out under exclusion of the subscription right. The Management Board therefore

renders the following report in accordance with section 186 (4) sentence 2 AktG in conjunction with section 203 (1), (2) sentence 2 AktG on the reasons for the exclusion of the subscription right:

The Company currently has an authorized capital that will expire as soon as on 9 June 2020 (Authorized Capital 2015 pursuant to section 4 (4) of the Articles of Association). In order to give the Management Board the necessary flexibility for capital measures (if any), the authorization for the Management Board to increase the share capital is to be newly structured. Instead of the stated Authorized Capital 2015, two new authorizations for capital increases in the amounts of EUR 114,112,817.90 and EUR 38,037,605.96, respectively (i.e., in total up to EUR 152,150,423.86), having a term in each case until 27 May 2025, are to be granted (Authorized Capital 2020/I pursuant to Agenda item 6 and Authorized Capital 2020/II pursuant to Agenda item 7). Thus, the Management Board will be able to adjust the Company's equity capital base on short notice to the commercial and legal requirements over the entire term of the authorization of five years. Taken together, the two new authorizations correspond, in total, to 40% of the existing share capital and, thus, fall 10 percentage points short of the existing authorized capital. This takes into account, in particular, the shareholders' interest in limiting the risk of dilution, which could result from the utilization of the authorized capital and excluding subscription rights or if the subscription rights are not exercised.

The possibilities for excluding the subscription right explained below – together with the addition of the Authorized Capital 2020/II – essentially correspond to the currently existing Authorized Capital 2015. The new shares which will be issued on the basis of the authorizations to be resolved under Agenda items 6 and 7 will generally be offered to the shareholders for subscription. In order to facilitate the implementation, the statutory subscription right pursuant to section 186 (5) AktG may also be granted in such a way that the new shares are acquired by one or more credit institutions or companies equivalent to credit institutions pursuant to section 186 (5) sentence 1 AktG with the obligation to offer such shares to the shareholders for subscription (indirect subscription right).

However, in the case of the Authorized Capital 2020/I and the Authorized Capital 2020/II, the shareholders' subscription right may also be excluded – subject to the approval of the Supervisory Board – in the cases explained below.

**a) Exclusion of the subscription right for fractional amounts (Agenda items 6 and 7)**

The exclusion of the subscription right for fractional amounts serves to ensure a practicable subscription ratio. Without this possibility, the technical implementation of the issuance could, under certain circumstances, be considerably more difficult. In addition, the costs of trading in subscription rights for fractional amounts would not be in reasonable proportion to the benefit for the shareholders, and, as the exclusion of the subscription right is limited to fractional amounts in this case, the possible dilution effect is minimal, as a rule. Any fractional amounts will be realized at the stock exchange or in any other way in the best interest of the Company.

**b) Exclusion of the subscription right for the issue of employee shares (Agenda item 6)**

The authorization includes the possibility to exclude the subscription right to the extent the shares are issued as so-called employee shares to members of the Management Board, members of the management or to employees of the Company or its group companies within the meaning of section 18 (1) AktG up to a pro-rata amount of the share capital of EUR 2,852,820.44. The issue price will be determined on the basis of the stock exchange price of the Company's share. In the case of employee shares, a discount customary for employee shares may be granted which must be in reasonable proportion to the benefit of an employee share program for the Company as well as to any applicable blocking period or to a minimum holding period to be agreed. The issuance of employee shares to managers and employees is an important instrument for ensuring loyalty and motivation of managers and employees. It also promotes their willingness to share responsibility. The Management Board considers the exclusion of the subscription right for the purpose of issuing employee shares to be objectively justified and appropriate for the shareholders, also in light of any potential dilution effect. Insofar as new shares are

to be issued to members of the Company's Management Board, the granting of the shares is not decided upon by the Management Board, but (in accordance with the division of responsibilities under stock corporation law) by the Company's Supervisory Board.

**c) Exclusion of the subscription right for the benefit of the holders or creditors of conversion or option rights that have already been issued or will be issued (Agenda item 7)**

The exclusion of the subscription right for the benefit of the holders or creditors of conversion or option rights issued or still to be issued by the Company or its group companies within the meaning of section 18 AktG provides for the possibility that, in the event that this authorization is used, the option and/or conversion price need not be reduced in accordance with the so-called anti-dilution provisions under the terms and conditions of the convertible bonds or options, as applicable. Instead, it is intended to provide for the option to also grant a subscription right to the holders of convertible bonds or warrants in such amount in which they would be entitled to such right after exercise of the conversion or option right. The authorization enables the Management Board to choose between both alternatives carefully considering the interests involved when using the Authorized Capital 2020/II.

**d) Exclusion of the subscription right for capital increases against contributions in kind (Agenda item 7)**

The authorization to exclude the shareholders' subscription right in the event of a capital increase against contributions in kind enables the Management Board to offer shares of the Company, for example in the context of business combinations or for the purpose of acquiring (also indirectly) companies or parts thereof, participations in companies or other assets. This enables the Management Board to quickly react to favorable offers or opportunities in the national or international market and use the possibilities for acquisition with the necessary flexibility. Favorable opportunities for obtaining external financing notwithstanding, providing shares from authorized capital as consideration in a company acquisition often represents a reasonable and attractive option as it helps to preserve liquidity, and is often even expressly request-

ed by the seller. The possibility of using own shares from authorized capital as acquisition currency gives the Company the necessary leeway to seize acquisition opportunities quickly and flexibly without having to use the stock exchange. Since such an acquisition is usually made at short notice, it cannot usually be resolved by the Annual General Meeting, which only takes place once a year; moreover, there is usually no time to convene an Extraordinary General Meeting in such cases because statutory deadlines must be adhered to. Instead, what is necessary is authorized capital that can be accessed quickly and flexibly by the Management Board.

The proposed authorization to exclude the shareholders' subscription right is therefore in the interest of the Company and its shareholders. The shareholders will not suffer any significant economic disadvantage, as the issuance of shares against contribution in kind is subject to the condition that the value of the contribution in kind is in reasonable proportion to the value of the shares. When determining the valuation ratio, the Management Board will ensure that the interests of the Company and its shareholders are adequately considered and that the Company receives an appropriate consideration for the new shares. For this purpose, it will take into account the stock exchange price of the Company's shares and be supported by external expertise, insofar as this is possible and necessary in each individual case.

The authorization to exclude shareholders' subscription rights in the event of a capital increase against contributions in kind is also intended to enable the Company to issue shares to members of the Management Board, members of management or employees of the Company and its group companies within the meaning of section 18 (1) AktG against contribution of claims for variable remuneration components, bonuses or similar claims against the Company or group companies. The option to issue shares against the contribution of variable remuneration components to the entitled group of persons is in the interest of the Company and its shareholders. It offers the possibility of a performance-related remuneration which does not burden the company's liquidity, takes account of its risks and strengthens its equity. At the same time,

the entitled persons assume financial co-responsibility. When determining the issue price, a slight discount from the stock exchange price may be made at most in order to offer employees an incentive to contribute variable remuneration components to the company.

**e) Exclusion of subscription right for cash capital increases pursuant to section 203 (1), section 186 (3) sentence 4 AktG (Agenda item 7)**

Furthermore, the authorization also includes the possibility to exclude the subscription right of the shareholders in the case of cash capital increases pursuant to section 203 (1), section 186 (3) sentence 4 AktG provided that the issue price of the new shares does not significantly fall below the stock exchange price for the shares. This authorization enables the Company to exploit favorable stock market conditions flexibly even at very short notice and to cover any capital needs by quickly placing new shares. The exclusion of the subscription right is the only measure that enables the Company to act quickly and to place shares at prices approximate to the stock exchange price, i.e. without the discount customary for subscription rights issues. Without the time-consuming and costly processing of a subscription right, a higher inflow of funds can usually be achieved. Cash capital increases under exclusion of the subscription right pursuant to section 203 (1), section 186 (3) sentence 4 AktG must not exceed 10% of the share capital existing either at the time of the resolution on this authorization by the Annual General Meeting or at the time the authorization takes effect or at the time it is exercised. This means that, even in the event of several capital increases within the authorization period, the subscription right may be excluded based on this authorization in aggregate for no more than 10% of the share capital. When calculating the aforementioned 10% limit, the pro-rata amount of the share capital has to be taken into account which is attributable to shares that are issued to service conversion or option rights or conversion or option obligations arising from bonds or profit participation rights issued in analogous application of section 186 (3) sentence 4 AktG under exclusion of the subscription right during the term of this authorization. Furthermore, shares newly issued by the Company during the term of this authorization and shares which the Com-

pany acquires during the term of this authorization and sells thereafter must be taken into account, in each case if and to the extent that the subscription right is excluded pursuant to and in analogous application of section 186 (3) sentence 4 AktG. This will ensure that no shares are issued from the Authorized Capital 2020/II under exclusion of the subscription right pursuant to section 203 (1), section 186 (3) sentence 4 AktG if this would result in the exclusion of shareholders' subscription rights for a total of more than 10% of the share capital under the simplified exclusion of the subscription right.

In the event that this option for a capital increase is exercised, the Management Board will limit any discount of the issue price compared to the stock exchange price to an anticipated maximum of 3%, but in any case no more than 5%. This takes into account the shareholders' need for protection against dilution of their shareholding. It is thus ensured that, in compliance with the legal interpretation of section 203 (1), section 186 (3) sentence 4 AktG, the shareholders' interests in terms of asset and voting right protection are appropriately safeguarded when the Authorized Capital 2020/II under exclusion of the shareholders' subscription right is used.

**f) Volume limits and crediting (Agenda items 6 and 7)**

The Management Board may make use of the authorizations to exclude the subscription right for the issue of shares to members of the Management Board, members of the management or to employees of the Company and its group companies within the meaning of section 18 (1) AktG against cash contributions (employee shares pursuant to Agenda item 6) only up to a total maximum amount of 0.75% of the share capital existing at the time of the resolution by the Annual General Meeting. When calculating the aforementioned 0.75% limit, the pro-rata amount of the share capital has to be taken into account that is attributable to shares issued or sold during the term of this authorization under another authorization to members of the Management Board, members of the management or employees of the Company or its group companies within the meaning of section 18 (1) AktG against contributions in cash or in kind under exclusion of the subscription right of the shareholders.



The Management Board may only make use of the authorizations to exclude the subscription right for the issue of shares to members of the Management Board, members of the management or employees of the Company and its group companies within the meaning of section 18 (1) AktG against contributions in kind by contributing claims for variable remuneration components, bonuses or similar claims against the Company or its group companies within the meaning of section 18 (1) AktG (Agenda item 7) up to a maximum total amount of 0.75% of the share capital existing at the time of the resolution by the Annual General Meeting. When calculating the aforementioned 0.75% limit, the pro-rata amount of the share capital has to be taken into account that is attributable to shares issued or sold during the term of the authorization under another authorization to members of the Management Board, members of management or employees of the Company or its group companies within the meaning of section 18 (1) AktG against contributions in cash or in kind under exclusion of the subscription rights of the shareholders.

The pro-rata amount of the share capital represented by shares issued under the authorization to be resolved under Agenda item 7 against contributions in cash or in kind under exclusion of the subscription right must not exceed 10% of the share capital existing at the time of the resolution by the Annual General Meeting. This capital limit additionally protects the shareholders against dilution of their shareholding. Subject to any new authorization to exclude the subscription right that may be resolved by a subsequent Annual General Meeting, the Management Board will also take into account any issue of shares or financial instruments with conversion or option rights or obligations based on other authorizations granted to the Management Board under exclusion of the shareholders' subscription right, provided that it will use the authorizations for corporate actions granted to it under exclusion of the shareholders' subscription right only to implement an increase of the share capital by a maximum of 10% of the share capital existing at the time the resolution is adopted by the Annual General Meeting.

There are currently no specific plans to use the new Authorized Capital 2020/I and the new Authorized Capital 2020/II. Corresponding anticipatory resolutions with the possibility to exclude the subscription right are common practice nationally and internationally. The Management Board will in each case carefully examine whether the exercise of the Authorized Capital 2020/I and the Authorized Capital 2020/II and in particular an exclusion of the subscription right is in the interest of the Company and its shareholders. If the proposed authorization is used, the Management Board will report on this at the next Annual General Meeting.

## **2. Report of the Management Board to the Annual General Meeting on Agenda item 8 in accordance with section 221 (4) sentence 2 AktG in conjunction with section 186 (4) AktG**

The European capital requirements pursuant to Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("Capital Requirements Regulation" – CRR) are of considerable importance for credit institutions. They require that credit institutions have adequate capital resources and contain, among others, specific rules for the recognition of Additional Tier 1 Capital ("AT 1 Capital"), according to which credit institutions may issue bonds with special regulatory characteristics to ensure potential loss participation. In addition to so-called Common Equity Tier 1 Capital (share capital and reserves), such instruments can form an indispensable component of the Company's capital resources. The issuance of profit participation rights and other hybrid bonds (hereinafter also referred to jointly as "financial instruments") presents attractive opportunities in this respect and supplements the possibilities for corporate financing by authorized capital.

Although the Company currently has sufficient equity capital and only requires an authorization in limited amount for the issue of the above-mentioned financial instruments, it is important that it therefore has and will continue to have in the future the necessary discretionary powers to procure further equity capital at any time and in accordance with the market situation. A strong capital base and adequate regulatory capital resources are the basis for the Company's business

development. In particular, an adequate scope of discretion to make new issues ensures that the Company is able to react quickly and flexibly to any additional capital requirements imposed by regulatory authorities, which may be ordered at short notice.

In this context, account is taken of the fact that the possibility of issuing financial instruments with conversion or option rights or obligations under the authorization granted by the Annual General Meeting on 10 June 2015 (Authorization 2015) is only of minor significance for the Company. This possibility will therefore not be included in the new Authorization 2020. Since no financial instruments with conversion or option rights or obligations were issued under the Authorization 2015, the Conditional Capital 2015, which corresponds to 50% of the existing share capital, is no longer needed and is to be cancelled without replacement. In the interests of the shareholders, this will significantly reduce the risk of a possible dilution of their participation.

The financial instruments will generally be offered to the shareholders for subscription. In order to facilitate the implementation, the statutory subscription right pursuant to section 221 (4) in conjunction with section 186 (5) sentence 1 AktG is to be granted in such a way that the financial instruments are acquired by one or more credit institutions or companies equivalent to credit institutions pursuant to section 186 (5) sentence 1 AktG with the obligation to offer such financial instruments to the shareholders for subscription (indirect subscription right within the meaning of section 186 (5) AktG).

However, the Management Board is also to be authorized, subject to the approval of the Supervisory Board, to exclude the statutory subscription right of shareholders to the financial instruments in the cases explained below:

**a) Exclusion of subscription rights for fractional amounts**

The exclusion of the subscription right in respect of fractional amounts enables the use of the requested authorization through full amounts. This facilitates the settlement of the shareholders' subscription right.

**b) Exclusion of subscription rights for the benefit of holders of conversion or option rights already issued**

The advantage of the exclusion of the subscription right for the benefit of the holders of already issued conversion and option rights lies in the fact that the conversion or option price for already issued conversion or option rights need not to be reduced, thereby enabling an altogether higher cash inflow. The granting of a subscription right for the holders of conversion or option rights is an alternative to the adjustment of the conversion or option price, which would otherwise have to be made.

**c) Exclusion of subscription rights in order to place the financial instruments at a price close to the market price**

The Management Board is also authorized, subject to the approval of the Supervisory Board, to completely exclude the shareholders' subscription right if the financial instruments are issued against cash payment at a price which is not significantly lower than the market value of such financial instruments. This is intended to ensure that the pricing results in the economic value of a subscription right being close to zero, so that no or only an insignificant economic disadvantage arises for the shareholders. At the same time, this enables the Company to quickly seize favorable market opportunities on a short-term basis and, by determining the conditions in accordance with prevailing market terms, to achieve better terms regarding interest rates and issue price of the financial instruments. If the subscription rights were not excluded, any such market-oriented determination of the conditions and smooth placement would not be possible.

However, the financial instruments may provide for certain equity-like features in order to comply with banking regulatory requirements (e.g. no final maturity, possibility of write-down). This risk is accounted for in the form of increased coupon payments, which may lead to a reduction in the Company's dividend capacity. However, this is offset by considerable financial disadvantages which may arise for the Company if the subscription right cannot be excluded when raising equity capital through the issue of such financial instruments. These disadvantages may outweigh the potential impairment of the Company's dividend

capacity, which the Management Board and Supervisory Board must consider when deciding on the exclusion of subscription rights.

The advantage of an issue of financial instruments with such an exclusion of subscription rights for the Company – and thus indirectly for its shareholders – is that, in contrast to an issue with subscription rights, the issue price can only be fixed immediately prior to placement, thus avoiding an increased risk of price or interest rate changes and maximizing the issue proceeds in the interest of all shareholders without safety margins or without paying an interest rate above market level. At the same time, the exclusion of subscription rights enables the Company to react quickly and flexibly to any requirements imposed by regulatory authorities. Among other things, regulators also have the authority to order capital requirements that exceed the requirements of the CRR in individual cases, e.g. within the scope of bank stress tests, at short notice. Even under these circumstances, flexible and short-term raising of additional Tier 1 capital at the most favorable conditions is necessary.

**d) Exclusion of subscription rights in the case of indirect issues**

If financial instruments are issued indirectly via group companies within the meaning of section 18 AktG, it may be necessary to first issue financial instruments to the group company so that it can place corresponding financial instruments with investors. For this purpose, the statutory subscription right must be excluded in order to ensure that the financial instruments of the Company can be fully acquired by the group company within the meaning of section 18 AktG. Without the exclusion of the subscription right, an indirect issue would not be feasible. This exclusion is not detrimental to the shareholders, as they remain entitled to subscribe to the financial instruments issued by the group company itself (subject to the exclusion of subscription rights in the cases listed above). Furthermore, the transferability to third parties of the financial instruments issued to the group company is excluded, so that the financial instruments can only be issued in the framework of an indirect issue. An exclusion of the subscription right with regard to the financial instruments issued by the group company may be justified in accord-

ance with the above considerations for direct issues – in particular for placement at prices close to the market price. In addition to the decision of the management of the group company, this exclusion of subscription rights requires the decision of the Management Board subject to the approval of the Supervisory Board of the Company.

**e) Exclusion of subscription rights in the case of the issue of the financial instruments against contributions in kind**

In addition, the shareholders' subscription rights may be excluded if the financial instruments are issued against contributions in kind. This enables the Management Board, subject to the approval of the Supervisory Board, to use the authorization to grant holders of bonds or profit participation rights or other certified or non-certified monetary claims against the Company, affiliated companies or other third parties, in whole or in part, financial instruments of the Company in lieu of cash payment. This gives the Company the opportunity to create additional Tier 1 capital in the context of measures to improve its capital structure. In each individual case, the Management Board will carefully examine whether the issue price of the new financial instruments is in reasonable proportion to the value of the monetary claims to be acquired. The issue price of the new financial instruments will be determined by the Management Board subject to the approval of the Supervisory Board, taking into consideration the interests of the Company and its shareholders.

There are currently no specific plans to make use of the proposed authorization. The Management Board will carefully examine each individual case and will make use of the authorization to exclude the subscription right only if the exclusion of the subscription right is justified in the individual case in the best interests of the Company and its shareholders at the time the financial instruments are issued and if the exclusion is covered by the authorization. The Management Board will report on the use of the authorization at the next Annual General Meeting.

### **3. Report of the Management Board to the Annual General Meeting on Agenda items 9 and 10 in accordance with sections 71 (1) sentence 1 no. 8, 186 (4) AktG**

Under Agenda item 9, the Management Board is to be authorized to acquire own shares; Agenda item 10 provides for the authorization of the Management Board to use derivatives for the acquisition of own shares.

#### **a) Acquisition of own shares**

It is intended that own shares may first be acquired on the stock exchange or by way of a public purchase offer made to all shareholders. In the event of a public purchase offer, the number of shares offered by the shareholders may exceed the number of shares intended to be acquired by the Company. In this case, offers must be accepted based on certain quotas. Priority may then be given to small offers or small parts of offers of up to a maximum of 50 shares. The objective is to avoid fractional amounts in determining the quotas to be acquired and small residual amounts and thus to simplify the technical procedure of the share repurchase. This also makes it possible to avoid de facto disadvantages to small shareholders. In addition, the shares can be acquired in proportion to the number of shares offered (tender quota) rather than in proportion to the number of shares held in the Company (shareholding quota) because this permits the acquisition process to be technically handled on a commercially reasonable scale. The Management Board believes that the inherent exclusion of any potential further tender rights of the shareholders is objectively justified and reasonable towards the shareholders.

#### **b) Use of acquired own shares and exclusion of the subscription right**

Under Agenda item 9, the Management Board is further authorized to resell shares acquired. The option of reselling own shares can be used to regenerate own funds.

Besides the sale through the stock exchange or by way of an offer to all shareholders – both of which already ensure equal treatment of the shareholders under the legal definition – the resolution proposal is aimed at enabling the Company to offer shares also as consideration for the acquisition of companies, participations in companies

or other assets under exclusion of the subscription right. This is to put the Company in the position to react fast and successfully on national and international markets in case of favorable offers or other opportunities of acquiring companies, participations in companies or other assets. It is not uncommon that the negotiations result in the necessity to provide consideration not in money but in shares. The authorization takes account of this. When defining the valuation ratios, the Management Board will ensure that the interests of the shareholders are appropriately safeguarded. Generally, when determining the value of the shares granted as consideration, the Management Board will use the stock exchange price of the Company's shares as a point of reference. The authorization does not provide for a schematic link to the stock exchange price, specifically in order not to jeopardize the successful outcome of negotiations as a result of fluctuations of the stock exchange price.

Furthermore, the authorization provides for the option, when selling the shares by way of an offer to all shareholders, to partially exclude the shareholders' subscription right for the benefit of the holders of option rights, convertible bonds and convertible profit participation rights issued by the Company and its group companies within the meaning of section 18 (1) AktG. The rationale behind this is that, according to market practice, the terms and conditions of the convertible and option bonds provide that, in case of a subscription offer to the Company's shareholders for new shares, the conversion or option price is to be reduced subject to an anti-dilution provision if the holders of conversion or option rights are not at the same time granted a subscription right for shares in the amount in which they would be entitled to such right after exercising the conversion or option right or after fulfilling the respective conversion obligation. The proposed option to exclude the subscription right allows the Management Board in such situations to choose between these two types of structure.

In addition, the authorization provides for the option for the Management Board and, if members of the Management Board of the Company are to be offered shares, for the Supervisory Board, to issue shares as shares to mem-

bers of the Management Board, members of the management or to employees of the Company or its group companies within the meaning of section 18 (1) AktG. For this purpose, the Company also has authorized capital or will create new authorized capital under an authorization to this effect. Using the Company's existing own shares instead of a capital increase or cash compensation may be reasonable under financial terms; the authorization is intended to increase flexibility in this regard. In this context, the use of acquired own shares also enables effective control of any price risk that might otherwise exist. As far as shares are to be offered, promised or granted to members of the management or employees of the Company and its group companies within the meaning of section 18 (1) AktG, the Management Board may grant benefits that are customary for employee shares and which have to be proportionate to the Company's benefits of an employee share program and, if applicable, to an existing lock-up period or a to be agreed upon minimum holding period. For the Supervisory Board, the authorization shall primarily include the possibility to offer, promise and transfer own shares to members of the Management Board of the Company within the framework of remuneration regulations. This is also intended to create the prerequisite for granting shares to members of the Company's Management Board as variable remuneration components instead of a cash payment. The Supervisory Board determines the further details within the scope of its legal competencies. This use of acquired shares also requires a corresponding exclusion of the shareholders' subscription right.

Furthermore, it is intended to enable the management, also with a view to the resale of the shares acquired under this authorization for cash consideration, to exclude the subscription right in accordance with section 71 (1) no. 8 AktG in conjunction with section 186 (3) sentence 4 AktG. This possibility provided by law to exclude the subscription right offers the management the opportunity to seize favorable stock market situations on a short-term basis and, by determining the price in accordance with prevailing market terms, to achieve the highest-possible issue price and thus the largest possible addition to the Company's capital resources.

Precisely this opportunity is particularly important given the special capital requirements for banks. The use of this opportunity also for own shares opens up ways to strengthen the Company's capital structure also in less receptive markets. The authorization ensures that, based on section 186 (3) sentence 4 AktG, shares may be sold under the authorization only in the scope and up to the limit of 10% of the share capital specified therein under exclusion of the shareholders' subscription right. When calculating the aforementioned 10% limit, shares have to be taken into account that have been issued in direct or analogous application of section 186 (3) sentence 4 AktG during the term of this authorization under the simplified exclusion of the subscription right or that have been sold after repurchase. When calculating the aforementioned 10% limit, those shares have also to be taken into account that are to be issued to service conversion or option rights or conversion or option obligations arising from convertible or option bonds or profit participation rights to the extent these bonds or profit participation rights were issued in analogous application of section 186 (3) sentence 4 AktG during the term of the authorization. The fact that the shares can only be sold at a price that is not substantially lower than the relevant stock exchange price of the Company's shares gives due consideration to the principle of protecting the shareholders' anti-dilution interests. The final purchase price for the Company's own shares will be determined shortly before the sale. The management will seek to keep any discount from the stock exchange price as low as possible. Any such discount will presumably not exceed 3%, and will in any event be limited to a maximum of 5%. The fact that the stock exchange price must be used as a point of reference for the issue price ensures that the financial and voting interests of shareholders will remain appropriately safeguarded. Shareholders may acquire the number of shares required to maintain their shareholding quota at almost identical conditions on the stock exchange.

### **c) Cancellation of acquired own shares**

Finally, the authorization also permits the cancellation of acquired own shares. Cancellation may be effected either in such a manner that the issued share capital of the Company is reduced upon cancellation or, without reducing

the issued share capital, by a simple cancellation of the redeemed shares resulting simultaneously in an increase in the pro-rata amount of the share capital attributable to the remaining shares. The rights of the shareholders will not be prejudiced in either of the aforementioned cases.

**d) Acquisition of own shares using equity derivatives (Agenda item 10)**

In addition to the options for acquiring own shares stipulated in Agenda item 9, the Company is also to be authorized, under Agenda item 10, to acquire own shares using specific equity derivatives. The use of put or call options for the acquisition of own shares enables the Company to optimize a repurchase transaction. The intention is, as is also illustrated by the individual limitation to 5% of the share capital, to increase the number of instruments available for a repurchase of shares and, simultaneously, to increase the number of occasions in which these instruments can be used to repurchase shares. It is not intended thereby to increase the total volume of shares that may be acquired.

The term of the options must in each case be selected in such a way as to ensure that the acquisition of shares by way of exercising the options does not take place after May 2025. This ensures that the Company cannot acquire own shares after expiration of the authorization to acquire own shares, which is valid until 27 May 2025, unless a new authorization has been issued.

Both the regulations governing the structure of the options and the regulations governing the shares suitable for delivery ensure that account is taken of the principle of equal treatment of shareholders also in this form of acquisition.

The obligation to ensure that options and other equity derivatives are only serviced with shares acquired in accordance with the principle of equal treatment of shareholders prevents disadvantages to shareholders in the case of acquisitions of own shares using equity derivatives.

To comply with the principle of equal treatment it is sufficient according to section 71 (1) no. 8 AktG, if shares are

acquired via the stock exchange at the stock exchange price of the Company's shares prevailing at the time of the acquisition. Since the price for the option (option price) is determined on market terms, shareholders not participating in the option transactions will not suffer any value-related disadvantage. On the other hand, the option of agreeing on equity derivatives enables the Company to exploit market opportunities as soon as they arise and to enter into corresponding equity derivatives. Any potential rights of shareholders to enter into such equity derivative transactions with the Company are excluded, as are any potential shareholder tender rights. This exclusion is necessary to permit the use of equity derivatives in connection with the repurchase of own shares and to achieve the associated advantages for the Company. Entering into corresponding equity derivative transactions with all shareholders would not be feasible.

Therefore, after weighing the interests of the shareholders and the interests of the Company, the Management Board considers the authorization to withhold or limit potential shareholder rights to enter into equity derivative transactions with the Company and potential shareholder tender rights to be generally justified in view of the advantages arising for the Company from the use of equity derivatives.

With regard to the use of the Company's own shares acquired using equity derivatives, this does not differ from the possible uses proposed above. Regarding the reasons justifying the exclusion of the shareholders' subscription right in connection with the use of the shares, reference is therefore made to the information set out above.

The reports of the Management Board on Agenda items 6, 7, 8, 9 and 10 presented above are available on Deutsche Pfandbriefbank AG's website at [www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/) from the time the Annual General Meeting is convened. Upon request, each shareholder will be provided with a copy immediately and free of charge. Furthermore, the reports will also be available during the Annual General Meeting on 28 May 2020 on the aforementioned website of Deutsche Pfandbriefbank AG.

### III. Additional information

#### 1. Holding the Annual General Meeting as a virtual Annual General Meeting

On the basis of the Act on Measures in Corporate, Cooperative, Association, Foundation and Residential Property Law to Combat the Effects of the COVID-19 Pandemic (Article 2 of the Act on Mitigating the Consequences of the COVID-19 Pandemic in Civil, Insolvency and Criminal Procedure Law of 27 March 2020, Federal Law Gazette I 2020, p. 569), hereinafter referred to as "Covid-19 Act", the Management Board of Deutsche Pfandbriefbank AG decided, with the approval of the Supervisory Board, to hold the Annual General Meeting as a virtual Annual General Meeting without physical presence of either the shareholders or their authorized representatives (hereinafter referred to as "Virtual Annual General Meeting"). Physical attendance by shareholders or their authorized representatives is therefore excluded.

The Annual General Meeting will be broadcasted by audiovisual means live on the internet via the Online AGM Service ([www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/)) on 28 May 2020, starting at 10:00 hours (CEST). Shareholders who wish to participate in the Virtual Annual General Meeting must register for the Annual General Meeting. The shareholders who have registered in due time will receive their personal access data required to follow the entire Annual General Meeting via the Online AGM Service with their voting card, together with further information on the use of the Online AGM Service. The live broadcasting does not allow for participation in the Annual General Meeting within the meaning of section 118 (1) sentence 2 AktG. The opening of the Annual General Meeting by the chairman of the meeting and the speech of the Chief Executive Officer can also be followed live by other interested parties on the internet at [www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/).

Shareholders or their authorized representatives can exercise their voting rights by postal vote (by electronic means or in paper form) or by authorizing of the Company Proxies as specified below. Questions to the Management Board may be submitted to the Management Board electronically as described in more detail below until 26 May 2020, 24:00 hours (CEST).

#### 2. Preconditions for the participation in the Virtual Annual General Meeting and for the exercise of voting rights

##### a) Registration

All shareholders who have registered for the Annual General Meeting by no later than Thursday, 21 May 2020, 24:00 hours (CEST) while providing proof of their share ownership, are entitled, pursuant to section 14 (5) of the Articles of Association, to participate in the Virtual Annual General Meeting and to exercise their voting rights either in person or through authorized representatives. Proof of such share ownership must be provided in form of a confirmation from the custodian bank. This proof must refer to the existence of share ownership as of 21 days prior to the Annual General Meeting (record date), i.e. Thursday, 7 May 2020, 0:00 hours (CEST). The record date is the decisive cut-off date for the determination of the shareholder status regarding the participation in the Virtual Annual General Meeting and the exercise of voting rights. According to section 123 (4) sentence 5 AktG, only those shareholders who have provided proof of their shareholder status will be deemed a shareholder vis-à-vis the Company for the purposes of attending the Virtual Annual General Meeting or exercising their voting rights. Both the registration and the proof of shareholding must be submitted in text form (Textform) in German or English language to the address of Deutsche Pfandbriefbank AG, c/o Link Market Services GmbH, Landshuter Allee 10, 80637 Munich, Germany, or to the e-mail address [inhaberaktien@linkmarketservices.de](mailto:inhaberaktien@linkmarketservices.de). The time of receipt of the registration in the Company's mailroom is decisive for meeting the deadline.

Following receipt of registration and proof of their shareholdings, voting cards with the personal access data for the Virtual Annual General Meeting will be forwarded to the eligible shareholders. We kindly ask shareholders wanting to participate in the Virtual Annual General Meeting or to exercise their voting rights to arrange for the required registration as well as proof of shareholding with their custodian bank in a timely manner.

Shares will not be barred or blocked due to the registration for the Annual General Meeting. Thus, shareholders

can continue to freely dispose of their shares even after registration.

**b) Postal vote**

Shareholders may exercise their voting rights by way of a postal vote. In this case, the same formal requirements apply, including the timely registration. Details on the postal voting procedure are provided in section III. 3. a) and b) of this invitation.

**c) Authorized representatives**

Shareholders may also exercise their voting rights by using an authorized representative – for example, an intermediary, a credit institution, a shareholders' association or a proxy advisor willing to exercise the voting rights at the Annual General Meeting. Please note that, also in such cases, the registration must be carried out in a timely manner and in accordance with formal requirements. Details of the authorization process are provided in section III. 3. a), c) and d) of this invitation.

**3. Voting procedure**

**a) General**

Once duly registered, you may exercise your voting rights by way of a postal vote, through Company Proxies or an authorized representative.

**b) Postal vote**

Shareholders who wish to exercise their voting rights by way of postal vote must consider the following:

The Company offers an access restricted Online AGM Service at [www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/) for voting by (electronic) postal vote. You will receive the required personal access data with your voting card. Postal votes, including their changes and revocations, can be exercised via the access restricted Online AGM Service until the beginning of voting in the Virtual Annual General Meeting.

In addition, postal votes may be sent in, changed or revoked in text form until Wednesday, 27 May 2020, 18:00 hours (CEST) at the latest to the address Deutsche

Pfandbriefbank AG, Annual General Meeting 2020, c/o Link Market Services GmbH, Landshuter Allee 10, 80637 Munich, Germany or under the e-mail address [inhaberaktien@linkmarketservices.de](mailto:inhaberaktien@linkmarketservices.de). You will receive a form for this purpose with the voting card. In addition, a universal postal vote form is available on the Company's website at [www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/). It will also be sent to you free of charge on request.

In all these cases, the time of receipt of the postal vote, its change or revocation in the Company's mailroom is decisive for meeting the deadline. If divergent declarations are received via different transmission channels and it is not possible to determine which was submitted last, these declarations will be considered in the following order: (1) via Online AGM Service, (2) via e-mail, (3) in paper form.

Please note that voting by way of postal vote is only possible on those motions and election nominations in respect of which proposals by the Management Board and/or the Supervisory Board pursuant to section 124 (3) AktG, or of shareholders pursuant to section 124 (1) AktG were either included in this invitation to the Annual General Meeting or announced subsequently, or which are made available in accordance with sections 126 and 127 AktG.

If postal votes and power of attorney/instructions to the Company Proxies are received, postal votes will always be given priority. If separate votes are held on an Agenda item instead of collective voting, the submitted postal vote will apply accordingly to each item of the separate votes.

**c) Voting by Company proxies**

Shareholders may also opt to be represented by Company-appointed proxies bound by instructions ("Company Proxies"). In this case, shareholders must consider the following:

Company Proxies may only vote on Agenda items for which they have received explicit instructions regarding the exercise of the voting right. Said Company Proxies are under an obligation to cast their votes in line with the instructions given. Company Proxies will not exercise



voting rights for which they have not received instructions. Please note that the Company Proxies will not accept any instructions to raise objections against Annual General Meeting resolutions or to ask questions or submit motions as well as to submit statements, and that they will only be available for the voting on such motions and election nominations in respect of which proposals by the Management Board and/or the Supervisory Board pursuant to section 124 (3) AktG or of shareholders pursuant to section 124 (1) AktG were either included in this invitation to the Annual General Meeting or announced subsequently, or which are made public in accordance with sections 126 and 127 AktG.

Powers of attorney and instructions for Company Proxies may be issued, amended or revoked in text form until Wednesday, 27 May 2020, 18:00 hours (CEST) at the latest to the address of Deutsche Pfandbriefbank AG, Hauptversammlung 2020, c/o Link Market Services GmbH, Landshuter Allee 10, 80637 Munich, Germany or under the e-mail address [inhaberaktien@linkmarketservices.de](mailto:inhaberaktien@linkmarketservices.de). In addition, it is also possible to grant power of attorney and to issue instructions to the Company Proxies via the access restricted Online AGM Service at [www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/) before and during the Virtual Annual General Meeting, but they must be received by the beginning of the voting at the latest. You will receive the access data required for the access restricted Online AGM Service with your voting card.

The time of receipt of the power of attorney, instruction, amendment, or revocation in the Company's mailroom is decisive for meeting the deadline.

If separate votes are held on an Agenda item instead of collective voting, the instructions given to the Company Proxies on this item will apply accordingly to each item of the separate votes.

If divergent declarations are received via different transmission channels and it is not possible to determine which was submitted last, these declarations will be considered in the following order: (1) via Online AGM Service, (2) via

e-mail, (3) in paper form. If postal votes and power of attorney/instructions to the Company Proxies are received, postal votes will always be given priority.

**d) Voting through an authorized representative**

Shareholders may also exercise their voting rights through other representatives to whom they have duly granted power of attorney. In this case, shareholders must consider the following:

If the power of attorney is not granted pursuant to section 135 AktG, the power of attorney must be issued either in text form vis-à-vis the Company at any of the addresses set forth above under section III. 2. a) of this invitation for registration purposes or directly to the authorized representative (in which case, proof of such authorization is required to be provided to the Company in text form). The same applies if a shareholder wishes to revoke a power of attorney.

Shareholders and their authorized representatives must submit the proof of authorization or of the revocation of the power of attorney no later than Wednesday, 27 May 2020, 18:00 hours (CEST) to the Company at any of the addresses set forth above under section III. 2. a) of this invitation for registration purposes.

If the power of attorney is granted pursuant to section 135 AktG (granting of power of attorney to intermediaries (in particular credit institutions), proxy advisors, shareholders' associations or commercial proxy services), it is required to keep verifiable records of the power of attorney. Furthermore, the declaration of the power of attorney must be complete, and may contain only statements relating to the exercise of the voting rights. In these cases, shareholders should consult with the person to be authorized as to the formal requirements of such power of attorney.

Authorized representatives (except for the Company Proxies) may not physically participate in the Annual General Meeting. They may only exercise the voting rights of the shareholders they represent by way of postal vote or by granting (sub-)authorization to the Company Proxies.

The exercise of rights by authorized representatives by means of electronic communication via the Online AGM Service requires that the authorized representative receives the personal access data sent with the voting card from the person granting the power of attorney. The use of the personal access data by the authorized representative is also deemed to be proof of authorization.

In the event that a shareholder appoints more than one person as authorized representative, section 134 (3) sentence 2 AktG entitles the Company to reject one or several of these persons.

#### 4. Shareholders' rights

Shareholders' rights, before and during the Virtual Annual General Meeting, include – among others – the following rights. More information regarding such rights is available on our website [www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/).

##### a) Additions to the Agenda

Pursuant to section 122 (2) AktG, shareholders whose combined shareholdings add up to a twentieth of the share capital, or reach the nominal amount of EUR 500,000.00 of the Company's share capital (corresponding to 176,767 shares), may request that certain items be included in the Agenda and communicated. Each new Agenda item must be accompanied by an explanation or a proposal. Such a request must be addressed, in writing or in electronic form according to section 126a of the German Civil Code (*Bürgerliches Gesetzbuch*, "BGB") (i.e. with qualified electronic signature), to the Management Board of Deutsche Pfandbriefbank AG, Parkring 28, 85748 Garching, Germany, E-mail (with qualified electronic signature) [inhaberaktien@linkmarketservices.de](mailto:inhaberaktien@linkmarketservices.de). The Company must receive such a request no later than Monday, 27 April 2020, 24:00 hours (CEST). Applicants must prove that they have held the shares for at least 90 days before the request is received, and that they will hold the shares until the Management Board decides on the request. For the calculation of the shareholding period, section 70 AktG applies. Furthermore, section 121 (7) AktG shall apply mutatis mutandis. As such, the day of receipt of the request shall not be included in the calculation of

the deadline. Postponing to or bringing forward from a Sunday, Saturday or a public holiday to a preceding or following business day is not permissible. Sections 187 to 193 BGB shall not apply analogously.

Amendments to the Agenda that require communication (unless they were already communicated with the convocation) will be published, without undue delay following receipt of the request, in the German Federal Gazette and will be forwarded to such other media for publication that can be assumed to distribute information throughout the entire European Union. In addition, they will also be published on our website [www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/), and communicated to the shareholders in accordance with section 125 (1) sentence 3 AktG (in the currently applicable version).

##### b) Counter-proposals; nominations

Each shareholder is entitled to lodge counter-proposals in response to resolutions proposed on the items on the Agenda. If the counter-proposals are to be made available by the Company prior to the Annual General Meeting, they must be sent to the Company no later than 14 days prior to the Annual General Meeting, i.e. by Wednesday, 13 May 2020, 24:00 hours (CEST), to the address of Deutsche Pfandbriefbank AG, Investor Relations, Attn. Mr. Michael Heuber, Parkring 28, 85748 Garching, Germany, stating the reasons for them. Counter-proposals sent to other addresses need not be made available. The time of receipt of a counter-proposal in the Company's mailroom is decisive for meeting the deadline. In the case that one of the exclusions in accordance with section 126 (2) AktG applies, a counter-proposal need not be made available. Substantiations of a counter-proposal do not need to be made accessible where they exceed 5,000 characters in total. Subject to section 126 (2) and (3) AktG, shareholders' counter-proposals that are to be made available will be published at [www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/) together with the shareholder's name and an explanatory remark as well as any related statements by the management.

The Company will treat counter-proposals and election nominations which are duly made, admissible and timely

submitted as if they had been made orally at the Annual General Meeting. This also applies to counter-proposals to Agenda items that have been placed on the agenda at the request of a minority of shareholders pursuant to section 122 (2) AktG on the basis of admissible and timely submitted supplementary motions to the Agenda.

According to section 127 AktG, these rules also apply, mutatis mutandis, to shareholder nominations for the appointment of auditors. Such nominations must also be sent exclusively to the addresses specified above under section III. 4. b) by no later than 14 days prior to the Annual General Meeting, i.e. by Wednesday, 13 May 2020, 24:00 hours (CEST). Such nominations need not be justified. In addition to the grounds defined in section 126 (2) AktG, a nomination need not be made available by the Management Board, inter alia, if the nomination does not contain name, executed profession and residence of the candidate.

#### **c) Possibility to submit statements**

Due to the concept of the Virtual Annual General Meeting based on the Covid-19 Act, shareholders will not be able to comment on the Agenda at the Annual General Meeting.

The Company therefore provides shareholders who have registered in due time the possibility of submitting statements with reference to the Agenda for publication by the Company on its website at [www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/) prior to the Virtual Annual General Meeting. Shareholders who wish to submit a statement are requested to send it, including the name and the number of the voting card, to the Company in text form in German or English language, by 26 May 2020, 24:00 hours (CEST) at the latest to the address of Deutsche Pfandbriefbank AG, Investor Relations, Attn. Mr. Michael Heuber, Parkring 28, 85748 Garching, Germany, or by e-mail to [inhaberaktien@linkmarketservices.de](mailto:inhaberaktien@linkmarketservices.de).

The length of a statement should not exceed 10,000 characters. The name of the submitting shareholder will be disclosed in the publication only if the shareholder has expressly agreed to such disclosure when submitting the statement.

This does not imply a right to have a submitted statement published. In particular, the Company reserves the right to refrain from publishing statements with offensive content, content that could qualify as a criminal offence, obviously false or misleading content or content without any reference to the Agenda of the Annual General Meeting. This also applies to statements the length of which exceed 10,000 characters or which have not been received by the Company in text form in German or English language by 26 May 2020, 24:00 hours (CEST). Furthermore, the Company reserves the right to publish only one statement per shareholder. The Company will decide whether published statements will remain accessible on the Company's website after the Virtual Annual General Meeting.

If shareholders wish to address questions to the Management Board of the Company, this is only possible by way of electronic communication via the Online AGM Service at [www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/) as described below under section III. 4. d) of this invitation.

#### **d) Right to disclosure/Possibility to ask questions**

According to the Covid-19 Act, the shareholders are not entitled to disclosure within the meaning of Section 131 AktG, but they are given the possibility to ask questions at the Annual General Meeting by means of electronic communication (section 1 (2) sentence 1 no. 3 Covid-19 Act). This does not imply a right to receive a response.

With the approval of the Supervisory Board, the Management Board of Deutsche Pfandbriefbank AG has decided that questions from shareholders duly registered for the Virtual Annual General Meeting can be addressed to the Management Board via the Online AGM Service at [www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/). Questions must relate to matters concerning the Company, the legal and business relations of the Company with an affiliated company as well as the situation of the Group and the companies included in the consolidated financial statements to the extent that this is necessary for a proper assessment of an item on the Agenda.

Questions from shareholders must be received by the Company via the access restricted Online AGM Service of the Company by 26 May 2020, 24:00 hours (CEST) at the latest. It is not possible to ask questions during the Virtual Annual General Meeting.

The Management Board decides at its duty-bound and free discretion which questions it will respond to and how to answer them (section 1 (2) sentence 2 Covid-19 Act). In particular, it may summarize questions and select meaningful questions in the interest of the other shareholders. Furthermore, the Management Board may give preference to shareholders' associations and institutional investors with significant voting interests. Questions in foreign languages will not be considered. The Management Board reserves the right to answer recurring questions in general form in advance on the Company's website.

#### **e) Right of objection**

Shareholders duly and timely registered for the Annual General Meeting may declare objections to resolutions of the Annual General Meeting via the access restricted Online AGM Service at [www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/) for recording in the minutes in accordance with section 245 no. 1 AktG. The declaration can be made via the access restricted Online AGM Service from the beginning of the Annual General Meeting until the end of the meeting. The notary has authorized the Company to accept objections via the access restricted Online AGM Service and will himself have access to the objections received.

#### **5. Information and documents on the Annual General Meeting; website**

This convocation of the Annual General Meeting, including the legally required information and explanations, as well as the documents to be made available (pursuant to section 124a AktG), can be accessed at and downloaded from our website, at [www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/). All documents required to be made available to the Annual General Meeting by law will also be available on the Company's website during the Virtual Annual General Meeting. The voting results will be published on the same website following the Annual General Meeting.

#### **6. Total number of shares and voting rights**

At the time the Annual General Meeting was convened, the Company's share capital of EUR 380,376,059.67 was divided into 134,475,308 no-par value shares, each of which grants one vote. If the Company holds own shares directly or indirectly within the meaning of section 71d AktG, the Company has no rights arising from these shares pursuant to section 71b AktG. Treasury shares would therefore be neither entitled to vote at the Company's Annual General Meeting nor would they be entitled to dividends. At the time the Annual General Meeting is convened, the Company does not hold any own shares, either directly or indirectly, and does not intend to acquire own shares, either directly or indirectly, until the Annual General Meeting.

#### **7. Broadcast of the Annual General Meeting/Audiovisual recording**

The opening of the Annual General Meeting by the chairman of the meeting and the speech of the Chief Executive Officer can also be followed live by other interested parties on the internet at [www.pfandbriefbank.com/investoren/hauptversammlung/](http://www.pfandbriefbank.com/investoren/hauptversammlung/). The speech of the Management Board will be recorded and made available on the same website after the Virtual Annual General Meeting.

#### **8. Information on data protection**

The following is intended to provide you with information on processing of your personal data by Deutsche Pfandbriefbank AG and your rights under data protection law. You can obtain more information on data protection in the Privacy Notice at [www.pfandbriefbank.com/en/privacy](http://www.pfandbriefbank.com/en/privacy).

The responsible data controller is Deutsche Pfandbriefbank AG, Parkring 28, 85748 Garching, Germany. You can contact the data privacy officer of Deutsche Pfandbriefbank AG by regular mail under the aforementioned address or by e-mail to [group.dataprotection@pfandbriefbank.com](mailto:group.dataprotection@pfandbriefbank.com).

With regard to the Virtual Annual General Meeting, Deutsche Pfandbriefbank AG processes your personal data (repository data of the shareholder, the name, address and e-mail address of his/her representative, if applicable, the type of ownership of the shares, absentee votes/voting instructions, and

the number of the voting card) on the basis of prevailing data protection legislation.

Processing of your personal data is mandatory in order to enable you as a Shareholder to participate at the Virtual Annual General Meeting, in particular to exercise voting rights and to follow the complete audiovisual broadcast of the Virtual Annual General Meeting, and to conduct the Virtual Annual General Meeting. Legal Basis for the processing is art. 6 (1) sentence 1 letter c) of the EU General Data Protection Regulation in conjunction with sections 118 et seqq. AktG, section 67 AktG, section 1 Covid-19 Act and section 14 of the Articles of Association. In general, Deutsche Pfandbriefbank AG receives the Shareholder's personal data from the credit institution which the Shareholder has instructed to hold its shares in safe custody (so-called custodian bank). Insofar as the processing of personal data is necessary for organisational reasons in order to conduct the Virtual Annual General Meeting, the legal basis for this is art. 6 (1) sentence 1 letter f) of the EU General Data Protection Regulation.

Deutsche Pfandbriefbank AG uses the services of external service providers and their subcontractors based in the European Union for the conduction of the Virtual Annual General Meeting. The service providers commissioned for the conduction of the Virtual Annual General Meeting process your personal data exclusively in member states of the European Union or the European Economic Area and in accordance with the instructions of Deutsche Pfandbriefbank AG and only to the extent that this is required for the execution of the commissioned service. All employees of Deutsche Pfandbriefbank AG and the employees of the commissioned service providers who have access to and/or process personal data of shareholders and shareholder representatives are obliged to treat this data confidentially. Moreover, the publication and/or transfer of your personal data to third parties, in particular to other Shareholders and their representatives, may also be required, e.g. as a result of the legal notification obligations under sections 126, 129 AktG.

Deutsche Pfandbriefbank AG will delete your personal data in accordance with the statutory regulations, in particular if your personal data is no longer necessary for the original purposes of processing, the data is no longer required in connection

with any administrative or court proceedings and there are no statutory storage obligations.

At the aforementioned address, you can obtain information on, and access to, the data about you that Deutsche Pfandbriefbank AG has stored. If the legal requirements are met, you also have the right to demand that your data be rectified or erased or that processing of it is restricted.

If the legal basis for the processing of personal data is art. 6 (1) sentence 1 letter f) of the EU General Data Protection Regulation, shareholders also have a right of objection under the statutory conditions.

In case you wish to lodge a complaint about how your data is being used you can contact the aforementioned data privacy officer or a data protection supervisory authority.

Garching, April 2020

Deutsche Pfandbriefbank AG

The Management Board

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