

Disclosure Report

In accordance with Part 8 of the Capital Requirements Regulation (CRR)

Remuneration Report
according to Sec. 450 CRR, Sec. 16 Institutsvergütungsverordnung

As of 31. December 2021

Deutsche Pfandbriefbank Group



Remuneration Report 2021

Scope and objective of the Remuneration Report

This report is based on the disclosure requirements set forth in section 16 (1) of the German Ordinance on Remuneration in Financial Institutions (Institutsvergütungsverordnung – “InstVergV”) in conjunction with section 27 (3) of the InstVergV, as well as the requirements resulting from the German Banking Act (Kreditwesengesetz – “KWG”), Article 450 no. 1 (a) to (j) of the Capital Requirements Regulation (CRR) in its currently applicable version.

This Remuneration Report refers to the remuneration of senior managers, second-level senior staff and employees of Deutsche Pfandbriefbank AG (hereinafter referred to as “pbb”) and its subordinated consolidated companies (hereinafter referred to as “pbb Group”) for the financial year 2021. It is an annex to the Disclosure Report as at 31 December 2021 and describes the key features of pbb Group’s remuneration policy and practices in accordance with Article 450 of the CRR.

For further quantitative disclosures on remuneration, please refer to the separately published Remuneration Report pursuant to section 162 of the German Stock Corporation Act (Aktiengesetz – “AktG”), including in particular the total remuneration of Management Board and Supervisory Board members. The Remuneration Officer has reviewed and approved the appropriateness of the remuneration system. Furthermore, the Remuneration Officer was involved with the implementation processes regarding the remuneration systems.

Remuneration System and Remuneration Strategy of the pbb Group

The remuneration system of pbb Group was developed within the scope of the remuneration strategy as a future-oriented system appropriate to the current situation of pbb Group and its various locations. This performance-oriented remuneration system is in line with prevailing market conditions, and with the regulatory and statutory requirements - in particular the CRD, the German Banking Act (Kreditwesengesetz – “KWG”) as well as the InstVergV. Regarding the remuneration of Management Board members, this remuneration system also adequately takes into account the requirements as set out in the AktG and the German Corporate Governance Code (DCGK).

Within this context, pbb Group's objective is to implement its amended remuneration system for all companies within the pbb Group as well as all senior staff, and domestic and international employees, in as uniform a manner as possible with regard to content, insofar as this is meaningful content-wise, and permissible in legal and regulatory terms (or required).

Remuneration Strategy

The remuneration system and the remuneration strategy of pbb Group are integral components of the business and risk strategy of pbb Group. The remuneration strategy sets out the framework for the performance and remuneration of Management Board members and employees of the pbb Group. The remuneration strategy was developed as part of the business and risk strategy, involving the relevant business divisions. The last update of the remuneration strategy was introduced in 2021 – without any effects on the variable or fixed remuneration. All employees of pbb Group have access to the remuneration strategy via the intranet. The remuneration strategy is subject to regular revision and may be subject to extraordinary revision, particularly in case of amendments to the business and risk strategy.

The remuneration strategy aims to guarantee a performance-oriented and appropriate remuneration - one that is geared to achieving the targets enshrined in the business and risk strategy. pbb's business management is targeted towards a sustainable enhancement of profitability, whilst maintaining the Group's strict risk policy. Performance measurement at institutional level is one of the key elements in achieving these objectives. Referring to performance measurement at institutional level, particular attention is given to (key) performance indicators – as defined within the business and risk strategy as well as business planning – which particularly reflect the defined business and risk strategy, fulfil all regulatory requirements regarding risk, capital and liquidity, and are transparent as well as comprehensible. The performance at institutional level, derived from the performance indicators, forms the basis for the total variable remuneration available for disbursement. Hence, variable remuneration of Management Board members and all other employees is directly linked to – and driven by

– the business and risk strategy. Moreover, this guarantees compatibility of the remuneration system with the Group's capital and liquidity planning, as stipulated in the applicable regulatory requirements. Performance measurement comprises two other performance levels: division performance and individual performance. Targets for these subsequent performance levels will be derived from the business and risk strategy.

The remuneration strategy is an integral part of the personnel strategy. pbb's business model requires highly qualified employees with expert knowledge. The key objective of pbb Group's strategy therefore is to attract, retain and develop – for the long term – highly qualified employees with expert knowledge, strong quality awareness, customer focus, leadership skills, the willingness to be deployed flexibly, and an advanced degree of entrepreneurial thinking. Capable and dedicated employees are key to increasing income by generating profitable new business in line with the strict risk policy. Besides the Group's differentiated personnel planning, restructuring strategy and the diversified internal and external qualification programme, implementation of the Group's personnel strategy is based on variable remuneration, featuring incentives for individual performance, and promoting cooperation between business divisions, departments and teams. With the variable remuneration components, employees have the chance to participate directly in the success of pbb Group.

Implementation of regulatory requirements regarding remuneration systems of banks is another element in the remuneration strategy. The aim of pbb's remuneration system is to reflect the basic principle of appropriateness regarding the amount and structure of individual remuneration components. Another goal is to avoid incentives for taking disproportionately high risks. Going forward, total remuneration amounts, and individual remuneration elements will be subject to regular revision in order to establish an appropriate relationship of remuneration to function and performance, as well as to pbb Group's overall performance. pbb Group is advised regularly by an independent, external remuneration expert (hkp Germany), especially for the purpose of examining whether remuneration is in line with common practice compared with other companies, an external legal advisor for the company pension scheme (Mercer Germany), and an external legal advisor for labour law and regulatory legal issues (Gleiss Lutz). In 2021, the aforementioned advisors were appointed particularly in the context of the Supervisory Board's review of the appropriateness of the remuneration system.

Adjustments to the Remuneration System

In November 2021, the Management Board reviewed the appropriateness of the remuneration system as well as the need to adjust the system to reflect the revised version of the InstVergV dated 24 September 2021. The adjustments mainly relate to the threshold below which such disbursement structure for risk takers is waived for reasons of proportionality, and the deferral period for variable remuneration of risk takers. Adjustment of the remuneration system to reflect the new requirements is set for implementation during 2022.

The Supervisory Board presented the remuneration system for Management Board members – adapted in 2021 to the German Act Implementing the Second Shareholder Rights Directive ("ARUG II") dated 19 December 2019 – to the 2021 ordinary Annual General Meeting for approval. The 2021 ordinary Annual General Meeting adopted the remuneration system by 95.42% of the valid votes cast. The Supervisory Board reviewed the appropriateness of the remuneration systems in November 2021. In view of the broad approval, the Supervisory Board did not envisage any changes to the remuneration system for 2022. It is not necessary either to make changes to the remuneration system for the members of the Management Board after publication of the amendments to the InstVergV on 24 September 2021.

Principles and composition of the Remuneration System for employees

In the financial year 2021, total remuneration of employees comprised the following elements:

- Non-performance-related (monetary) remuneration, including social insurance and fringe benefits
- Performance-related variable remuneration

Non-performance-related remuneration

All employees of pbb Group receive an annual fixed salary, which is reviewed – and adjusted if necessary – as part of an annual standard process. pbb Group uses functional and country-specific market comparisons for the determination of fixed salaries. The appropriateness and competitiveness of fixed salaries, and compliance with regulatory requirements, is subject to review by independent external remuneration and legal advisors.

Taking various tax and social security aspects into account, pbb Group offers its employees social insurance and fringe benefits. Key ancillary benefits in Germany include a lunch allowance and a group accident insurance, which also covers the private domain. In addition, a company car policy exists in Germany for certain employee groups, which includes the private use of the company car. The beneficiaries of this are in particular middle and senior management employees who bear the title of “Director” or “Managing Director” as well as employees who frequently travel by car in a work-related context. At its non-German entities, pbb Group primarily offers additional health and pension insurance schemes as well as term life and occupational disability insurances as social insurance and fringe benefits.

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

Performance-related variable remuneration

pbb Group’s variable remuneration system is based on transparency and performance, as well as overall Group success. The variable remuneration of risk takers depends in particular on long-term and ambitious individual target figures, and the pbb share performance.

Variable remuneration is paid in cash. pbb Group introduced a share-based remuneration system with cash settlement, where the amount of the variable remuneration for risk takers is influenced by the performance of the pbb share as part of the sustainability components. pbb Group did not grant any share options in 2021. No share ownership guidelines apply within pbb Group, i.e. risk takers are not obliged to acquire pbb shares.

The variable remuneration component is determined on the basis of an individual calculatory reference value, which reflects the amount of variable remuneration attributed to a performance level of 100% on all relevant performance levels. Variable remuneration may represent up to 40% of an employee’s total remuneration, depending on the job and family status as well as the career ladder. However, as a basic principle, pbb Group ensures that the variable remuneration component granted never exceeds 150% of the respective individual calculatory reference value.

According to section 25a (5) sentence 2 of the KWG, the variable remuneration may not exceed 100% of fixed remuneration. According to section 25a (5) sentence 5 of the KWG, pbb’s Annual General Meeting may increase this threshold to 200% of fixed remuneration. However, no such resolution has been taken by pbb’s Annual General Meeting to date.

Variable Remuneration System

Requirements (section 7 of the InstVergV)

Granting of variable remuneration is subject to the prior determination of a total amount of variable remuneration (taking into account the requirements of section 7 of the InstVergV). This amount is determined at the end of each financial year, within the framework of a formal and transparent process. The variable remuneration to be granted for 2021 was approved as part of the review in 2022. For the examination of requirements according to section 7 of the InstVergV, pbb uses relevant recovery threshold values as indicators in line with the reporting on recovery and resolution plans (in accordance with the EU SRM Regulation and the German Act on Restructuring and Resolution (Sanierungs- und Abwicklungsgesetz – “SAG”). Provided all requirements were fulfilled, and the Group disclosed (positive) consolidated profit in its IFRS financial statements, a total amount available for disbursement as variable remuneration is then determined. In the event of a net loss it is unlikely that the full amount would be earmarked for variable remuneration.

Performance measurement

The amount of variable remuneration for 2021 is determined on three levels: (i) the institution's performance, (ii) the performance of the organisational unit, and (iii) individual performance.

Referring to performance measurement at institutional level, particular attention is given to (key) performance indicators – as defined within the business and risk strategy as well as business planning – which particularly reflect the defined business and risk strategy, fulfil all regulatory requirements regarding risk, capital and liquidity, and are transparent as well as comprehensible. As in the previous year, the institution's performance for 2021 was calculated as follows: the level of target achievement for the (adjusted) IFRS consolidated profit before tax, plus the level of target achievement for the risk-reward profile, determined as the ratio between net margin x average portfolio volume and risk-weighted assets. The two performance indicators are equally weighted. The use of adjusted profit before taxes fosters the incentive effect to achieve a long-term return. The result before taxes includes loss allowance (individually via value adjustments and generally via portfolio allowances) as well as general and administrative expenses. The risk-reward performance indicator optimises returns in relation to the risk taken (integrated risk return management). The risk-reward profile takes risk-weighted assets into consideration, which comprises the risks – and maturities – assumed by pbb; the Bank also fulfils applicable regulatory requirements by applying a risk-sensitive measurement approach, including expected and unexpected risks and their respective maturities. pbb determines the total amount available for disbursement as variable remuneration using these two key performance indicators. This ensures that the remuneration system immediately responds to external and internal events and pbb's central risks. For more information on pbb's central risks, please refer to the Risk and Opportunity Report within pbb Group's Annual Report 2021.

At an institutional level, target achievement may be subject to additional modifiers. The list of modifiers includes, for instance: short-term changes of regulatory requirements considered material to pbb Group, short-term macroeconomic events, one-off effects or foreign trade limitations due to the acquisition or disposal of material business units, particularly in the case of external M&A activities. The modifiers were not applied in 2021.

Key Performance Indicators Institution

Key Performance Indicators	Definition	Weighing
Profit before tax	- reflects profit before taxes, as reported in the financial statements (consolidated figures in accordance with IFRS) - reflects the Bank's overall performance, for which the Management Board is jointly responsible	50%
Risk-reward ratio	- is defined as the net margin from client business multiplied by portfolio volume, divided by risk-weighted assets - reflects client profitability and risk allocation	50%

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

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

The qualitative and quantitative divisional targets are established on an annual basis: they are derived from the corporate targets and the business plans made for the respective financial year. The establishment of targets commences with the setting of overall corporate strategic priorities by the Management Board, in order to facilitate the management of divisional targets. The Management Board also establishes overall corporate strategic priorities from the environmental, social and governance (ESG) field. This particularly serves to promote practices related to pbb's climate and environmental risk approach. In particular, qualitative divisional targets are established on this basis. In a second step, quantifiable targets are defined which have to be related to key performance indicators, such as new business volume, new business margins, cost budgets, etc. Furthermore, the targets have to be closely connected with corporate planning for the current – or future – financial year(s). Qualitative targets are to be based on quantifiable indicators as well, and the target level of 100% has to be defined. The link to the corporate business and risk strategy shall be reviewed and documented for every divisional target. This will ensure that the divisional targets were derived from – and synchronised with – the strategic targets according to pbb Group's business and risk planning. The Management Board of pbb adopts the divisional targets, which have to be provided to all employees of the respective division at the beginning of the year. For quantitative targets, achievement is usually measured by comparing the defined target value for 100% target achievement with the actual values achieved. For qualitative targets, the Management Board evaluates performance.

At the individual level, every employee is provided with an annual target agreement comprising quantitative and qualitative targets for the current financial year. Targets at the individual level shall be derived from the indicators established at institutional and divisional level. In particular the quantitative and qualitative work targets of employees have to be in line with the business and risk strategy, and shall be designed to support the targets derived from this strategy. The measurement of every target is based on indicators, allowing transparent performance assessments at the end of every financial year. For quantitative targets, achievement is usually measured by comparing the defined target value for 100% target achievement with the actual values achieved. For qualitative targets, performance is evaluated by the manager. This forms the basis for the allocation of variable remuneration components to individual employees.

Employee performance measurement is based on a pool system which links the three levels of performance measurement. For this purpose, pbb compiles the calculatory reference values of all employees into a bonus pool, the total amount of which is based on institutional performance. The bonus pool is subsequently allocated to the different divisions: 50% is allocated based on divisional performance, and 50% based on institutional performance. Divisional bonus pools are allocated to employees of the respective division on the basis of their individual performance. The share in the relevant divisional pool is allocated to each respective employee in the form of a Envisaged Personal Reward ("EPR") value.

When calculating the EPR value, pbb Group takes into account whether the employee has shown any unethical behaviour or behaviour in breach of duties and/or has been responsible for negative performance contributions during the relevant assessment period. This inevitably leads to a reduction in the EPR value and cannot be offset by positive performance contributions.

In addition, pbb Group reviews any negative performance contributions within the meaning of section 18 (5) of the InstVergV (malus test). Particularly in the event of serious misconduct on the part of a risk taker, it has the option of reducing the EPR value to an appropriate extent and even to zero if necessary (malus and clawback rule) (for details on the malus and clawback rule, please refer to the section below).

pbb Group also reviews the financial conditions for disbursement in accordance with section 7 of the InstVergV. Based on this review, pbb Group can reduce or cancel the variable remuneration due to an employee.

If the calculation of the EPR value yields an exceptionally high value, pbb Group also checks its appropriateness on a case-by-case basis and is entitled to reduce the EPR value due to the employee concerned, taking into account the potential risk and in order to avoid reputational damage. pbb Group can also limit the EPR value in the event of extraordinary developments (e.g. windfall profits).

In principle, the calculatory EPR value allocated may range between a minimum of 0% and a maximum of 150% of the relevant personal calculatory reference value.

According to section 25a (5) sentence 2 of the KWG, the variable remuneration may not exceed 100% of fixed remuneration. pbb's Annual General Meeting may increase this threshold to 200% of fixed remuneration. No such resolution has been taken by pbb's Annual General Meeting to date, and neither the Management Board nor the Supervisory Board intend to submit such a proposal to the Annual General Meeting.

Disbursement structure

As a significant institution according to section 17 of the InstVergV, pbb must in particular observe the requirements of section 20 of the InstVergV; regarding the disbursement structure, pbb distinguishes between employees who have a material influence on pbb's overall risk profile (so-called risk takers), and other employees (so-called non-risk takers).

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

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

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

The disbursement portion for employees amounts to 60% of the personal EPR value, and to 40% for senior staff at the second hierarchy level.

The deferral portion for employees amounts to 40% of the personal EPR value, and to 60% for senior staff at the second hierarchy level.

50% of the disbursement portion is paid out in cash when the conditions for disbursement have been met. The remaining 50% is disbursed after a retention period of one year, after the amount was adjusted in line with the performance of the pbb share (virtual shares; no physical share option programme). The applicable amount is translated into the corresponding number of virtual shares. The calculation of the number of virtual shares is based on the average Xetra closing price of the pbb share in February of the year subsequent to the financial year for which the variable remuneration is granted (subscription price). The resulting number of virtual shares is automatically converted into a cash amount after a retention period of one year, and paid out with the variable remuneration of the disbursement year. The conversion is based on the average Xetra closing price of the pbb share in February of the disbursement year (disbursement price). The EPR value portions linked to the sustainability component are granted on the basis of the performance of the pbb share during the retention period.

Regarding employees, the Company implemented a threshold specific to the institution for annual variable remuneration, from which the deferral for risk takers is increased from 40% to 60% (employees with a particularly high level of variable remuneration, in accordance with section 20 (3) of the InstVergV). For employees in sales functions, the threshold was set at €150,000. The threshold for non-sales employees was set at €100,000, given their usually low variable remuneration. The threshold for pbb's employees in New York is higher than the threshold at other locations due to the overall higher local remuneration level in New York.

The period for the deferral portion due to second-level senior staff is five years, and three years for employees

In the three, or five, years following establishment of the EPR value, the Management Board takes a resolution, every year, regarding the granting of one third, or one fifth, of the deferral portion. The beneficiary may not claim the relevant remunera-

tion component until the end of each deferral period. As soon as the beneficiaries have the right to claim a deferred remuneration component, half of the respective deferral portion is paid out in cash. Another retention period of one year applies to the other half of the respective deferral portion, during which it is subject to the sustainable performance of the pbb share according to the sustainability component described earlier.

When granting deferral portions, the Management Board takes into account – as part of a retrospective review of the variable remuneration (ex-post risk adjustment) – any subsequent negative deviations affecting the performance of the institution, the organisational unit, or the individual Management Board member (back-testing), as well as unethical behaviour or behaviour in breach of duties, negative performance contributions within the meaning of section 18 (5) of the InstVergV (malus test), and the relevant financial conditions for disbursement (pursuant to section 7 of the InstVergV).

As part of a retrospective review of the variable remuneration (ex-post risk adjustment), pbb Group checks any subsequent negative deviations affecting the performance of the institution, the organisational unit, or the individual Management Board member (back-testing). This retrospective performance evaluation allows pbb Group to check whether the originally calculated target achievement level is still accurate in retrospect, e.g. whether risks were underestimated or were not identified or whether any unexpected losses have occurred. If pbb Group finds that any targets were missed as part of the backtesting process, the deferral portion is reduced to the extent required to lower the variable remuneration to the newly calculated level.

pbb Group also checks whether the respective risk taker can be accused of any unethical behaviour or behaviour in breach of duties during the relevant assessment period. This inevitably leads to a reduction in the deferral portion and cannot be offset by positive performance contributions.

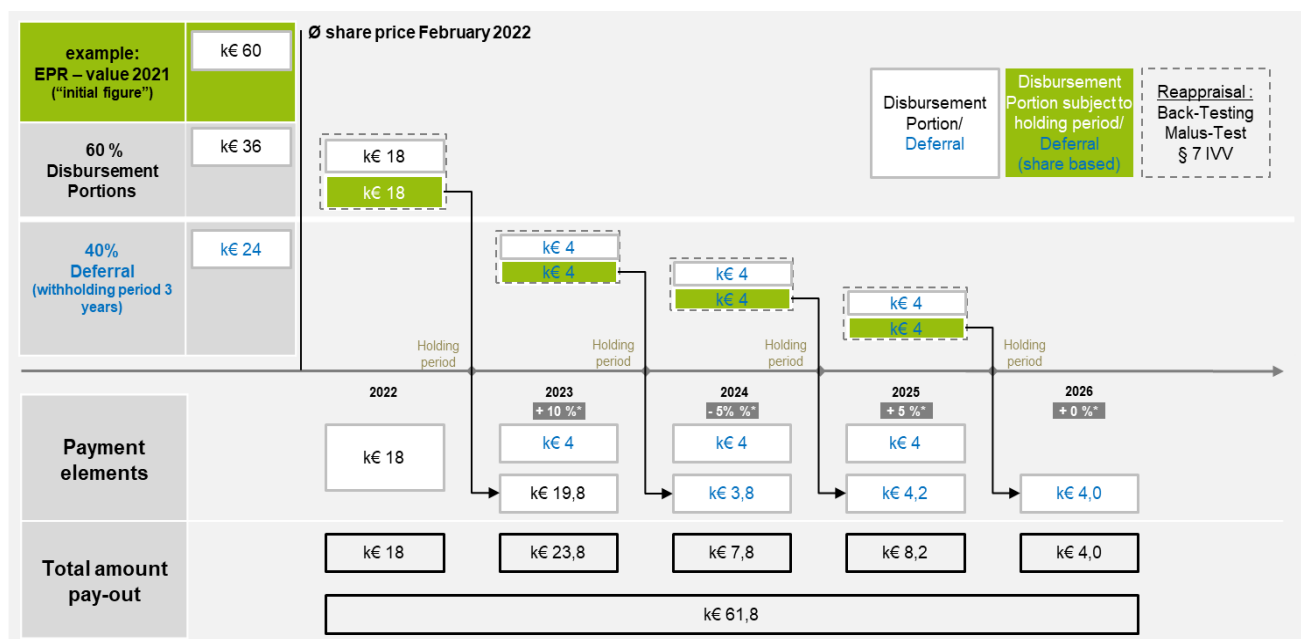
In addition, pbb Group reviews any negative performance contributions within the meaning of section 18 (5) of the InstVergV (malus test) and, in particular in the event of serious misconduct on the part of a risk taker. Furthermore it has the option of cancelling variable remuneration components that have not yet been paid out, or of clawing back already-paid variable remuneration components from the risk taker concerned (malus and clawback rule) (for details on the malus and clawback rule, please refer to the section below).

Finally, pbb Group reviews the financial conditions for disbursement in accordance with section 7 of the InstVergV. Based on this review, the Management Board can reduce or cancel the variable remuneration due to a risk taker.

The Management Board and the Supervisory Board resolved to establish clawback requirements for variable remuneration previously paid out. According to the contractual stipulations, clawbacks particularly apply if a risk taker was significantly involved in, or was responsible for, any behaviour which led to considerable losses or material regulatory sanctions for the Bank. The same applies if a risk taker breached external or internal provisions related to suitability and conduct to a serious degree. In its specific implementation of the InstVergV criteria for clawback purposes, pbb Group considers and applies all regulatory requirements, taking the distinctive features of pbb's business model and risk profile into account, and reflecting the overall sustainability aspects of the Company's performance – as well as the synchronisation of Company performance and bonus payments. Clawbacks may be applied up to seven years (second-level senior staff) or up to five years (employees) after the disbursement amount of variable remuneration was paid out. Implementation of the second-level senior staff and employee clawback requirements has been completed.

The disbursement structure (including clawback) described above, in line with regulatory requirements, will not apply where the EPR value determined for a given financial year is lower than a threshold defined by law (or by the German Federal Financial Supervisory Authority (BaFin) or by another competent supervisory authority), below which such disbursement structure for risk takers is waived for reasons of proportionality (in 2021 up to, and including, €50,000 p.a. per person, in accordance with section 18 (1) of the InstVergV).

Disbursement structure for Risk Taker (exemplary; deferral period: 3 years)



* During the withholding period the disbursement portion subject to holding period & contingent II has to be linked to sustained performance of the Bank (share price pbb) and can develop either positively or negatively. Examples of positive and negative trends are used above.

Additional regulations of the Remuneration System

Remuneration of employees in monitoring units (section 9 of the InstVergV)

Regarding the remuneration of employees working in monitoring units within the meaning of section 2 (11) of the InstVergV, emphasis is placed upon fixed remuneration. The variable remuneration component of such employees is limited to less than one third of their total remuneration. In order to avoid conflicts of interest, the amount of variable remuneration components for employees working in monitoring units is never based on the same remuneration parameters applicable in the organisational unit to be monitored. This is ensured through setting corresponding targets at divisional and individual level.

Hedging ban (section 8 of the InstVergV)

The risk adjustment of variable remuneration must not be restricted or neutralised by way of hedging or other countermeasures, such as third-party contracts obliging the third party to make direct or indirect compensation payments to the employee in the event of a reduction of variable remuneration (insurance); this applies mutatis mutandis to derivatives designed to hedge price losses of pbb financial instruments.

pbb has taken appropriate measures to prevent hedging or other countermeasures in this context. Moreover, the banning of hedging and other countermeasures is contractually regulated in collective wage agreements (applies to employees in Germany) and in individual employment agreements (applies to employees as well as to second-level senior staff, and to employees abroad). Compliance with these agreements is subject to reviews (spot checks).

Review of, and adjustments to, the Remuneration Systems (section 12 of the InstVergV)

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

Individual contractual non-recurring payments

During the financial year 2021, no commitments to non-recurring payments were made. Furthermore, no payments were made in connection with non-recurring payment commitments made in the past.

Severance payments

When granting severance payments to employees at its German locations, pbb Group generally applies the criteria set out in the company regulations agreed with the employee representative bodies. At its non-German entities, pbb Group applies the respective agreed standard severance terms as company regulations. Responsibility for structuring company regulations for granting severance payments lies with the management, which is supported by the Human Resources department. In this context, the co-determination and participation rights of employee representative bodies at German locations must be taken into account. Individual severance payments are determined and negotiated by the Human Resources department, involving the employee's manager. In individual cases, especially in the event of high severance payments, the decision on granting the individual severance payment lies with the respective Management Board member responsible for the respective division and/or the entire Management Board.

Guaranteed variable remuneration

In individual cases and to the extent that is permissible under supervisory law, pbb Group can also, for the purposes of attracting new employees, enter into agreements to compensate new employees for remuneration entitlements they have forfeited under previous employment relationship, and/or agree on sign-on bonuses and/or an appropriate amount of guaranteed variable remuneration. The decision on such arrangements is taken by the Management Board or, in the case of members of the Management Board, by the Supervisory Board.

Remuneration of the Management Board

The remuneration system for members of the Management Board and the Supervisory Board, as well as the respective qualitative and quantitative remuneration information, were published separately in the Remuneration Report pursuant to section 162 of the AktG.

Governance of remuneration systems

pbb established a two-tier organisational and management structure in line with the AktG: it comprises the Supervisory Board as an independent supervisory body, and the Management Board, responsible for the management of the Bank. The Supervisory Board monitors, determines, and is responsible for the remuneration of the Management Board members. The Management Board monitors, determines, and is responsible for the remuneration systems pertaining to senior staff and other employees of pbb Group; in addition, the Management Board ratifies the amount and allocation of remuneration granted. In accordance with section 111 (4) of the AktG, the Supervisory Board has introduced a requirement that the remuneration system for employees requires Supervisory Board approval. In accordance with section 120a (1) of the AktG, pbb's Annual General Meeting also adopts resolutions on the approval of the remuneration system for Management Board members, presented by the Supervisory Board in the event of significant changes to the remuneration system, but at least every four years.

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

The Remuneration Committee supports the Supervisory Board in ensuring that the remuneration systems for the members of the Management Board have an appropriate structure, and prepares Supervisory Board resolutions on the remuneration of Management Board members. This includes in particular the preparation of Supervisory Board resolutions regarding the determination of the total amount available for variable remuneration as well as the determination of appropriate remunera-

tion parameters, performance contributions, performance and retention periods, the conditions for partial or full reduction, or clawback, of variable remuneration. In addition, the Remuneration Committee supports the Supervisory Board with a regular – at least annual – review considering the appropriateness of the regulations of the remuneration system established by the Supervisory Board.

Furthermore, the Remuneration Committee monitors the appropriate structure of the remuneration systems for employees, and in particular for the heads of Risk Controlling and Compliance, and for risk takers. In this context, the Remuneration Committee assesses the effects of the remuneration systems on the Group's risk, capital, and liquidity management.

In addition, the Remuneration Committee supports the Supervisory Board in monitoring the proper inclusion of internal control instances and any other relevant areas in the structuring of remuneration systems. As part of its duties, the Remuneration Committee assesses the impact of remuneration systems on the Bank's risk, capital and liquidity situation; it also ensures that remuneration systems are in line with (i) the Bank's business strategy (which is geared towards the Bank's sustainable development) and the risk strategies derived from such strategy, as well as (ii) the remuneration strategies at institutional and Group level.

The Remuneration Committee consists of the Supervisory Board's Chairman and Deputy Chairman as well as one shareholder and one employee representative. The Remuneration Committee convened four times during 2021, discussing, for example, the implementation of amendments to the InstVergV dated 24 September 2021 – besides regular subjects, such as the annual review of appropriateness. The Remuneration Committee cooperated closely with Human Resources and the Remuneration Officer.

pbb appointed a Remuneration Officer and a deputy in order to ensure appropriate, sustained and effective monitoring of employee remuneration. The Remuneration Officer is responsible for the constant monitoring of the appropriateness of pbb's remuneration systems for employees. Therefore, the Remuneration Officer is involved with the ongoing processes regarding remuneration systems, both in terms of the conceptual and further redevelopment of such systems, as well as with regard to their current implementation. An institutional reporting channel was established for the Remuneration Officer to report directly – i.e. excluding involvement of the Management Board – to the chair of the Remuneration Committee. At least once per year, the Remuneration Officer produces a remuneration report containing an assessment of the appropriateness of the remuneration systems for employees (section 24 of the InstVergV).

Within the scope of their responsibilities, pbb's control functions are also involved in the conception and implementation of the remuneration system, the identification of risk takers as well as in the determination of the total amount of variable remuneration. This also comprises the yearly malus and clawback assessment for risk takers.

Disclosure of remuneration data

The following disclosure of remuneration data follows the stipulations laid out in section 16 of the InstVergV in conjunction with Article 450 of the CRR.

Quantitative information on remuneration, broken down by business divisions

Based on pbb Group's consolidated financial statements, and after fulfilment of the requirements laid out in section 7 of the InstVergV was verified, the Management Board and the Supervisory Board determined the total amount available for disbursement as variable remuneration at pbb Group in 2021 to be €15.4 million (rounded; including Management Board members). The final determination of target achievement at pbb according to the applicable key performance indicators was set at 114% (rounded) based on pbb's published consolidated financial statements. Target achievement at divisional level ranges between 95% and 125%.

According to Article 450 (1) (g) of the CRR, quantitative information is disclosed on an aggregated basis, broken down by business divisions.

Remuneration disclosures pursuant to section 16 (1) no. 3 IVV

	Supervisory Board ²⁾	Management Board ³⁾	Business divisions		
			Corporate Functions ⁴⁾	Independent control functions ⁵⁾	All other ⁶⁾
All figures in € million, unless otherwise stated ¹⁾					
Members (headcount)	9	4	-	-	-
Total number of employees, headcount and FTE ("Full Time Equivalent") at year-end 2021	-	-	224 (HC) 212.05 (FTE)	377 (HC) 347.76 (FTE)	358 (HC) 343.82 (FTE)
Total remuneration for the financial year 2021	0.74	6.04	26.48	43.33	48.60
thereof: total fixed remuneration	0.74	4.95	23.77	38.38	41.98
thereof: total variable remuneration	-	1.09	2.71	4.95	6.62

¹⁾ Values in table are subject to rounding differences.

²⁾ The Supervisory Board includes the members of the Supervisory Board of Deutsche Pfandbriefbank AG.

³⁾ The Management Board includes the members of the Management Board of Deutsche Pfandbriefbank AG.

⁴⁾ Communications, Human Resources, Information Technology, Legal.

⁵⁾ Finance, Corp. Office/ Corp.Development, Compliance, Group Internal Audit, Risk Management & Control, CRM.

⁶⁾ Digitalisation, Portfolio Analysis, RE Finance Continental Europe West, RE Finance Germany, RE Finance International Clients, UK&CEE, Treasury; Operations, Property Analyses & Valuation, Loan Markets RE & Public Finance, Public Investment Finance.

Quantitative information on remuneration, broken down by senior managers and risk takers

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

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

For 2021, pbb identified risk takers in line with the criteria laid out in the KWG and in Delegated Regulation (EU) 2021/923. These criteria refer in particular to:

- function of senior manager or other form of executive position;
- lending authorities;
- voting rights in important committees; and
- remuneration of the employee.

In total, besides the members of the Management Board and Supervisory Board, a further 101 employees were identified as risk takers in 2021. The Management Board informed the Supervisory Board concerning the identified risk takers, while details of the internal risk analysis were documented.

EU REM1: Remuneration awarded for the financial year 2021 (Risk Taker)

		a	b	c	d	
		Supervisory Board ²⁾	Management Board ³⁾	2 nd Level Manager	Other Risk Taker	
All figures in € million, unless otherwise stated ¹⁾						
1		Number of Risk Taker	12	4	20	81
2		Total fixed remuneration	0.74	4.95	6.56	13.72
3		thereof: cash-based	0.74	2.08	6.09	13.43
EU-4 a	Fixed remuneration	thereof: shares or equivalent ownership interests	-	-	-	-
5		thereof: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		thereof: other instruments	-	-	-	-
7		thereof: other forms	-	2.88	0.47	0.28
9			Number of Risk Taker	-	4	20
10		Total variable remuneration	0	1.09	1.72	2.69
11		thereof: cash-based	-	0.54	0.99	2.00
12		thereof: deferred	-	0.33	0.44	0.27
EU-13a	Variable remuneration	thereof: shares or equivalent ownership interests	-	-	-	-
EU-14a		thereof: deferred	-	-	-	-
EU-13b		thereof: share-linked instruments or equivalent non-cash instruments	-	0.54	0.73	0.68
EU-14b		thereof: deferred	-	0.54	0.73	0.68
EU-14x		thereof: other instruments	-	-	-	-
EU-14y		thereof: deferred	-	-	-	-
15		thereof: other forms	-	-	-	-
16		thereof: deferred	-	-	-	-
17		Total remuneration (2 + 10)	0.74	6.04	8.28	16.41

¹⁾ Values in table are subject to rounding differences.

²⁾ The Supervisory Board includes the members of the Supervisory Board of Deutsche Pfandbriefbank AG.

³⁾ The Management Board includes the members of the Management Board of Deutsche Pfandbriefbank AG.

EU REM2: Guaranteed variable remuneration and severance payments (Risk-Taker)

		a	b	c	d
		Supervisory Board ²⁾	Management Board ³⁾	2 nd Level Manager	Other Risk Taker
All figures in € million, unless otherwise stated ¹⁾					
Guaranteed variable remuneration awards					
1	Guaranteed variable remuneration awards - Number of Risk Taker	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	thereof: guaranteed variable remuneration awards paid during the financial year 2021, that are not taken into account in the bonus cap	-	-	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year 2021					
4	Severance payments awarded in previous periods, that have been paid out during the financial year 2021 - Number of Risk Taker	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year 2021 - Total amount	-	-	-	-
Severance payments awarded during the financial year 2021					
6	Severance payments awarded during the financial year 2021- Number of Risk Taker	-	-	-	-
7	Severance payments awarded during the financial year 2021 - Total amount	-	-	-	-
8	thereof: paid during the financial year 2021	-	-	-	-
9	thereof: deferred	-	-	-	-
10	thereof: severance payments paid during the financial year 2021, that are not taken into account in the bonus cap	-	-	-	-
11	thereof: highest payment that has been awarded to a single person	-	-	-	-

¹⁾ Values in table are subject to rounding differences.

²⁾ The Supervisory Board includes the members of the Supervisory Board of Deutsche Pfandbriefbank AG.

³⁾ The Management Board includes the members of the Management Board of Deutsche Pfandbriefbank AG.

EU REM3: Deferred Remuneration (Risk-Taker)

	a	b	c	d	e	f	EU - g	EU - h
	Total amount of deferred remuneration awarded for previous performance periods	thereof: due to vest in the financial year 2021	thereof: vesting in subsequent financial years	Amount of performance adjustment made in the financial year 2021 to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year 2021 to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year 2021 due to ex post implicit adjustments ⁴⁾	Total amount of deferred remuneration awarded before the financial year 2021 actually paid out in the financial year 2021	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
All figures in € million, unless otherwise stated ¹⁾								
1	Supervisory Board²⁾	0	0	0	0	0	0	0
2	Cash-based	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-
7	Management Board³⁾	2.28	0.78	1.51	0	0.06	0.78	0.28
8	Cash-based	0.89	0.28	0.61	-	-	0.28	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	1.40	0.50	0.90	-	0.06	0.50	0.28
11	Other instruments	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-
13	2nd Level Manager	2.44	0.76	1.68	0	0.03	0.76	0.29
14	Cash-based	0.99	0.29	0.70	-	-	0.29	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	1.45	0.46	0.99	-	0.03	0.46	0.29
17	Other instruments	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-

	a	b	c	d	e	f	EU - g	EU - h
	Total amount of deferred remuneration awarded for previous performance periods	thereof: due to vest in the financial year 2021	thereof: vesting in subsequent financial years	Amount of performance adjustment made in the financial year 2021 to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year 2021 to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year 2021 due to ex post implicit adjustments ⁴⁾	Total amount of deferred remuneration awarded before the financial year 2021 actually paid out in the financial year 2021	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
All figures in € million, unless otherwise stated ¹⁾								
19 Other Risk Taker	1.00	0.54	0.45	0	0	0.04	0.54	0.16
20 Cash-based	0.31	0.16	0.15	-	-	-	0.16	-
21 Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22 Share-linked instruments or equivalent non-cash instruments	0.69	0.38	0.31	-	-	0.04	0.38	0.16
23 Other instruments	-	-	-	-	-	-	-	-
24 Other forms	-	-	-	-	-	-	-	-
25 Total amount	11.45	4.15	7.30	0	0	0.01	4.15	1.46

¹⁾ Values in table are subject to rounding differences.

²⁾ The Supervisory Board includes the members of the Supervisory Board of Deutsche Pfandbriefbank AG.

³⁾ The Management Board includes the members of the Management Board of Deutsche Pfandbriefbank AG.

⁴⁾ Remuneration includes (positive and negative) inflows from multi-year variable remuneration, which are based on the development of the share-based remuneration.

pbB Group applies the derogation in line with section 18 (1) of the InstVergV, according to which the payout structure for risk takers with an EPR value set for a financial year below the threshold set by the German Federal Financial Supervisory Authority (BaFin) is waived for reasons of proportionality (in 2021 up to, and including, €50,000 p.a. per person). In 2021, this derogation affected 71 risk takers with a total fixed remuneration of €10.97 million and variable remuneration of €1.66 million (overall total remuneration of €12.63 million).

Number of risk takers with high remuneration

According to Article 450 (1) (i) of the CRR, the following table provides details on the number of risk takers being remunerated €1 million or more in the 2021 financial year. In this context, remuneration comprises pension expenses incurred as part of company pension schemes.

EU REM4: Remuneration of 1 million EUR or more per year (Risk-Taker)

Euro		a
		Number of Risk Taker
1	1 000 000 to below 1 500 000	2
2	1 500 000 to below 2 000 000	1
3	2 000 000 to below 2 500 000	1
4	2 500 000 to below 3 000 000	-
5	3 000 000 to below 3 500 000	-
6	3 500 000 to below 4 000 000	-
7	4 000 000 to below 4 500 000	-
8	4 500 000 to below 5 000 000	-
9	≥ 5 000 000	-

Total remuneration for the financial year 2021 (Risk Taker)

EU REM5: Total remuneration (Risk-Taker)

	a	b	c	g	h	i	j
	Management body remuneration			Business divisions			Total
	Supervisory Board ²⁾	Management Board ³⁾	Total Management body	Corporate functions ⁴⁾	Independent control functions ⁵⁾	All other ⁶⁾	
All figures in € million, unless otherwise stated ¹⁾							
1	Total number of Risk Taker						117
2	thereof: members of the Management body						12
3	thereof: 2 nd Level Manager						4
4	thereof: other Risk Taker						60
5	Total remuneration of Risk Taker						11.06
6	thereof: variable remuneration						2.40
7	thereof: fixed remuneration						8.67

¹⁾ Values in table are subject to rounding differences.

²⁾ The Supervisory Board includes the members of the Supervisory Board of Deutsche Pfandbriefbank AG.

³⁾ The Management Board includes the members of the Management Board of Deutsche Pfandbriefbank AG.

⁴⁾ Communications, Human Resources, Information Technology, Legal.

⁵⁾ Finance, Corp. Office/ Corp.Development, Compliance, Group Internal Audit, Risk Management & Control, CRM.

⁶⁾ Digitalisation, Portfolio Analysis, RE Finance Continental Europe West, RE Finance Germany, RE Finance International Clients, UK&CEE, Treasury; Operations, Property Analyses & Valuation, Loan Markets RE & Public Finance, Public Investment Finance.