



Reporting 2016 DKB Senior Unsecured Green Bond

(DE000GRN0008)

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Dear Investors,

We have forged a new path with the issue of the first Senior Unsecured Green Bond in June 2016 – both for ourselves as well as the German green bond market. We are delighted with the huge success of our green bond and are motivated to continue working in this direction.

At the same time, the issue marks another chapter in the [further development of our sustainable business model](#), the beginnings of which go back more than 20 years. Success proves us right. Aware of our environmental responsibility and the necessity to promote renewable energy sources, DKB financed the first wind turbines as far back as 1996 and, since then, has developed the business in renewable energies with a volume of around EUR 10 billion. This makes us one of the leading financiers of the energy transition in Germany and we would like to continue on this path in the future too. Our objective is to increase the wind, solar and biogas facilities' output installed by loans by 5–10% per annum.

Besides financing renewable energies, DKB's sustainable core business also comprises socially oriented industries such as housing, municipalities, health, care, education and research. These areas constitute the majority of our financing and will also form the focal point of our business development in the future. We are committed to the social responsibility of the bank and, in addition to economic aspects, we also wish to reflect the social and environmental aspects in our business model and thereby contribute to sustainable development.

In the past year, we have therefore again increased the volume of our sustainable lending business – in particular for renewable energies as well as our municipal and socially focused customers. In addition, we have prepared our first report in accordance with the German Sustainability Code (GSC), signed the Diversity Charter and have become a member of the Green Bond Principles.

We have been analysed and evaluated by many independent and international sustainability rating agencies for many years. Our environmental management system is certified according to EMAS (Eco Management and Audit Scheme).

We are proud to say that oekom research has awarded DKB an excellent corporate responsibility rating for its sustainable corporate performance. With a rating of "B-" (good) we are the [industry leader](#) in our international peer group comprising more than 80 commercial banks.

Our green bond also has a high sustainability quality. With a rating of "a" (excellent) in oekom research's sustainability bond rating, our issue is currently [the highest rated green bond](#) among approximately 240 "green" bonds worldwide.

Our aim with this report is to inform investors how the funds acquired from the issue are used and how the refinanced projects are managed. In addition, we present the CO₂ emissions savings and explain the calculation method.

We hope that the information provided will be useful to you and wish an interesting read.



Stefan Unterlandstätter,
Chief Executive Officer, DKB

Sustainability in the DKB

At DKB, entrepreneurial and sustainable actions are lived out in many ways and affect almost all business areas and processes.

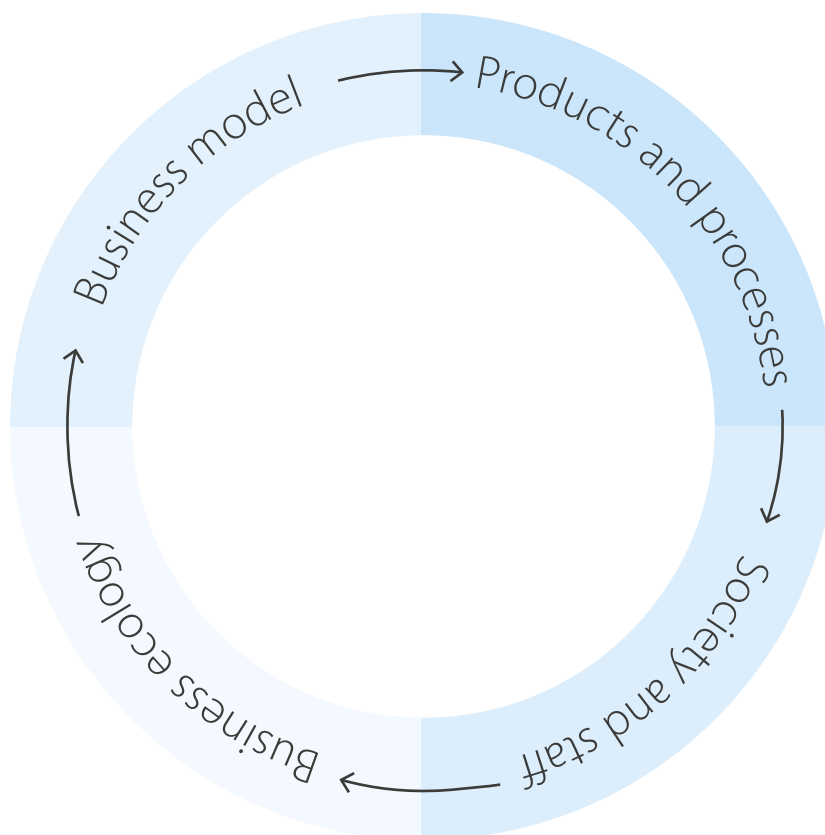
As a **commercial bank**, DKB uses more than 80% of its net assets for granting loans to municipalities, municipal corporations and medium-sized companies as well as private customers. We finance, for instance, the construction of accommodation suitable for the elderly and family-oriented housing, energy-efficient properties, outpatient and inpatient healthcare institutions as well as construction projects for schools and child daycare facilities. In addition, DKB has financed numerous renewable energy projects in the areas of wind, solar and biogas from as far back as 1996. This is our contribution to a stable, functioning national economy and to overcoming ecological and social challenges in Germany.

By focusing on Internet banking for private customers, we are pioneers in resource-efficient and modern banking.

With respect to **business ecology**, we have an environmental management system that has been certified according to EMAS (Eco Management and Audit Scheme) since 2010. DKB's environmental programme is updated and modified to environmental requirements on a regular basis. We use green electricity at all our branches and generate electricity ourselves thanks to our photovoltaic systems.

As a committed employer, DKB supports its employees in social, health and financial aspects. Further education is a significant lever in this respect.

Our company's **social commitment** is reflected in the activities of the DKB foundation (DKB-Stiftung) and our diverse initiatives in the promotion of sport.



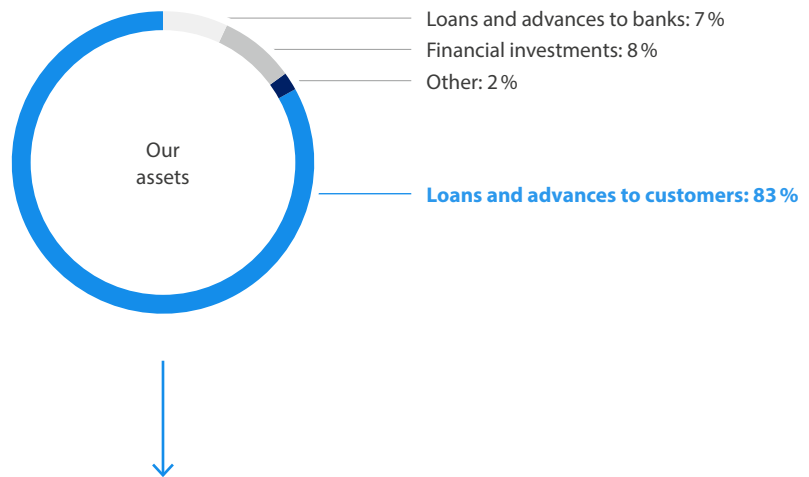
DKB's core business

The bank's core business has a sustainable focus. Our business model is divided into three customer areas – public infrastructure, corporate customers and retail customers – and concentrates on few, in many ways sustainable, industries.

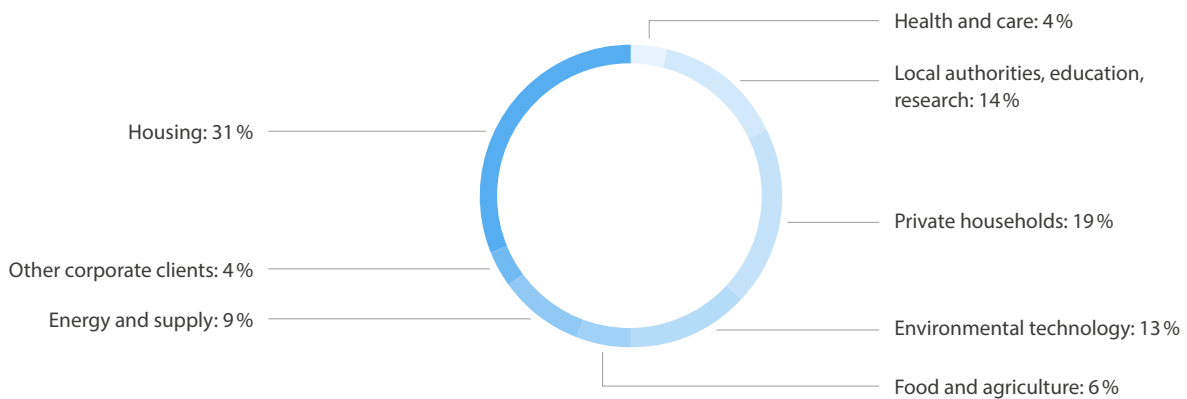
The main part here comprises the sectors of housing (mainly cooperative and municipal residential buildings), municipal business (energy and utilities, public transport, health and care as well as education and research) and project financing for renewable energies.

Geographically speaking, our business activity focuses on Germany. This ensures that the vast majority of our customers complies with the regulations of German and European legislation with regards to ecological and social standards.

DKB contributes to regional economic and power supply stability in Germany



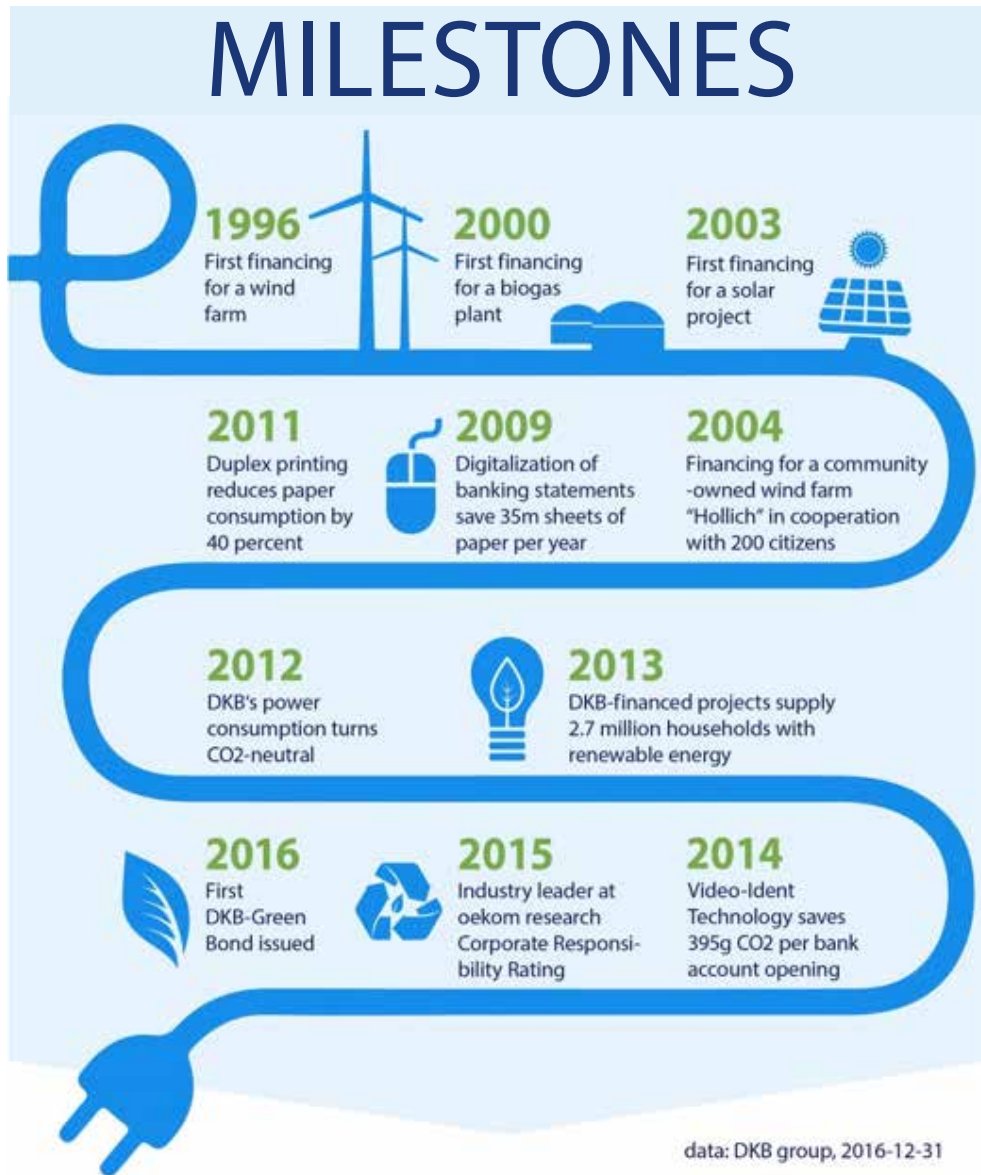
EUR 63.2 bn, i. e. 83 % of the balance sheet total, is reinvested in Germany via loans



Milestones and activities

DKB can look back at a successful history of sustainable action. We financed the first wind turbine more than 20 years ago – and have consistently expanded our business since then.

We continuously lower our consumption of electricity, heating energy, paper and waste. For instance, we have reduced our CO₂ emissions by more than 60% since 2010.



As an active co-creator of the energy transition and an economy focused on sustainability, we engage in initiatives, associations and organisations in order to discuss the topics publicly and develop them further.



Sustainability rating

Specialised rating agencies evaluate companies with regard to the sustainability of the entire business model. In contrast to the assessment of credit rating agencies qualitative factors – alongside economic aspects – play an important role. For banks the focus here applies to corporate governance, customers as well as offered products and services.

DKB’s commitment to sustainability is also confirmed by independent experts. The bank and its business activity has thus been analysed and evaluated by sustainability ratings agencies for many years.

In many of these assessments, we are among the top performers in our industry. In oekom research’s corporate responsibility rating, DKB achieved a rating of “B-” (good) and is therefore **industry leader** within its peer group of more than 80 international commercial banks.

Industry leader for sustainability



Other ratings and evaluations

Furthermore, DKB was reviewed by the sustainability service provider imug and DZ Bank. As part of the imug valuation, DKB achieved good to very good results.



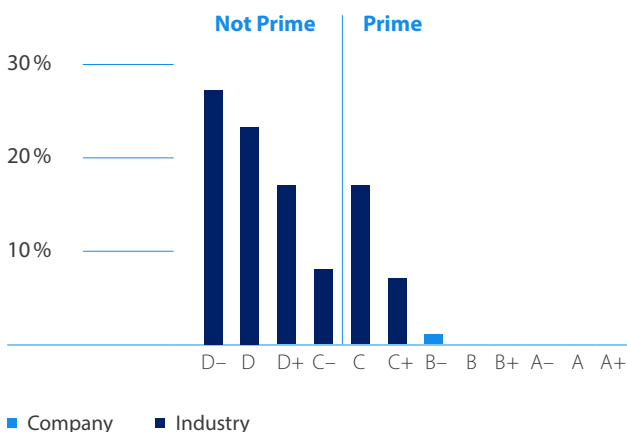
In the rating process of the sustainability research of the DZ Bank, DKB received a sustainability score of currently 70 points. The economic sustainability factor is 1.10.

Distribution of Ratings

84 companies in the industry

Industry Leaders (in alphabetical order):

- Deutsche Kreditbank AG (DE): B-
- La Banque Postale SA (FR): C+
- Landesbank Baden-Württemberg (DE): C+



Green bond issue

The issuance of our first green bond is a logical advancement of DKB’s business model. We chose the format of a senior unsecured bond because this form of transaction is best suited to refinance wind and solar projects.

Both our refinancing requirements and the growth of our sustainable business make us optimistic that DKB will also in the future act as a regular issuer of sustainable bonds.

Green bond evaluation

The green bond issued by us currently has the **best sustainability bond rating worldwide** among all green bonds evaluated by oekom research and received an “a” rating (excellent) for its sustainable design.

Best sustainability bond rating worldwide



Deutsche Kreditbank AG DKRED 06/08/2021

Industry: Sustainability Bonds
 Country: Germany
 ISIN: DE000GRN0008
 Status: **Approved**
 Rating: **a (excellent)**
 Approval Threshold: **b-**

d-	d	d+	c-	c	c+	b-	b	b+	a-	a	a+
poor			medium			good			excellent		

Further awards

As a pioneer in the German green bond segment, our commitment was recognised by the Climate Bonds Initiative.



Green Bond Reporting

Details of DKB's inaugural green bond issue

DKB's first green bond issue – with a volume of EUR 500 million and a term of 5 years – was a great success. The bond was issued in a senior unsecured format to more than 200 investors to whom the bonds were also allocated. The issue was convincing as it complied with current standards such as the Green Bond Principles (GBP), the Climate Bond Initiative (CBI) label as well as the clear utilisation of funds for refinancing wind and solar loans.

With an order book oversubscribed by a factor of almost three and high proportions of foreign and dedicated “green” investors, our expectations of the placement were exceeded.

DKB has thus laid the foundation for its Green Bond Programme that it intends to further develop and expand in the next few years.

Transaction details		Highlights
Seniority	Senior unsecured	
Tenor	5 years (08.06.2021)	– Successful European roadshow
Size	EUR 500m	– More than 200 accounts invested
Senior Unsecured Rating	A3*	– Order book nearly 3 times oversubscribed
Type of Bond (based on Green Bond Principles)	Green use of proceeds bond	– Around 30% foreign investors
Use of proceeds	Wind and solar projects in Germany, onshore	– Around 30% green investors
Second Party Opinion	oekom research AG	
Third Party Assurance	KPMG	
Certification	Climate Bond Initiative	
Documentation	German base prospectus	
Coupon	0.625 % (MS+67)	
ISIN	DE000GRN0008	

Standards



* Rating upgraded by 18/04/2017 to A2

Content of the Green Bond Reporting

DKB's underlying Green Bond Programme as well as this report are based on the standards of the Green Bond Principles.

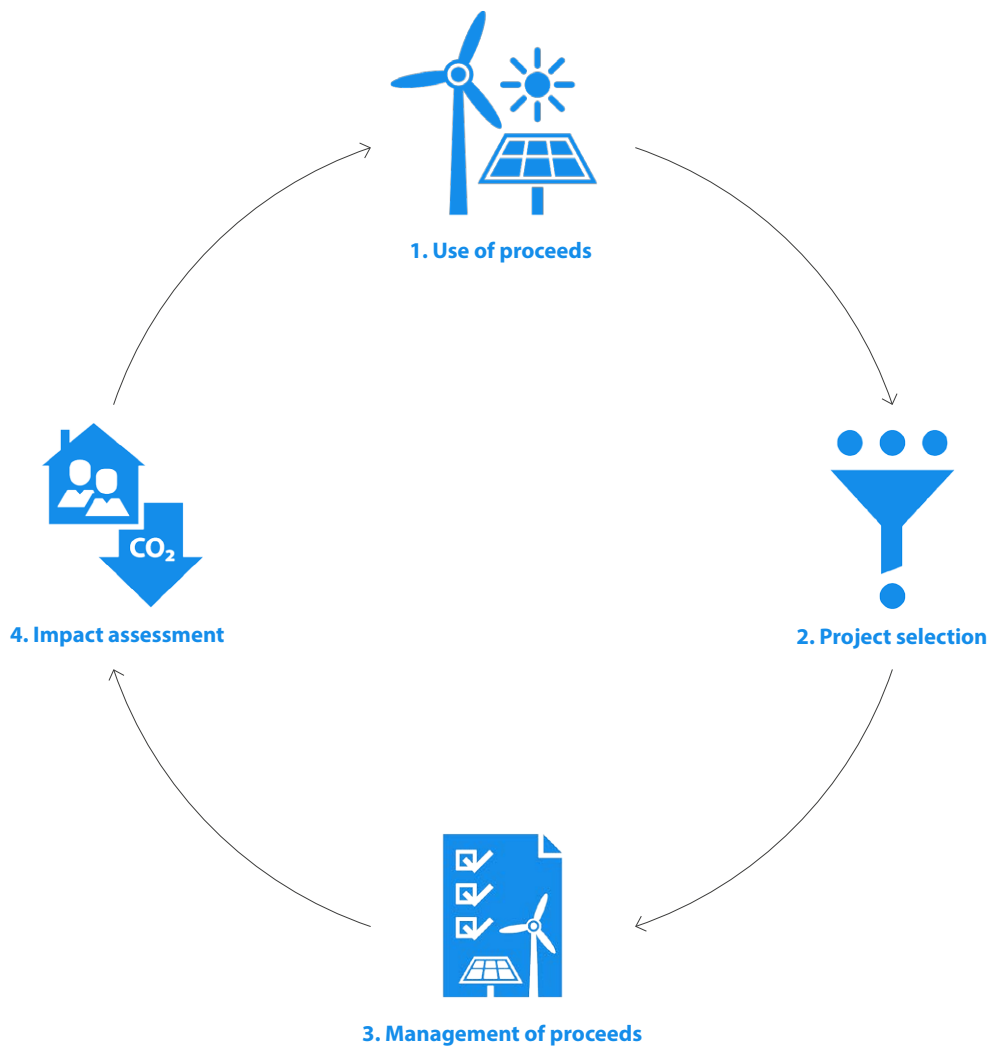


The **proceeds** acquired from the green bond are exclusively **used** for refinancing loans for wind and solar projects, onshore and only in Germany.

In a collaboration between DKB's renewable energy experts and oekom research, a catalogue of selection criteria was worked on and applied in the **selection of the refinanced project loans** (green bond pool).

The **management of the proceeds** is carried out by means of a regular review of the green bond pool at least once every year. DKB ensures that a volume of loans totalling at least EUR 500 million are retained in the green bond pool for the term of the issue. These loans are marked accordingly in the bank's core system. If loans no longer meet the criteria for inclusion in the pool and the total loan amount falls below EUR 500 million, they are replaced by new loans that fulfill the selection criteria.

An **impact assessment** is primarily carried out by determining the CO₂ emissions avoided.



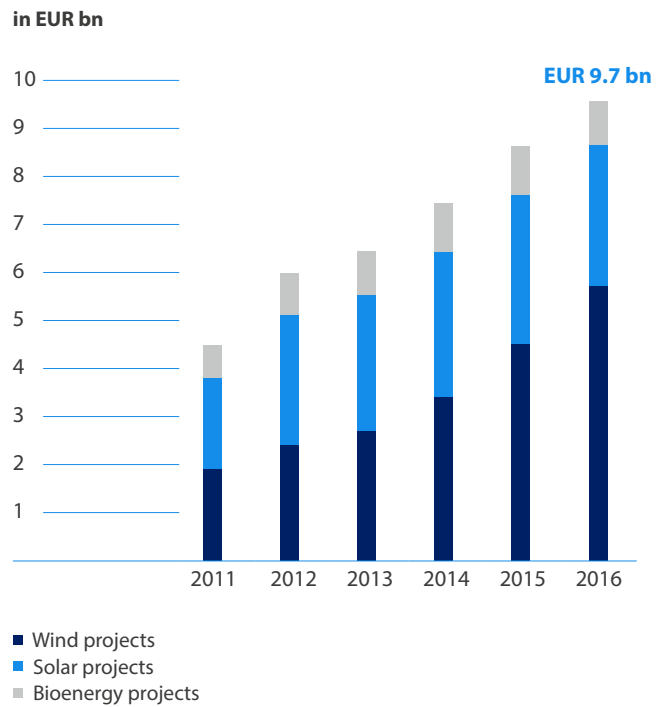


1. Use of proceeds

The funds received from the green bond are used exclusively for refinancing loans for wind and solar projects in Germany.

The designation to use the funds received from the green bond for refinancing the loan pool is based on DKB's renewable energies business. This business has grown continuously for more than 20 years. The total volume currently amounts to around EUR 10 billion. This makes DKB one of the leading financiers of the energy transition in Germany. Here, the bank focuses on wind and solar projects as well as facilities for the production of bioenergy.

Total volume of renewable energy portfolio

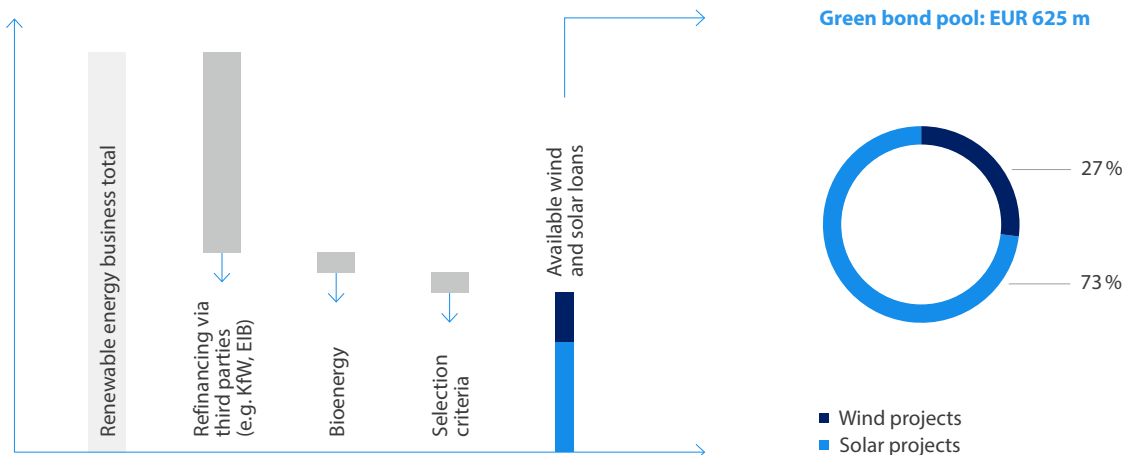


In order to avoid refinancing the loans in the green bond pool twice, potential projects are filtered as follows:

- The basis is the renewable energies business – of this project financing exclusively in Germany and onshore
- Loans refinanced by third parties, e.g. by KfW, EIB or other funding institutions, are removed for the calculation
- Furthermore, financing unrelated to solar or wind projects as well as loan types that are not so-called "DKB loans" are not included.

Refinancing of wind and solar projects

As at 31/12/2016





2. Project evaluation and selection

The following additional selection criteria were applied to the baseline of potential wind and solar loans eligible for the green bond:

Based on this method, a pool of projects refinanced by the green bond was created that currently comprises 160 loans with a volume of EUR 625 million.

These loans are marked in DKB’s core banking system and are reviewed on a regular basis.

Selection Criteria

- Only “DKB loans”
- Only project financings
- Only in Germany
- Only onshore
- Only more recent financing (from 06/2014)
- Only borrowers having particular legal forms
- The term of the loan > underlying bond term
- Minimum loan amount per project
- Minimum rating per project

Green bond pool	Approved loan volume (EUR m)	Balance as at 31/12/2016 (EUR m)
Project financing Wind	168	152
Project financing Solar	458	406
Total	625	559

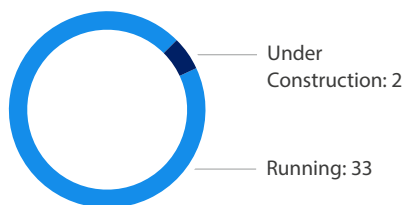
Green bond pool	Number	Average volume (EUR m)	Average term (years)
Project financing Wind	35	4.79	12.35
Project financing Solar	125	3.66	15.40
Total	160	3.91	14.88

The majority of refinanced wind and solar facilities are already on the grid and producing green energy. In total, 9 of the 160 facilities were still under construction or not yet operational at the end of 2016.

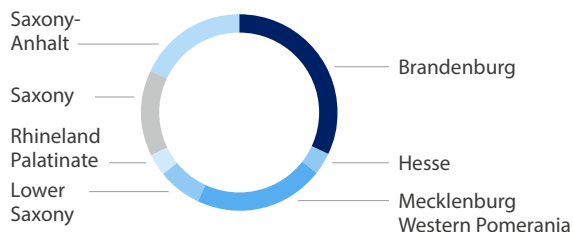
Wind projects

As at 31/12/2016

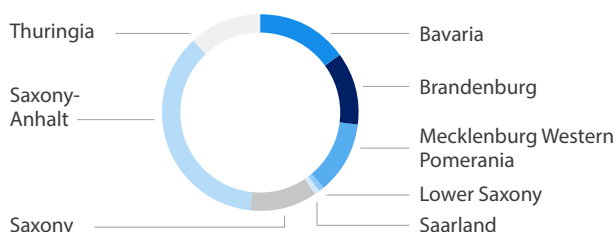
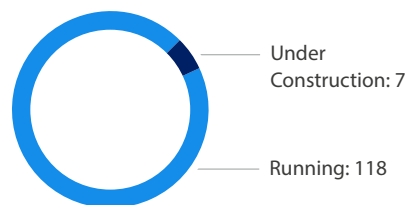
Construction progress/
commissioning



Geographical distribution



Solar projects



The geographical analysis shows that the facilities are distributed across several federal states throughout Germany.

An overview of the individual locations for the loans in the green bond pool was carried out using postal codes. Several (sub-)projects can be found in the area of one postal code – however, these are only marked with one symbol.

The topographical distribution indicates that the refinanced facilities are found mainly in central and eastern Germany.



3. Management of proceeds

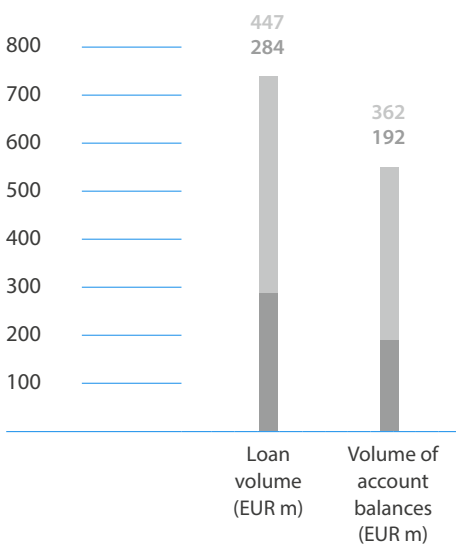
Compared to the previous year, the volume of approved loans for projects refinanced with the green bond decreased. There are several reasons for this. Loans that no longer met the defined selection criteria due to term reductions, changes in ratings, extraordinary termination or other reasons were removed from the pool.

However, the value of the overall loan balance, i.e. the total of all payouts, remained almost constant.

In the pool itself, the distribution shifted – from the financing of wind facilities to solar facilities.

Changes within the Green bond pool

As at 31/12/2015

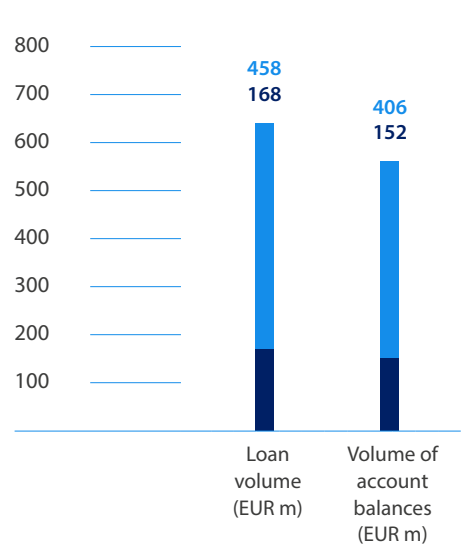


Removal/substitution especially of wind loans

Reasons for removal:

- Loans do not longer qualify for green bond pool (e.g. because of changes in rating or duration)
- Change of source for refinancing (e.g. EIB)

As at 31/12/2016



■ Solar projects
■ Wind projects

■ Solar projects
■ Wind projects



4. Impact assessment

The impact assessment described here indicates various measured quantities to make statements regarding projects refinanced with the green bond that have a positive effect on the climate.

Firstly, performance data indicating the potential energy production of the projects (nominal capacity in kW) and the real annual energy production (energy output p.a. in kWh) are provided.

These annual performance data are converted to CO₂ savings per year (in t) and to the number of 2-person households supplied in this way.

Besides stating this determined climate effect for the entire loan pool of EUR 625 million, the values for the green bond issue volume (EUR 500 million) and per EUR 1 million are also provided. Further information and sources regarding the calculations can be found in the appendix of the report.

Sustainable impact	Loan volume (EUR)	Loan share of DKB (%)	Nominal capacity (kW(p))	Energy output p. a. (kWh)	CO ₂ avoidance (t)	Number of powered 2-person-households
Wind projects	167,620,683	100	115,089	253,366,463	125,194	69,999
Solar projects	457,730,463	100	328,643	296,444,355	158,598	88,676
Total	625,351,146	100	443,732	549,810,818	283,791	158,675
Referred to EUR 500 m			354,786	439,601,671	226,906	126,869
Referred to EUR 1 m			710	879,203	454	254

External confirmation (third-party opinion)

KPMG carried out an independent investigation of the loans refinanced by the green bond and issued the following statement:

In the context of the engagement to perform agreed upon procedures regarding the refinanced loan pool of DKB's green bond issued on 1 June 2016 (DE000GRN0008), KPMG has found as follows:

As of 31 December 2016, the loan pool marked in the core banking system comprises 160 loans with a volume (approved loan amounts) of EUR 625 million.

The characteristics of the loans stored in the system meet the defined criteria with respect to loan type, customer type, borrower's legal form, internal rating, start date and the maturity of the respective loans.

Appendix

Method for determining construction progress/ commissioning of projects

The construction stage of individual projects was determined as follows:

- The borrower notifies DKB as soon as completed wind or solar facilities are commissioned and connected to the power grid.
- At the latest 5 days after commissioning, a rating update is requested within DKB.
- In this context, the feed-in revenues generated by the facility are determined and stored in DKB's core banking system.

Loans are classified according to the construction progress:

- A facility is regarded as "running" as soon as the feed-in revenues for the project can be called up in the core banking system.
- A facility is regarded as still "under construction" if the feed-in revenues for the project cannot be called up in the core banking system.

Method for calculating CO₂ avoidance

The CO₂ emissions avoided were determined as follows:

- The performance data – nominal capacity and energy output (p.a.) – were determined per project
- The performance data were converted to the share of the portion of the project financed by the loan, i.e. determination of the performance data per individual loan
- Performance data were extrapolated/aggregated to the volume of the green bond pool (separately for wind and solar loans)
- The performance data were converted to CO₂ emissions avoided (p.a.) with the aid of the CO₂ emissions factor as follows:
 - for the green bond pool volume of EUR 625 million
 - for the green bond pool issue volume of EUR 500 million
 - per EUR 1 million

Performance data determined:

Nominal capacity in kW(p):

The nominal capacity of a power plant is defined as the highest output that can be made continuously available under optimal operating conditions.

Energy output in kWh p.a.:

The energy output is the expected quantity of electricity supplied by a wind or solar facility under real conditions per year.

For these calculations, net revenue calculations taking into account risk charges and charges for grid losses and availability gaps were used. The energy yield is given in kilowatt hours (kWh).

DKB determines the energy output for wind and solar facilities as follows:

Wind turbines (WTs):

For each project that it finances, DKB has at least 2 independent yield assessment expert opinions prepared in order to review the potential yield capacity of the facilities. If the findings of the expert opinion indicate major differences (more than 5%), the overall rated power of the WTs at the location exceeds 15 MW or if the financing volume is more than EUR 20 million, a third expert opinion is requested.

In order to determine the net wind yield, the mean average of the yield assessment expert opinion (P75) is used. Risk charges of between 0 and 10% are taken into account depending on the forecasting certainty of the expert opinion. In addition, further charges for grid losses and lack of availability (maintenance, etc.) of between 1% and 3% are deducted.

Solar facilities:

In order to calculate the power yield, an independent yield assessment expert opinion is obtained. The expert opinion must indicate the specific yield (if applicable as P50) in kWh/kWp and the performance ratio (PR). In addition, transmission losses, dirt, shading and module output tolerance must be taken into account and indicated.

The risk charge is at least 5% on the plausibilised specific yield. For the reduction in module outputs (degradation) specific charges for the individual module types are taken into account.

P50/P75:

These are terms relating to exceedance probabilities and state that the forecast mean annual energy yield will be reached with a probability of 50% or 75%.

Determination of CO₂ emissions avoided (p.a.):

The CO₂ emissions saved are calculated with the aid of the so-called CO₂ emission factor.

CO₂ emission factor:

This value indicates the quantity of carbon dioxide arising in Germany in the generation of a kilowatt hour of electricity for the end consumer as a direct emission from the burning of fossil fuels.

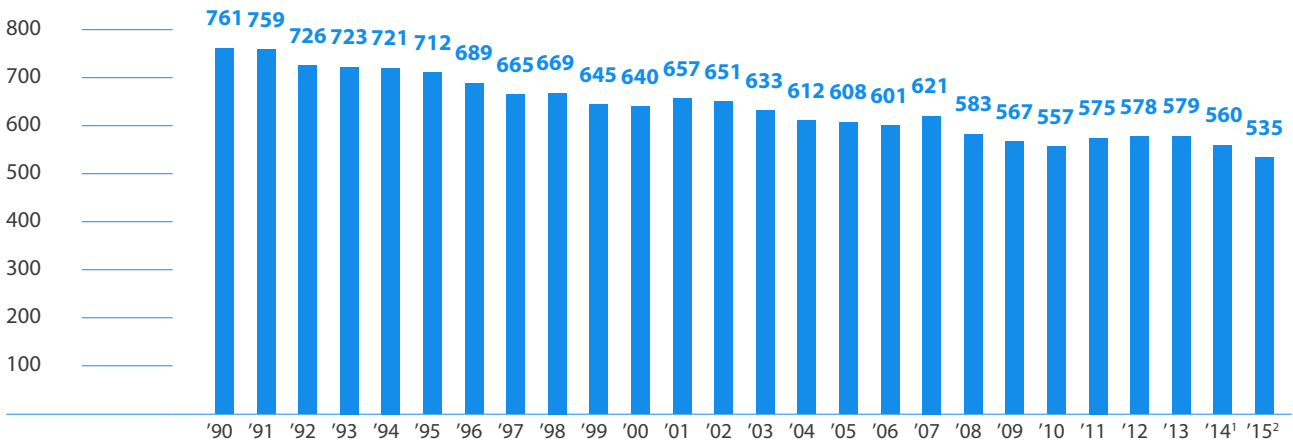
The CO₂ emission factor used here is the value published by the Federal Environment Office for domestic electricity consumption taking into account the power trading balance.

CO₂ emission factor for 2015: 535 g/kWh

Calculation of the CO₂ emissions avoided (in tonnes) by multiplying the emission factor with the energy output determined per loan and for the entire portfolio.

Performance of the CO₂ emission factor for the electricity mix in Germany between 1990 and 2015

in grams per kilowatt hour



Source: Federal Environment Office © Statista 2016

¹ Preliminary data

² First estimates

Method for determining households supplied

Determination of 2-person households supplied:

The basis for calculating the number of 2-person households supplied is the energy output p. a. and the energy consumption of private households in Germany.

Electricity consumption per 2-person household p. a. (as of 2015) in Germany: 3,343 kWh

This allows the number of supplied households:

- for the green bond pool volume of EUR 625 million
- for the green bond pool issue volume of EUR 500 million
- per EUR 1 million

to be determined.

Electricity consumption of private households by household size categories¹

Characteristics	2005	2010	2011	2012	2013	2014 ²	2015 ²	2015 to 2005 in %
Total electricity (in Gigawatt hours)	140,868	139,875	137,555	136,959	135,375	130,949	132,403	-6.0
Household (Number in 1000)	38,897	40,301	39,510	39,707	39,933	40,222	40,773	4.8
Electricity per household (in Kilowatt hours)	3,622	3,471	3,482	3,449	3,390	3,256	3,247	-10.3
1-person household	2,141	2,106	2,109	2,093	2,065	1,990	1,994	-6.8
2-person household	3,636	3,534	3,544	3,516	3,463	3,336	3,343	-8.1
3-person household and above	5,580	5,528	5,547	5,512	5,430	5,226	5,239	-6.1
including: Electricity per household for electrical equipment	2,812	2,862	2,856	2,850	2,806	2,705	2,715	-3.4
1-person household	1,646	1,653	1,649	1,651	1,632	1,582	1,598	-2.9
2-person household	2,784	2,884	2,874	2,872	2,835	2,742	2,766	-0.6
3-person household and above	4,145	4,442	4,523	4,553	4,577	4,594	4,608	11.2

Source: destatis.de

¹ Electricity for heating rooms, hot water (hygiene purposes), lighting and electrical equipment

² Preliminary result

Legal notice

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