

EX-POST EXTERNAL REVIEW IMPACT REPORTING

Impact & Allocation Report 2021
Deutsche Kreditbank AG

12 April 2022

VERIFICATION PARAMETERS

Type(s) of reporting	Green & Social Bond Impact & Allocation Report
Relevant standard(s)	Harmonized Framework for Impact Reporting (HFIR), updated as of June 2021, and Working Towards a Harmonized Framework for Impact Reporting (WTHFIR) for Social Bonds, updated as of June 2020, administered by the International Capital Market Association (ICMA) ICMA Green Bond Principles & Social Bond Principles (as of June 2021) DKB's Impact & Allocation Report 2021 (as of 12.04.2022)
Scope of verification	DKB's Green Bond Programme (as of July 2020) DKB's Social Bond Programme (as of July 2020)
Lifecycle	Post-issuance verification
Validity	As long as no material changes are undertaken by the issuer to its Impact & Allocation Report 2021 (as of 12.04.2022)

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SCOPE OF WORK

Deutsche Kreditbank AG (“the Issuer” or “DKB”) commissioned ISS ESG to provide an External Review on its Impact & Allocation Report 2021 by assessing:

1. The alignment of the DKB’s Impact & Allocation Report 2021 with the commitments set forth in DKB Green & Social Bond Programme (as of July 2020 (Green Bond Programme) and September 2018 (Social Bond Programme)), integrating the elements from the International Capital Market Association's (ICMA) Green Bond Principles & Social Bond Principles (GBP & SBP) applicable at date of publication of the Framework.
2. DKB’s Impact & Allocation Report 2021 - benchmarked against ICMA’s Harmonized Framework for Impact Reporting (HFIR), updated as of June 2021 and Working Towards a Harmonized Framework for Impact Reporting (WTHFIR) for Social Bonds, updated as of June 2020.
3. The disclosure of proceeds allocation and soundness of reporting indicators¹ – whether the metrics align with best market practices and are relevant to the Green and Social Bonds issued.

DKB BUSINESS OVERVIEW

DKB is a specialized customer bank whose business focuses on Germany. Its business strategy is based on two pillars:

- As an online bank with around 4.8 million retail clients (as of 30.06.2021)
- As a commercial bank, providing local authorities and companies in selected industries with tailor-made financing solutions from their 25 branches

DKB industry expertise is distributed as follows:

- Housing industry
- Renewable Energies
- Tourism
- Agriculture and Food
- Education
- Healthcare industry
- Municipalities
- Energy and utilities

¹ ISS ESG’s review does not follow auditing or assurance standards or guidelines. ISS ESG does not provide assurance on the information presented in DKB Impact & Allocation Report 2021. ISS ESG solely conducted a review of the Use of Proceeds’ allocation and impact reporting against ICMA’ HFIR core principles and recommendations and criteria outlined in the Issuer’s Framework.

ISS ESG ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
<p>Part 1</p> <p>Alignment with the Issuer's commitments set forth in the Frameworks</p>	<p>ISS ESG finds that DKB's Impact & Allocation Report 2021 meets the issuer's commitments set forth in the Green & Social Bond Programme. The underlying issuances align with key requirements defined by the ICMA Social Bond Principles and the draft EU GBS standard.²</p>	<p>Aligned</p>
<p>Part 2:</p> <p>Alignment with ICMA HFIR and WTHFIR</p>	<p>ISS ESG finds that the Impact & Allocation Report 2021 is in line with ICMA's Harmonized Framework for Impact Reporting (HFIR) and Working Towards a Harmonized Framework for Impact Reporting (HFIR) for Social Bonds. The Issuer follows core principles and where applicable key recommendations.</p> <p>DKB has reported within one year from issuance and all the proceeds have been immediately allocated. The bank illustrates expected environmental and social impacts and is transparent on the currency of cash flows and allocation to project categories.</p>	<p>Aligned</p>
<p>Part 3:</p> <p>Disclosure of proceeds allocation and soundness of reporting indicators</p>	<p>ISS ESG finds that the allocation of the bond's proceeds has been disclosed, with a detailed breakdown across different eligible project categories as proposed in the Framework³.</p> <p>The indicators are relevant and align with the reporting criteria set forth in the Issuer's Framework.</p> <p>Data sourcing, methodologies of quantitative assessment, and granularity reflect best market practices for the green bond. The social impact indicators may be further improved by including complementary, more granular indicators to comprehensively measure and assess the social impact of the financed Use of Proceeds categories.</p>	<p>Positive</p>

² The Framework was assessed by ISS ESG as aligned with the draft EU GBS standard (applicable at the date of issuance) and Social Bond Principles as of June 22nd, 2020 (Social Bond Programme) and July 1st, 2020 (Green Bond Programme).

³ ISS ESG bases its assessments on the information provided in the allocation reporting. The Issuer is responsible for the preparation of the report including application of methods and procedures relevant to limit the risk of material misstatements.

ISS ESG EXTERNAL REVIEW ASSESSMENT

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN & SOCIAL BOND PROGRAMME⁴

The following table presents ISS ESG's assessment of the Impact & Allocation Report 2021 against the commitments set forth in DKB's Framework, which are based on the core requirements of the Green Bond Principles as well as best market standards.

CORE GBP/SBP REQUIREMENT OR BEST MARKET STANDARD	DKB'S GREEN BOND & SOCIAL BOND PROGRAMME	DKB'S IMPACT & ALLOCATION REPORT 2021	ALIGNMENT WITH COMMITMENT
1. Use of Proceeds			
1.1. Alignment with project/asset categories defined by the GBP/SBP	<p><u>Green Bond Programme:</u></p> <p>The net proceeds will be exclusively allocated to re-finance projects, located in Germany, in the following categories:</p> <ul style="list-style-type: none"> • Wind projects • Solar PV projects <p><u>Social Bond Programme:</u></p> <p>The topics addressed by the DKB Framework are social housing, public supply, health care, education and research, and inclusion.</p>	<p><u>Green Bond Programme:</u></p> <p>The proceeds of the outstanding green bond issuances are used exclusively to refinance existing loans for wind and photovoltaic projects in Germany.</p> <p><u>Social Bond Programme:</u></p> <p>The funds raised through the issuance of DKB social bonds are used to refinance loans that generate social added value. For this purpose, DKB has formed various theme categories to which it has assigned corresponding financings with appropriate purposes. The addressed topics are social housing, health & care, public care, education & research and inclusion.</p>	✓
1.2. Defined and transparent criteria for eligible projects	<p><u>Green Bond Programme:</u></p> <p>The selected loans will be used to finance the construction and operation of electricity generation</p>	<p><u>Green Bond Programme:</u></p> <p>As part of the preparation of the Green Bond Programme, the evaluation and selection of the loans to be refinanced was</p>	✓

⁴ ISS ESG assessed the DKB Green & Social Bond Programme as aligned with the GBP & SBP (applicable at the date of issuance) as of June 22nd, 2020 (Social Bond Programme) and July 1st, 2020 (Green Bond Programme).

	<p>facilities that produce energy from solar and wind power. The eligible projects are aligned with the environmental objective “(i) climate mitigation” since renewable energy production is an effective mean to reduce the greenhouse gas emissions into the atmosphere.</p> <p><u>Social Bond Programme:</u></p> <p>The proceeds of any bond issuance based on this programme will be used exclusively to refinance loans with added social value. The topics addressed by the DKB Framework are social housing, public supply, health care, education and research, and inclusion.</p>	<p>carried out on the basis of the selection criteria.</p> <p><u>Social Bond Programme:</u></p> <p>The funds raised through the issuance of DKB social bonds are used to refinance loans that generate social added value. For this purpose, DKB has formed various theme categories to which it has assigned corresponding financings with appropriate purposes. The addressed topics are social housing, health & care, public care, education & research and inclusion.</p>	
1.3. Description of the expected environmental and/or social benefits of the project categories	<p>Environmental and social objectives and benefits are defined for each project category in DKB’s Green/Social Bond Programmes.</p>	<p>A detailed description of environmental objectives and benefits is available in the report.</p>	✓
1.4. Refinancing/ Financing	<p>The proceeds of any bond issuance based on DKBs Green and Social bond programmes will be used exclusively to refinance loans with added environmental and social value.</p>	<p>The issuer confirms that all proceeds have been used for the refinancing of loans.</p>	✓
2. Process for project evaluation and selection			
2.1 Documented process to determine whether projects fit within defined categories	<p><u>Green Bond Programme:</u></p> <p>DKB has a structured process to make sure that projects fit the defined eligibility criteria, with the participation of various departments, namely: renewable energies, public affairs and sustainability, collateral service and treasury. Furthermore, it has different measures to ensure alignment with the EU Taxonomy, namely the substantial contribution to</p>	<p><u>Green Bond Programme:</u></p> <p>Various (specialist) departments within DKB were involved in process of project evaluation and selection: New Energies, Public Affairs and Sustainability, Collateral Service and Treasury.</p> <p>All selection criteria, static and dynamic, are used to flag the loan pool. The selected loans</p>	✓

	<p>environmental objectives, DNSH to other environmental objectives, minimum social safeguards and technical screening criteria of EU Taxonomy. The results of the selection process and resulting Green Bond Pool are internally presented and agreed in the DKB Sustainable Finance Board.</p> <p><u>Social Bond Programme:</u></p> <p>The selection of the loan portfolio for the Social Bond Programme has been carried out by all relevant market segment units of DKB (housing, local authorities and social infrastructure, energy and public supply), as well as DKB's Sustainability Management and Treasury department.</p> <p>The selection of loans is based on several qualitative criteria: Assets need to be assigned to one of five topics/categories (social housing, public supply, health and care, education and research, inclusion). This is ascertained via definition of the type of client or the type of lending business as stored in DKB's core banking system. For certain categories, additional to client type, data on its economic sector are evaluated to ascertain the intended use of the loan. In the case of Public Private Partnerships, assets are assigned to one of the above topics based on additional asset-specific characteristics.</p>	<p>are marked in DKB's core banking system (OSPlus) with the specially defined indicator "GB Pool". Dynamic selection criteria can change over time and are reviewed again for each reporting. For example, loans are at least temporarily removed from the pool in the event of a certain rating downgrade. The following evaluations are based on this procedure.</p> <p><u>Social Bond Programme:</u></p> <p>The selected loans are marked in DKB's core banking system (OSPlus) with the specially defined indicator "SB Pool". The following criteria were established for selecting individual financings and defining the loans for this pool:</p> <p>Qualitative criteria</p> <ul style="list-style-type: none"> • Determination of topics/categories: Social Housing, Public supply, Health & Care, Education & Research, Inclusion • Assignment to the respective category on the basis of the "business sector" and the customer type • Classification of the statistical classification of economic activities in the EU (NACE codes) <p>In addition to the qualitative and quantitative characteristics, the BBSR indicator "Growing and Shrinking Cities and Municipalities" in Germany has been evaluated.</p>	
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<p>2.2 Documented process to identify and manage potential ESG risks</p>	<p>All projects, for both green and social categories, are subject to German law, standards and regulations. For the green categories, this includes the construction, operation and maintenance of wind and solar plants taking into account considerations regarding flora and fauna, health and safety of workers.</p>	<p>The issuer confirms that all selected green and social projects are subject to German law and standards with respect to the mentioned aspects.</p>	<p style="text-align: center;">✓</p>
<p>2.3 Information on responsibilities and accountability</p>	<p><u>Green Bond Programme:</u></p> <p>Various departments at DKB were involved for this purpose: renewable energies, public affairs and sustainability, collateral service and treasury.</p> <p><u>Social Bond Programme:</u></p> <p>The selection of the loan portfolio for the Social Bond Programme has been carried out by all relevant market segment units of DKB (housing, local authorities and social infrastructure, energy and public supply), as well as DKB's Sustainability Management and Treasury department.</p>	<p><u>Green Bond Programme:</u></p> <p>Various (specialist) departments within DKB were involved in the process of project evaluation and selection: New Energies, Public Affairs and Sustainability, Collateral Service and Treasury.</p> <p>The results of the selection process and the resulting Green Bond Pool are internally presented and agreed in the DKB Sustainable Finance Board.</p> <p><u>Social Bond Programme:</u></p> <p>Within DKB, the following (specialist) areas were involved in project selection and evaluation: Communities and Social Infrastructure; Housing; Energy and Utilities; Public Affairs and Sustainability; Collateral Service and Treasury.</p>	<p style="text-align: center;">✓</p>
<p>3. Management of Proceeds</p>			
<p>3.1 Green/Social Bond proceeds tracked in an appropriate manner</p>	<p><u>Green Bond Programme</u></p> <p>In order to keep track of the pool, the selected assets are earmarked in the core banking system (OSPlus).</p> <p>DKB strive to keep the Green Bond Pool consistent as a whole. Should loans no longer qualify for the Green Bond Pool, they will be taken out and, if necessary,</p>	<p>The selected loans are registered in DKB's core banking system (OSPlus) and have been marked with the specially defined "GB Pool" or "SB Pool" indicator.</p>	<p style="text-align: center;">✓</p>

	<p>replaced by other loans that meet the selection criteria.</p> <p><u>Social Bond Programme</u></p> <p>DKB states that any bond issuance based on the Social Bond Programme will exclusively refinance the selected portfolio and that the loans will be earmarked by an internal system key within DKB's core bank system. Further, DKB ensures that the nominal amount of the loan portfolio will not fall below the nominal amount of the outstanding Social Bonds to be issued within the programme.</p>		
<p>3.2 Disclosure of intended types of temporary investment instruments for unallocated proceeds</p>	<p><u>Green Bond Programme:</u></p> <p>As long as the Green Bonds are outstanding, DKB ensures that the Green Bond Pool's loan volume is at least equivalent to the issue volumes of the outstanding green bonds and, ideally, exceeds them</p> <p>DKB ensures that the nominal amount of the loan portfolio will not fall below the nominal amount of the outstanding Social Bonds to be issued within the programme.</p> <p><u>Social Bond Programme:</u></p> <p>DKB ensures that the nominal amount of the loan portfolio will not fall below the nominal amount of the outstanding Social Bonds to be issued within the programme.</p>	<p>The pool of eligible green and social projects is larger than current Green and Social Bond issuances. Temporary investment instruments for unallocated proceeds are thus unnecessary.</p>	<p>N/A</p>

4. Reporting			
<p>4.1 Use of Proceeds reporting</p>	<p><u>Green Bond Programme:</u></p> <p>DKB has been issuing Green and Social Bonds to refinance assets of renewable energies and social-infrastructure business. Consequently, DKB decided to publish sustainable-bond reporting, which elucidates both bond categories under the name “Impact Reporting for DKB’s Green and Social Bonds”. The reporting includes data and information regarding allocation and impact. Due to the fact, that DKB only refinances existing loans including their earmarking within the core bank system, every reporting for DKB’s Green and Social Bonds represents the reporting of full allocation of the proceeds for the existing green bonds at the time of the reporting.</p> <p><u>Social Bond Programme:</u></p> <p>DKB commits to report annually until full allocation of the proceeds and after that only in cases of material changes of the underlying Social Bond Pool towards the Social Bond Programme’s investors. According to DKB, this includes portfolio-based statements on the categories, allocation information and specific KPIs for certain sub-categories, if official data is available. This will include issues addressed in reference to the Social Bond Principle Categories, contributions of projects to the Sustainable Development Goals and the BBSR-Indicator.</p> <p>Further reporting may include the following according to DKB:</p>	<p>The section “Allocation reporting” of the Impact & Allocation Report 2021 complies with the pre-issuance commitment expressed in the framework and with the requirements defined in the GBP/SBP.</p> <p><i>Further analysis of this section of the report is displayed in Part III of this report.</i></p>	<p style="text-align: center;"></p>

	<ul style="list-style-type: none"> • Target group (if applicable) • Signed amount • Share of total financing • Allocated amount • Portfolio lifetime or budgeted year • Additional indicators (absolute and relative) 		
<p>4.2 Impact reporting</p>	<p><u>Green Bond Programme:</u></p> <p>DKB will report on the impact of the Green Projects at least once during bond lifetime, probably after full allocation of the bond proceeds to Green Projects and thereafter, just in case of material changes to the allocation or the Green Bond Pool.</p> <p><u>Social Bond Programme</u></p> <p>DKB will report on the type of municipality the assets of the Social Bond Asset Pool are located in according to the classification of municipalities of the BBSR-Indicator “Growing and Shrinking Cities and Communities”. The indicator is created and maintained by the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) within the Federal Office for Building and Regional Planning. The indicator uses socio-economic indicators including total migration balance, job creation and the development of the labor force, unemployment rates and trade taxation. DKB uses the BBSR-Indicator as an indication whether assets are located in regions in Germany that are at risk of marginalization.</p>	<p>The section “Impact Reporting” of the Impact & Allocation Report 2021 complies with the pre-issuance commitment expressed in the framework and with the requirements defined in the GBP & SBP.</p> <p><i>Further analysis of this section is available in Part III of this report.</i></p>	<p style="text-align: center;">✓</p>

<p>4.3 Means of disclosure: where the information is published</p>	<p>The reports will be published on DKB's corporate website and will be available until maturity of the respective issuances.</p>	<p>The report is intended to be publicly available on the following webpages:</p> <p>German version: https://www.dkb.de/nachhaltigkeit/green-social-bond/</p> <p>English version: https://www.dkb.de/nachhaltigkeit/green-social-bond-english/</p>	<p>✓</p>
<p>4.4 External review</p>	<p>A Second Party Opinion (SPO) will be issued by an independent external verifier in order to provide an external verification on DKB's Green & Social Bond Programme.</p>	<p>ISS ESG has provided a Second Party Opinion (SPO) on DKB's Green & Social Bond Programme.</p>	<p>✓</p>

Opinion: ISS ESG finds that the Impact & Allocation Report 2021 meet the general conditions set forth in DKB's Green & Social Bond Programme. Core components as defined by ICMA have been considered in the Framework and have then been transposed accordingly in the Impact & Allocation Report 2021.

PART II: ASSESSMENT AGAINST THE ICMA HARMONIZED FRAMEWORK FOR IMPACT REPORTING (HFIR) AND WORKING TOWARDS A HARMONIZED FRAMEWORK FOR IMPACT REPORTING FOR SOCIAL BONDS (WTHFIR)

Reporting is a core component of the GBP. Green bond issuers are required to report on both the use of green bond proceeds, as well as the expected environmental impacts at least on an annual basis. The Harmonized Framework for Impact Reporting (HFIR) has been chosen as benchmark for this analysis as it represents the most widely adopted standard.

The table below presents the findings of an ISS ESG assessment of DKB Impact & Allocation Report 2021 against the ICMA Harmonized Framework for Impact Reporting (HFIR).

CORE PRINCIPLES		
ICMA HFIR	IMPACT & ALLOCATION REPORT 2021	ASSESSMENT
Reporting on an annual basis	DKB has reported within one year from issuance and all the proceeds have been immediately allocated. The report will be available on DKB's website.	✓
Illustrating the expected environmental impacts	An impact analysis on CO ₂ savings of each refinanced project is presented according to the following metrics: <ul style="list-style-type: none"> • Nominal power in kilowatts (kW) • Energy (production) in kilowatt hours per year (kWh, p. a.) • CO₂ savings in tons per year (t, p. a.) 	✓
Transparency on the currency	The Issuer reports the cash flow related to the Green Bonds and the allocations to the projects. All cash flows are reported in EUR.	✓

RECOMMENDATIONS		
ICMA HFIR	IMPACT & ALLOCATION REPORT 2021	ASSESSMENT
Define and disclose the period and process for including projects in their report	In addition to the condition that the loans concern wind or photovoltaic projects only, the loans selected for the Green Bond Pool are subject to further conditions: <p>Selection criteria</p> <ul style="list-style-type: none"> • Only DKB house bank loans • Exclusively project financing • Only in Germany • Only onshore • Minimum loan amount per project 	✓

	<p>Dynamic selection criteria</p> <ul style="list-style-type: none"> • Selected legal forms • Minimum residual term of the Green Bond Pool loans • Minimum internal rating 	
Indicate the total signed amount and the amount of environmental bonds proceeds allocated to eligible disbursements.	A total of EUR 1bn has been raised through DKB's Green Bond Programme. The entirety of the proceeds has been allocated to Green Assets.	✓
Put in place a formal internal process for the allocation of proceeds linked to their lending and investment operations for Green Projects and to report on the allocation of proceeds.	DKB followed a transparent process for selection and evaluation of Eligible Green Projects. Projects refinanced through Green Bonds issued under Green Bond Programme were evaluated and selected based on compliance with the Selection Criteria defined.	✓
Provide a list of projects to which environmental bonds proceeds have been allocated, or report solely on a portfolio level	The Impact & Allocation Report 2021 includes the total amount of proceeds allocated per eligible project category, type within categories and per geographical breakdown (country).	✓
Describe the approach to impact reporting	The issuer identifies specific eligible projects and clearly presents, for each project category, the amount of allocated proceeds.	✓
Report the estimated lifetime results and/or project economic life (in years)	DKB does not report on lifetime impacts of projects.	N/A
Ex-post verification of specific projects	There is no ex-post verification of specific projects.	N/A
Report on at least a limited number of sector specific core indicators for projects included in their green bond programme	DKB considers the following metrics to be included in the measurement of the climatic impact of the green bonds issued: <ul style="list-style-type: none"> • Nominal power in kilowatts (kW) • Energy (production) in kilowatt hours per year (kWh, p. a.) • CO2 savings in tons per year (t, p. a.) 	✓
For the calculation of indicators, where there is no single commonly-used standard, issuers may follow their own methodologies while	The issuer relies on a commonly-used standard for the calculation of indicators.	N/A

making these available to investors		
Elect, for consistency reasons, to convert units reported for individual projects. Disclosure on the conversion approach	No disclosure of conversion needed, as units are consistent across the project categories.	N/A
Be transparent about projects with partial eligibility	The issuer has not financed partial eligibility projects.	N/A
In case the expected impacts of different project components may not be reported separately, issuers may attribute the results to each component based on their relative share in the related financing, disclosing the attribution approach	DKB has reported expected impacts of project components. As such, this requirement is not applicable.	N/A

Opinion: ISS ESG finds that DKB follows Harmonized Framework for Impact Reporting (HFIR)'s core principles and key recommendations. The issuer provides transparency on the level of expected reporting as well as on the information reported, frequency, scope and duration, aligned with best practices. It also provides details on the selection criteria process and the relevant environmental impacts.

Reporting is a core component of the SBP. Social bond issuers are required to report on both the use of social bond proceeds, as well as the expected social impacts at least on an annual basis. Working Towards a Harmonized Framework for Impact Reporting (HFIR) for Social Bonds has been chosen as benchmark for this analysis as it represents the most widely adopted standard.

The table below presents the findings of an ISS ESG assessment of DKB Impact & Allocation Report 2021 against ICMA Harmonized Framework for Impact Reporting (HFIR).

CORE PRINCIPLES		
ICMA HFIR	Impact & Allocation Report 2021	ASSESSMENT
Formal internal process to track proceeds	When creating the Social Bond Program and the associated loan pool, the evaluation and selection of the loans to be refinanced was carried out on the basis of the various criteria. Within DKB, the following (specialist) departments were involved in this process: Communities and Social Infrastructure; Housing; Energy and Utilities; Public Affairs and Sustainability; Collateral Service and Treasury. The selected loans are marked in DKB's core banking system (OSPlus) with the specially defined "SB Pool" indicator.	✓
Reporting on an annual basis	DKB has reported within one year from issuance and all the proceeds have been immediately allocated. The report will be available on DKB's website	✓
Allocation of the proceeds to social project categories	The funds raised through the issuance of DKB social bonds are used to refinance loans that generate social added value. For this purpose, DKB has formed various categories to which it has assigned corresponding financings with appropriate purposes. These are: social housing, health & care, public care, education & research and inclusion.	✓
Target Population/Categories	<p>Many of the categories selected by DKB serve a specific target population by addressing the general public. The chosen categories include:</p> <p>Housing</p> <ul style="list-style-type: none"> • Municipal housing companies • Housing cooperatives <p>Public supply</p> <ul style="list-style-type: none"> • Public administration • Public transport (ÖPNV) • Water/Sewage <p>Education & Research</p> <ul style="list-style-type: none"> • Schools 	✓

	<ul style="list-style-type: none"> • Day care centers (Kitas) • Universities • Continuing Education Facilities • Student Union <p>Health & Care</p> <ul style="list-style-type: none"> • Hospitals • Medical care centers • Outpatient and inpatient rehabilitation & care facilities • Healthcare properties <p>Inclusion</p> <ul style="list-style-type: none"> • Workshops for disabled people • Refugee homes • Child and youth welfare • Foundations • Sports clubs 	
<p>Output, outcome and/or impact of projects</p>	<p>In its impact analysis, DKB focuses on the following aspects for all defined social bond categories:</p> <ul style="list-style-type: none"> - Categorisation of loans according to the systematics of the Social Bond Principles - Addressing the Sustainable Development Goals (SDGs) - Regional distribution of loans according to BBSR indicator (target population) <p>More specifically, the report includes the following categories from the Social Bond Principles:</p> <ul style="list-style-type: none"> - Access to essential services - Affordable basic infrastructure - Affordable housing - Socioeconomic advancement and empowerment <p>In addition, DKB mapped the loan volumes financed through the social bond proceeds to the following SDGs:</p> <ul style="list-style-type: none"> - SDG 3 – Good Health and Well-Being - SDG 4 – Quality Education - SDG 6 – Clean Water and Sanitation - SDG 10 – Reduced Inequalities - SDG 11 – Sustainable Cities and Communities - SDG 16 – Peace, Justice and Strong Institutions 	<p style="text-align: center; color: green; font-size: 2em;">✓</p>

	<ul style="list-style-type: none"> - Regional distribution of loans according to BBSR indicator (target population) <p>Further, the bank also provides additional specific data for the public utilities category, especially water/sanitation.</p>	
Illustrate the expected social impact made possible as a result of projects to which social bond proceeds have been allocated.	DKB has assigned the social bond proceeds to both, the categories set forth in the Social Bond Principles as well as the SDGs. In addition, the bank has separately provided an overview of its financing activities with respect to water and sanitation, where the indicators include <i>inhabitants served</i> and <i>water quantity</i> , and has used the BBSR-Indicator, from Germany's Federal Office for Building and Regional Planning, to communicate the allocation of loans to regions that exhibit different socio-economic growth.	✓

RECOMMENDATIONS

ICMA HFIR	Impact & Allocation Report 2021	ASSESSMENT
Be transparent about projects with partial eligibility	There are no projects with partial eligibility in the social bond pool.	N/A
Provide background on the methodology and assumptions used for the calculation of social impact indicators	The issuer has drawn on the categories of the SBP and the SDGs in its assessment of the impact of the social bond. DKB has further drawn on the use of the BBSR-Indicator and provided background on the underlying methodology.	✓
In case the expected impacts of different project components may not be reported separately, issuers may attribute the results to each component based on their relative share in the related financing, disclosing the attribution approach	DKB has reported expected impacts of project components. As such, this requirement is not applicable.	N/A
Explain the methodology used to determine the share of eligible project financing being applied to impact calculation	There is no indication that any of the financed projects will be co-financed. As such, this requirement is not applicable.	N/A
Collaborate with experts if reporting the estimated lifetime impacts and/or project economic life in years	No assessment of lifetime impact of projects is undertaken.	N/A
Ex-post verification of specific projects	DKB's Impact & Allocation Report 2021 does not rely on estimations of the social impact of projects.	N/A

Define and disclose the period and process for including projects in their report	The issuer states that if, in view of the defined selection criteria, loans no longer qualify for refinancing with social bonds, they are permanently or temporarily removed from the pool and, if necessary, replaced by financing that meets the criteria.	✓
Indicate the timing of disbursements	The issuer exclusively refinances existing loans.	N/A

Opinion: ISS ESG finds that DKB follows “Working Towards a Harmonized Framework for Impact Reporting for Social Bonds” core principles and key recommendations. The issuer provides transparency on target categories, has reported within one year of issuance and has illustrated the expected social impact made possible by mapping loans on a portfolio level to the SDGs as well as the categories of the Social Bond Principles. However, the report may be further improved by integrating more granular, quantitative indicators to comprehensively measure and assess the impact of the financed Use of Proceeds categories on the chosen target populations.

PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS

Methodology note: ISS ESG's review does not follow auditing or assurance standards or guidelines. ISS ESG does not provide assurance on the information presented in DKB Impact & Allocation Report 2021. ISS ESG solely conducted a review of the Use of Proceeds' allocation and impact reporting against ICMA's HFIR's and WTHFIR's core principles, recommendations and best market practices.

Use of Proceeds Allocation

ISS ESG notes that it has not verified or audited the allocation reporting and thus cannot provide any assurance on its soundness. ISS ESG solely conducted a review of the Use of Proceeds' allocation reporting against ICMA Green Bond Principles and Social Bond Principles' core recommendations on the level, scope and information to be provided in the allocation reporting.

Use of Proceeds allocation reporting is key to put the impacts into perspective with the number of investments allocated to the respective Use of Proceeds categories. The Use of Proceeds allocation reporting occurred within one year from the issuance. All proceeds were immediately allocated after emission.

Proceeds allocated to Eligible Projects

The proceeds' allocation is broken down at the project category level. Proceeds allocation has been reported at the portfolio level. The issuer has provided detail about the type of green projects included in the Green Bond portfolio, which has a volume of about EUR 2.3 bn and is divided between 529 loans. The share of wind and photovoltaic projects in the current Green Bond program, measured in terms of volume and number, is as follows (in German):

Breakdown by volume (in EUR millions, share in %):

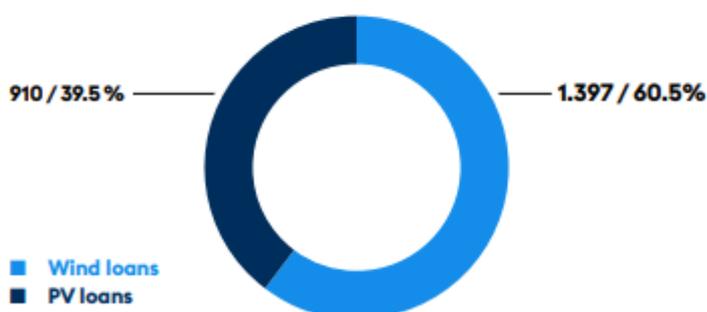


Figure 1: Breakdown by Volume

Breakdown by number of loans, share in %:

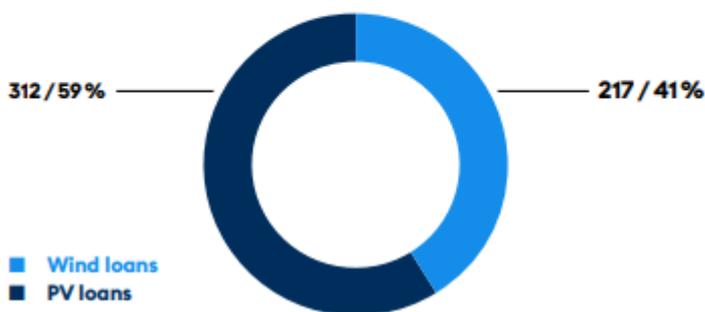


Figure 2: Breakdown by number of loans

The report has provided information about projects which were removed from the allocation register, due to these no longer meeting one or more selection criteria. This encompassed 15 loans (5 solar PV, 10 wind) with a total volume of approximately EUR 37 million. A further 15 loans (12 photovoltaic projects, 3 wind projects) with a volume of approx. EUR 47 million are no longer part of the Green Bond Pool due to their maturity.

The Social Bond portfolio has a volume of about EUR 2.4 bn, which is divided between 855 loans. The share of loans in the current Social Bond program, measured in terms of loan volume, is as follows (in German):

Social Bond Pool by category with loan volumes (total 2,472; in EUR millions)

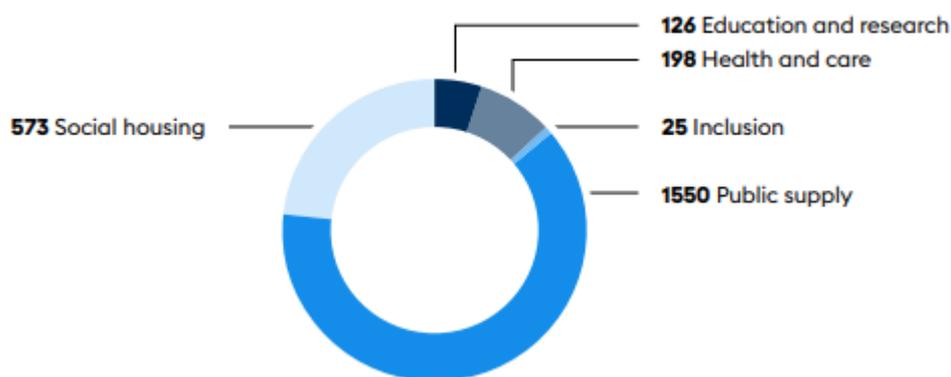


Figure 3: Social Bond Pool by category with loan volumes

ISS ESG finds that the allocation report section of the Impact & Allocation Report 2021 of DKB aligns with best market practices by providing information on:

- The number of projects (re-)financed
- The total amount of proceeds in million euros
- The proportion of proceeds that have been allocated to each Use of Proceeds category

Impact Reporting Indicators

ISS ESG finds that the impact indicators used by Impact & Allocation Report 2021 of DKB align with best market practices using ICMA's recommended metrics, either in the HFIR or the WTHFIR. The issuer measures and discloses relevant indicators for each Use of Proceeds category. The table below presents an assessment conducted by ISS ESG referring to key recommendations of the ICMA Harmonized Framework for Impact Reporting and Working Towards a Harmonized Framework for Impact Reporting for Social Bonds.

ELEMENT	ASSESSMENT
Relevance	<p>The impact indicators chosen by the issuer for the green bond are the following:</p> <ul style="list-style-type: none"> a) Saved CO₂ emissions (in tons/year) b) Nominal power in kilowatts (kW) c) Energy (production) in kilowatt hours per year (kWh, p. a.) <p>These indicators are quantitative and material to the Use of Proceeds categories financed through the green bond and in line with the Suggested Impact Reporting metrics for Renewable Energy projects by the ICMA Harmonized Framework for Impact Reporting. This aligns with best market practices.</p> <p>For the social bond, the following indicators have been selected:</p> <ul style="list-style-type: none"> a) Inhabitants served (for Water/Sanitation) b) Water quantity (for Water/Sanitation) c) SBP categories d) UN SDGs e) BBSR-Indicator <p>While indicators a) and b) are considered relevant and material, indicators c) through e) may be further improved by including complementary, more granular indicators to comprehensively measure and assess the social impact of the financed Use of Proceeds categories.</p>
Data sourcing and methodologies of quantitative assessment	<p>For the impact indicators related to renewable energy, the issuer focuses on saved CO₂ emissions and intends to use realistic energy values as a basis for calculating the CO₂ avoidance achieved. Accordingly, the three above-mentioned metrics (a-c) are included in the measurement of the climatic impact of the green bonds issued.</p> <p>For the wind projects, the energy production results from the net wind yield or the actual feed-in to the energy grid. For the photovoltaic projects, the specific yield is chosen as the basis for calculating the energy produced.</p>
Baseline selection	<p>The Issuer reports on absolute figures without considering a relevant baseline year.</p>
Scale and granularity	<p>The impact data is presented at the Use of Proceed category level for the indicator(s).</p>

High-level mapping of the impact indicators with the UN Sustainable Development Goals

Based on the project categories financed and refinanced by the bonds as disclosed in the issuer's Impact & Allocation Report 2021, the impact indicator(s) adopted by DKB for its Impact & Allocation Report can be mapped to the following SDGs, according to the ICMA "A High-Level Mapping to the Sustainable Development Goals"⁵.

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
Saved CO ₂ emissions (in tons/year)	 
Nominal power in kilowatts (kW)	 
Energy (production) in kilowatt hours per year (kWh, p. a.)	 
Inhabitants served with water/wastewater	
Water quantity (in m ³)	

⁵ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds-2020-June-2020-090620.pdf>

DISCLAIMER

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ANNEX: Methodology

ISS ESG Review of the post-issuance Reports

The external review of post-issuance reports provides the Issuer with an independent opinion on the soundness of its post-issuance report and of its alignment with recognized market guidelines and it provides investors with independent information regarding the reliability of the report produced. On the basis of the information provided by the Issuer, ISS ESG assesses the alignment of the report with recognized market guidelines, the metrics chosen by the Issuer and the soundness of process and methodology of reporting. The analysis of the metrics adopted is based on specific sets of indicators developed by ISS ESG referring to common market guidelines.

High level mapping to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method based on ICMA's Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, ISS ESG identifies the extent to which Hypo Tirol's Social Bond Impact reporting and project categories contributes to related SDGs.

About ISS ESG External Review

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Green Bond Principles, Social Bond Principles and Sustainable Bond Guidelines), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent External Review so that investors are as well informed as possible about the quality of the bond/loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For information on External Review services, contact: SPOsales@isscorporatesolutions.com

For more information on this specific Impact & Allocation Report 2021 External Review, please contact: SPOOperations@iss-esg.com

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