

SECOND PARTY OPINION (SPO)

Re-verification of the Sustainability Quality of the Issuer and Social Bond Pool

Deutsche Kreditbank AG
22 June 2020

CONTENTS

Overall Evaluation of the Social Bond Programme	3
ISS ESG ASSESSMENT SUMMARY	3
Contribution of the Social Bond Programme to the UN SDGs	4
ISS ESG SPO ASSESSMENT	5
PART I: SOCIAL BOND PRINCIPLES	5
PART II: SUSTAINABILITY QUALITY OF THE LOAN POOL	10
A. Social housing and housing cooperatives	10
B. Public supply - Water/wastewater treatment	11
C. Public supply - Public transportation	12
D. Public supply - Public administration	13
E. Medical/care facilities and nursing homes	14
F. Education	15
G. Inclusion	16
PART III: ASSESSMENT OF DKB'S ESG PERFORMANCE	18
ANNEX 1: ISS ESG Corporate Rating	20
ANNEX 2: Methodology	25
About ISS ESG SPO	26

Overall Evaluation of the Social Bond Programme

Deutsche Kreditbank AG (DKB) commissioned ISS ESG to assist with its Social Bond Programme by re-verifying three core elements to determine the sustainability quality of the bond programme:

1. DKB's Social Bond framework – benchmarked against the International Capital Market Association's (ICMA) Social Bond Principles (SBPs).
2. The asset pool – whether the projects aligned with ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 2).
3. DKB's sustainability performance, according to the ISS ESG Corporate Rating.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Performance against SBPs	The issuer has defined a formal concept for its Social Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA SBPs.	Positive
Part 2: Sustainability quality of the asset pool	The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG Social Bond KPIs. The eligible social asset categories include social housing, public supply, health care, education and research, and inclusion. All assets of the asset pool are located in Germany, a highly regulated and developed country. Legislative frameworks in this country set minimum standards, which reduce environmental and social risks.	Positive
Part 3: Issuer sustainability performance	The issuer itself shows a good sustainability performance and has been given a rating of B-, which classifies it as Prime by the methodology of the ISS ESG Corporate Rating. It is rated 1 st out of 279 companies within its sector as of 22.06.2020. This equates to a high relative performance, with a Decile Rank ² of 1.	Status: Prime Rating: B- Decile Rank: 1

¹ The ISS ESG's present evaluation will remain valid until any modification of the Social Bond Framework or addition of new assets into the asset pool by the issuer and as long as the Company Rating does not change (last modification on the 25.05.2020). The controversy check of the underlying assets has been conducted on the 19.06.2020.

² Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.

Contribution of the Social Bond Programme to the UN SDGs

Based on the assessment of the sustainability quality of the Social Bond asset pool and using a proprietary methodology, ISS ESG assessed the contribution of the DKB's Social Bond asset pool to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Social housing and housing cooperatives	Significant Contribution	
Public supply – Water/wastewater treatment	Significant Contribution	
	Limited Contribution	
Public supply – Public transport	Limited Contribution	
Public supply – Public administration	Significant Contribution	
Health and care	Significant Contribution	 
Education and research	Significant Contribution	 
Inclusion	Significant Contribution	

ISS ESG SPO ASSESSMENT

PART I: SOCIAL BOND PRINCIPLES

1. Use of Proceeds

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. All assets are situated in Germany.

The financing volume of assets across the five addressed topics within this Social Bond Programme are as follows:

ASSET CATEGORY	NUMBER OF ASSETS	VOLUME (EUR)	SHARE OF ASSET POOL
Social housing	170	642,219,344	23.60%
Public supply	624	1,697,727,439	62.39%
Health care	89	214,685,015	7.98%
Education and research	43	135,159,349	4.97%
Inclusion	17	31,310,864	1.15%
TOTAL	943	2,721,102,010	100%

From a sustainability point of view, social housing, public supply, health care, education and research, and inclusion are to be evaluated positively. They relate to the Social Bond Principles categories as indicated below:

DKB ASSET CATEGORY	SOCIAL BOND PRINCIPLES CATEGORY
Social housing	Affordable housing
Public supply	Affordable basic infrastructure / Access to essential services
Health care	Access to essential services
Education and research	Access to essential services
Inclusion	Socioeconomic advancement and empowerment

Additionally, the projects meet specific social and broader sustainability standards (see part II of this document), which assure that a positive impact is not impaired by adverse impacts and effects in other areas (e.g. environmental impacts).

Opinion: ISS ESG considers the Use of Proceeds description provided by DKB's Social Bond Framework as aligned with the Social Bond Principles. The asset category aligns with the Social Bond Principles examples of eligible categories. Expected social benefits are defined in line with the UN SDGs and with the issuer's sustainability strategy. The share of financing and refinancing is transparently displayed.

2. Process for Project Evaluation and Selection

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.

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.

An overview is given in the table below:

DKB ASSET CATEGORY	CLIENT TYPE	ECONOMIC SECTOR
Social housing	Housing – municipal company	
	Housing – cooperative association	
Public supply	Water / wastewater	Operation of main sewer system
		Operation of sewage treatment plants
	Transport	Transport of persons in commuter traffic (excluding taxis)
		Transport of persons in overland transport
Municipal clients (PPPs ³)		
Health and care	Outpatient care	Outpatient social services
	Inpatient care	Nursing homes
	Hospitals	Hospitals (excluding university clinics)
		University clinics
	Inpatient, outpatient rehabilitation facilities	Prevention and rehabilitation clinics
	Healthcare property segment	Retirement homes, residential institutions for the elderly and disabled
Social welfare/youth welfare organisations		
Municipal clients (PPPs)		

³ Public private partnership

Education and research	Schools
	Day-care centres for children
	Universities
	Further education
	Research
	Student services
	Municipal clients (PPPs)
Inclusion	Foundations
	Workshops for disabled persons
	Child/youth welfare services
	Sports associations and clubs
	Municipal clients (PPPs) - refugee homes

Additionally, DKB considers quantitative, financial criteria such as internally defined specific minimum rating criteria (depending on categories) to ensure a high loan quality within the proceeds. Assets included in the Social Bond Asset Pool are exclusively intended to be refinanced via Social Bonds.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by DKB's Social Bond Framework as aligned with the Social Bonds Principles. Eligibility criteria are appropriately defined and publicly available. The process for selection based on those criteria is structured and involves internal stakeholders with relevant expertise.

3. Management of Proceeds

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.

The portfolio will be monitored on a yearly basis. In case of any changes to the loans with respect to the selection criteria mentioned above, DKB commits to substitute the loans in the Social Bond Programme. DKB commits that these substitutions will be in line with the sustainability criteria of the Social Bond Analysis Framework.

Opinion: ISS ESG finds that Management of Proceeds proposed by DKB's Social Bond Framework is aligned with the Social Bond Principles, as all the full proceeds are immediately allocated to the social bond pool after transaction. This pool remains at all time at least equal to the outstanding Social Bond amount. Procedures in case of divestment or non-compliance with the eligibility criteria are in place.

4. Reporting

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 (see below for more details) and the BBSR-Indicator (see below for more details).

Further reporting may include the following according to DKB:

- Target group (if applicable)
- Signed amount
- Share of total financing
- Allocated amount
- Portfolio lifetime or budgeted year
- Additional indicators (absolute and relative)

For the purpose of reporting, DKB mapped its eligible asset category with the UN SDGs as follow:

DKB ASSET CATEGORY	SUSTAINABLE DEVELOPMENT GOALS
Social housing	<ul style="list-style-type: none"> • Goal 1: No poverty • Goal 11: Sustainable cities and communities
Public supply	<ul style="list-style-type: none"> • Goal 3: Good health • Goal 6: Clean water and sanitation • Goal 9: Innovation and infrastructure • Goal 10: Reduced inequalities • Goal 11: Sustainable cities and communities • Goal 16: Peace, justice, and strong institutions • Goal 17: Partnership for the goals
Health and care	<ul style="list-style-type: none"> • Goal 3: Good health • Goal 17: Partnership for the goals
Education and research	<ul style="list-style-type: none"> • Goal 4: Quality education • Goal 10: Reduced inequalities • Goal 17: Partnership for the goals
Inclusion	<ul style="list-style-type: none"> • Goal 8: Good jobs and economic growth • Goal 10: Reduced inequalities • Goal 11: Sustainable cities and communities • Goal 12: Responsible consumption and production • Goal 17: Partnership for the goals

Goal 17 “Partnership for the goals” is indicated for all DKB asset categories including public private partnerships.

DKB will likewise 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.

Opinion: *ISS ESG finds that the reporting proposed by DKB’s Social Bond Framework is aligned with the Social Bond Principles. The level, frequency and scope of allocation and impact reporting are transparently displayed. Examples of information reported are provided.*

External review

DKB commissioned an external provider to regularly verify the sustainable quality of the Social Bond Pool and compliance with the selection criteria in the context of a third-party assurance.

PART II: SUSTAINABILITY QUALITY OF THE LOAN POOL

A. Social housing and housing cooperatives

As a Use of Proceeds category, social housing and housing cooperatives have a significant contribution to the SDG 11 “Sustainable cities and communities”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs reflecting the key environmental and social risks associated with this project category.

ASSESSMENT AGAINST ISS KPI

Prerequisite

- ✓ All assets are either housing cooperatives or organisations with over 25% ownership by the local government.

A.1. Standards for social housing and housing cooperatives

- ✓ 100% of the assets assigned to cooperatives are democratically organized and allow for participation (according to national legislation).
- For 68 assets out of 170, rents are lower than the local average rent level according to DKB. For the remaining 102 assets, no information on rent level compared to local averages is available
- ✓ 134 assets out of 170 include lifelong right of residence for their tenants. For the remaining assets, no information is available.

A.2. Safety of building users

- ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).

A.3. Site selection

- ✓ 100% of assets have basic measures in place for responsible site selection (national legislation).
- ✓ More than 50% of the assets are located within metropolitan areas and thus do not require a specific policy on responsible site selection. 2 assets are not located within metropolitan areas. For the remaining assets, no information is available.
- ✓ More than 50% of the assets are located within a maximum of 1 km from one or more modalities of public transport. 4 assets are not located within a maximum of 1 km from one or more modalities of public transport. For the remaining assets, no information is available.

A.4. Construction standards

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place for construction work conducted by own employees and contractors (e.g. ILO core conventions).
- For all assets, no information is available on sustainable procurement measures regarding building materials (e.g. recycled materials, third-party certification of wood based materials).

A.5. Water use minimisation in buildings

- For all assets, no information is available on measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).

A.6. Energy efficiency

- ✓ 100% of the assets must observe the requirements of the Energy Saving Ordinance (Energieeinsparverordnung / EnEV) in the version applicable at the time of credit application.

Controversy screening

A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

B. Public supply - Water/wastewater treatment

As a Use of Proceeds category, wastewater treatment has a significant contribution to the SDG 6 “Clean water and sanitation” and a limited contribution to SDG 3 “Good health and well-being”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs reflecting the key environmental and social risks associated with this project category.

ASSESSMENT AGAINST ISS KPI

B.1. Site selection

- ✓ 100% of assets have basic measures in place for responsible site selection (national legislation).
- ✓ 100% of assets are not located in key biodiversity areas (Natura 2000).
- ✓ 100% of assets are required to conduct an environmental impact assessment at the planning stage.

B.2. Community dialogue

- ✓ For all assets, basic community dialogue measures in place.

B.3. Working conditions during construction and operation

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place for construction and maintenance work (e.g. ILO core conventions).

B.4. Environmental aspects of construction and operation

- ✓ For all assets, measures are in place to reduce the environmental impacts of sewage sludge disposal (national and regional legislation).
- ✓ 100% of assets are required to meet high standards regarding the quality of treated water (national and regional legislation).
- For all assets, no information is available on measures to prevent leakage of sewerage systems (e.g. monitoring systems, adequate maintenance and repair).

Controversy screening

A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

C. Public supply - Public transportation

As a Use of Proceeds category, public transportation has a limited contribution to the SDG 11 “Sustainable cities and communities”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs reflecting the key environmental and social risks associated with this project category.

ASSESSMENT AGAINST ISS KPI

C.1. Social aspects of trains/buses

- ✓ For all assets, measures to ensure safety for both passengers and operators as well as quality assurance are in place (national and EU legislation).
- ✓ 100% of assets are located in Germany, a country where high labour standards are in place (e.g. ILO core conventions).
- ✓ 100% of assets must observe requirements regarding accessibility and explain any exceptions to the requirements (national legislation).
- For all assets, no information is available for asset specific measures to ensure accessibility.

C.2. Productions standards

- For 1 asset, information on a comprehensive environmental management system at the manufacturing sites of trains/buses is available. For all other assets, no information is available.

- For all assets, no information is available on high labour and health and safety standards at the manufacturing sites of trains/buses.

A.2. Safety of building users

- ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).

3. Environmental aspects of vehicles

- For all assets, no information is available on comprehensive life-cycle-assessments of the buses, trains and trams.
- For all assets, no information is available on optimisation of energy efficiency during operation (e.g. through energy recovery systems for trains/ E-buses, hybrid and biofuel buses).

Controversy screening

A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

D. Public supply - Public administration

As a Use of Proceeds category, public administration has a significant contribution to the SDG 10 “Reduced inequalities”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs reflecting the key environmental and social risks associated with this project category.

ASSESSMENT AGAINST ISS KPI

D.1. Standards for public administration

- ✓ 100% of assets are located in Germany, a country with a low-level of corruption and a stable and democratic political system.

D.2. Safety of and accessibility for building users

- ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).
- ✓ 100% of assets ensure accessibility (according to legislation).

D.3. Site selection

- ✓ More than 50% of the assets are located within a maximum of 250m from one or more modalities of public transport.

D.4. Construction standards

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place for construction and maintenance work (e.g. ILO core conventions).
- For all assets, no information is available on sustainable procurement regarding building materials (e.g. recycled materials, third-party certification of wood-based materials).

D.5. Water use minimisation in buildings

- ✓ For all assets, no information is available on measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).

D.6. Energy efficiency

- ✓ 100% of the assets must observe the requirements of the Energy Saving Ordinance (Energieeinsparverordnung / EnEV) in the version applicable at the time of credit application.

Controversy screening

A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

E. Medical/care facilities and nursing homes

As a Use of Proceeds category, medical/care facilities and nursing homes have a significant contribution to the SDGs 3 “Good health and well-being” and 10 “Reduced inequalities”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs reflecting the key environmental and social risks associated with this project category.

ASSESSMENT AGAINST ISS KPI

E.1. Standards for care/medical facilities

- ✓ More than 50% of assets have a quality management system in place.
- The indicator on resident-centred environment is not applicable to over 50% of assets. No information is available for the remaining assets.

E.2. Site selection (n/a for ambulatory care practices)

- ✓ More than 50% of assets are located within a maximum of 250m from one or more modalities of public transport.

E.3. Labour standards

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place (e.g. ILO core conventions).

E.4. Safety of building users

- ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).

E.5. Waste reduction and disposal

- ✓ For all assets, measures are in place to correctly dispose of waste (according to national legislation).

E.6. Water use minimisation in buildings

- For all assets, no information is available on measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).

E.7. Energy efficiency

- ✓ 100% of the assets must observe the requirements of the Energy Saving Ordinance (Energieeinsparverordnung / EnEV) in the version applicable at the time of credit application.

Controversy screening

A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

F. Education

As a Use of Proceeds category, education has a significant contribution to the SDGs 4 “Quality education” and 10 “Reduced inequalities”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs reflecting the key environmental and social risks associated with this project category.

ASSESSMENT AGAINST ISS KPI

F.1. Quality standards

- ✓ All assets are located in countries with strong education standards and supervising bodies.
- ✓ 100% of assets are required by law to have quality management systems in place.

F.2. Labour standards

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place (e.g. ILO core conventions).

F.3. Access to education

- ✓ 100% of assets are located in countries with high social standards regarding non-discrimination.

- ✓ 100% of assets must observe the General Equal Treatment Act (Allgemeines Gleichstellungsgesetz / AGG) requiring non-discrimination in education.

F.4. Access to transportation

- ✓ More than 50% of assets are located within a maximum of 250m from one or more modalities of public transport.

F.5. Safety of building users

- ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).

F.6. Energy efficiency

- ✓ 100% of the assets must observe the requirements of the Energy Saving Ordinance (Energieeinsparverordnung / EnEV) in the version applicable at the time of credit application.

Controversy screening

A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

G. Inclusion

As a Use of Proceeds category, inclusion has a significant contribution to the SDG 10 “Reduced inequalities”.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs reflecting the key environmental and social risks associated with this project category.

ASSESSMENT AGAINST ISS KPI

G.1. Policy of facility

- ✓ For 12 out of 17 assets, information is available relating to their role in promoting inclusion. For the remaining 5 assets, no information is available.

G.2. Staff and volunteers

- ✓ 100% of assets are located in Germany, a country where high labour standards are in place (e.g. ILO core conventions).

G.3. Non-discriminatory and free/fairly priced and/or subsidised participation in programmes/initiatives

- ✓ For 9 out of 17 assets, information is available relating to non-discriminatory access to programmes and services. For 8 assets, no information is available.

G.4. Safety of building users

- ✓ 100% of assets have measures in place to ensure operational safety (e.g. emergency exits) (national legislation).

Controversy screening

A controversy assessment on the underlying assets did not reveal any controversial activities or practices that could be attributed to DKB.

PART III: ASSESSMENT OF DKB'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides a rating and then designates a company as 'Prime⁴' or 'Not Prime' based on its performance relative to the industry sector. It is also assigned a Decile Rank, indicating this relative industry group performance, with 1 indicating a high relative ESG performance, and 10 a low relative ESG performance.

COMPANY	STATUS	Rating	DECILE RANK
DEUTSCHE KREDITBANK AG	PRIME	B-	1

This means that the company performed well in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS ESG. In ISS ESG's view, the securities issued by the company therefore all meet the basic requirements for sustainable investments.

As of 22.06.2020., this rating places DKB 1st out of 279 companies rated by ISS ESG in the Public and Regional Banks sector.

Key Challenges facing companies in term of sustainability management in this sector are:

- Sustainability impacts of lending and other financial services/products
- Customer and product responsibility
- Sustainable investment criteria
- Labour standards and working conditions
- Business ethics

In all of the key issues, DKB rates above the average for the sector and achieves a very significant outperformance.

The company does not face any severe controversy.

Details on the rating of the issuer can be found in Annex 1.

⁴ Prime is only awarded to the top sector performers, often less than 10% of companies within the respective sector.

DISCLAIMER

1. Validity of the SPO: This SPO is valid as long as the framework and the underlying asset portfolio composition do not change.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from DKB's 2020 ISS ESG Corporate Rating.

Deutsche Kreditbank AG

Corporate ESG Performance
Prime
 RATED BY
ISS ESG

Company Information

Country
Germany

ISIN
DE000DKB0408

Industry
Financials/Public & Regional Banks

Key Results

Rating
B-

Decile Rank
1

Transparency Level
Very High

Performance score
63.18

Status
Prime

Prime Threshold
C

Absolute Rating

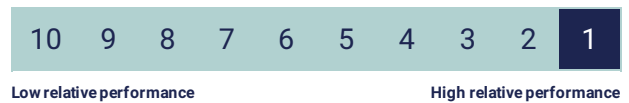


The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively.

Transparency Level



Decile Rank

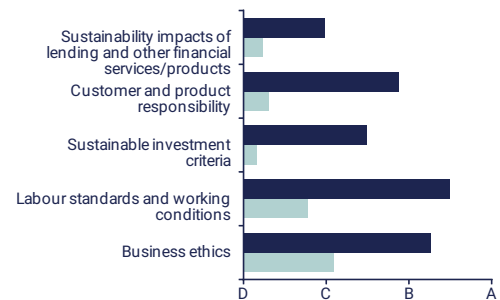


Industry Leaders

Company name (in alphabetical order)	Country	Grade
Berner Kantonalbank AG	CH	C+
Deutsche Kreditbank AG	DE	B-
La Banque Postale S.A.	FR	B-

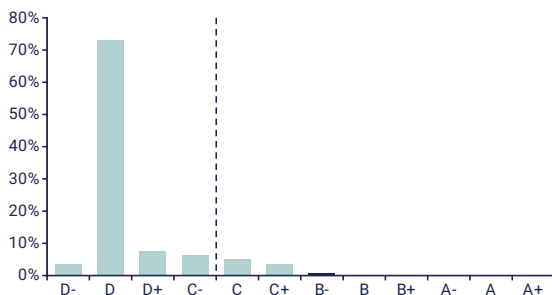
Legend: ■ Industry ■ Company --- Prime

Key Issue Performance

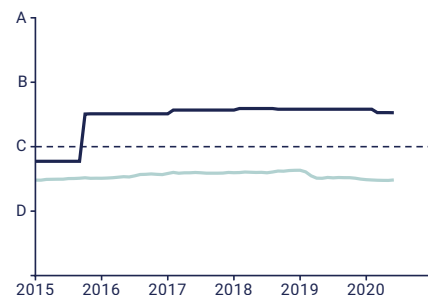


Distribution of Ratings

279 companies in the industry



Rating History



Deutsche Kreditbank AG

Analyst Opinion

Sustainability Opportunities

Deutsche Kreditbank offers financial services and products to retail clients as well as specialised sector solutions to corporate and public sector clients. The latter includes a range of financial programmes with a sustainable benefit, such as for the health and education sector, for public infrastructure with an environmental or social value, or for the social sector. DKB further supports the development of renewable energy projects. It is estimated that such solutions represent more than 40% of the portfolio (in 2018), which represents an above-average volume compared to the industry. In addition, the company offers relevant socially responsible investment products and theme funds (e.g. "DKB Nachhaltigkeitsfonds Europa", "DKB Nachhaltigkeitsfonds Klimaschutz"), applying a comprehensive exclusion screening.

Sustainability Risks

As a financial company, Deutsche Kreditbank faces as main sustainability challenge the systematic integration of environmental and social aspects in its core business areas. The company offers primarily financial solutions to a number of selected sectors in Germany. Therefore, risks are somewhat limited compared to financial companies exposed to risks due to e.g. significant project finance activities in high-risk countries. DKB adequately manages its credit risks as it integrates social and environmental criteria in its lending decisions. This includes the exclusion of controversial sector-specific practices and the application of relevant social and environmental guidelines such as the standards of the World Bank Group, although, these standards do not apply to the entire loan portfolio. The company further applies sustainability criteria to its own investment portfolio. In addition, DKB has taken good steps to ensure responsible client treatment in areas such as marketing and tax compliance.

As concerns its own operations, the company has good strategies in place to manage employee-related issues in all relevant areas. Employees also benefit from high legal employment standards in Germany such as standards on employment security. Finally, DKB has a group-wide code of conduct addressing almost all relevant compliance topics. Corresponding compliance procedures are implemented.

Governance Opinion

Deutsche Kreditbank is a wholly-owned subsidiary of Bayerische Landesbank (as at December 2019). Although separate persons hold the positions of CEO and chair of the supervisory board, the independence of the chair is limited, as he is also representative of the parent company. In addition, whilst at least some members of the supervisory board and the audit committee are considered independent, this does not hold for the composition of the nomination and remuneration committee (as at December 31, 2019). Furthermore, the company discloses its remuneration policy for executives, including long-term incentive components.

Regarding the company's governance of sustainability, there is no evidence of an independent board sustainability committee. In terms of remuneration, it remains unclear whether ESG targets are also included in the executive remuneration scheme. The company has a group-wide code of conduct addressing almost all relevant compliance topics including corruption. Corresponding compliance procedures are implemented including compliance training, compliance audits and risk assessments, as well as compliance reporting lines.

Deutsche Kreditbank AG

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Controversial Business Practices - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

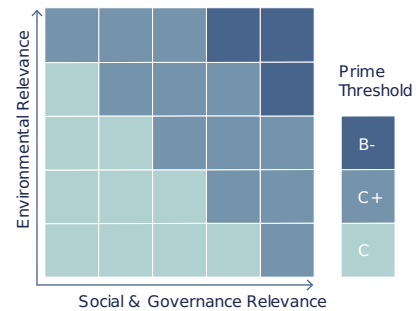
Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Deutsche Kreditbank AG

Methodology - Overview

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Major Shareholders & Ownership Summary - Overview of the company's major shareholders at the time of generation of this report. All data as well as the categorisation system for the investor types is based on information from S&P Capital IQ.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 2: Methodology

ISS ESG Social Bond KPIs

The ISS ESG Social Bond KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of DKB's Social Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Asset evaluation methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Social Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” represented by a red circle, either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Social Bond KPIs. ISS ESG requires a minimum of 50% of the asset pool to positively qualify against the KPIs, represented by a green tick.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by DKB (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association 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, ISS ESG identifies the extent to which DKB's Social Bond Programme contributes to related SDGs and has a positive association with their respective sub-targets.

About ISS ESG SPO

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 / Social Bond Principles), 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 SPO 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 about SPO services, and this Social Bond Programme, contact:

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