S&P Global Ratings

RatingsDirect®

Deutsche Pfandbriefbank AG

Primary Credit Analyst:
Harm Semder, Frankfurt (49) 69-33-999-158; harm.semder@spglobal.com

Secondary Contact:
Benjamin Heinrich, Frankfurt +49 (0) 69 33999 167; benjamin.heinrich@spglobal.com

Table Of Contents

Deutsche Pfandbriefbank AG

SACP	bbb	+	Support	+2	+	Additional Factors	0

Anchor	a-	
Business Position	Weak	-2
Capital and Earnings	Strong	+1
Risk Position	Moderate	-1
Funding	Average	0
Liquidity	Adequate	

ALAC Support	+2
GRE Support	0
Group Support	0
Sovereign Support	0

Issuer Credit Rating

A-/Negative/A-2

Major Rating Factors

Strengths:	Weaknesses:
• Tangible progress in restoring business viability by maintaining an efficient operational cost base and improvement of overall earnings. • Improved strong risk-adjusted capital (RAC) levels and substantial levels of additional loss-absorbing capital to protect senior creditors in the event of a resolution.	• Risk from concentration in commercial real estate (CRE) markets and public investment finance. • Through-the-cycle track record of performance and risk indicators to be established to maintain investor confidence and comfortable access to capital markets for a time after the German government exits its minority stake.

Outlook: Negative

S&P Global Ratings' outlook on Deutsche Pfandbriefbank AG (PBB) is negative, and reflects that we might lower our ratings in the next two years if economic risks in Germany worsen. We currently ascribe a negative economic risk trend to our assessment of the German banking system, due to the potential for higher-than-anticipated credit expansion, and house price increases.

If German economic risk increases, we would likely revise downward our assessment of PBB's anchor to 'bbb+' from 'a-'. This would reflect our view that PBB's asset quality could weaken and may exert pressure on its low earnings performance, compared to other banks in our 'A-' rating category. Moreover, our negative outlook reflects the risk that the bank may fail to sustain a RAC ratio above the 10% threshold that supports our strong assessment of its capital and earnings, particularly if PBB were to follow a higher-than-expected credit expansion in a worsening economic cycle. Although a weakening of German economic conditions might challenge both these assessments, we currently see downside risk to the stand-alone credit profile (SACP) and rating as limited to one notch at most.

We could revise the outlook to stable if we considered the economic risk trend for the German banking industry had stabilized, or, alternatively, if we see material improvements in PBB's earnings and capital position that would mitigate the negative economic trend. Furthermore, a revision of the outlook to stable would be supported by PBB maintaining a very substantial ALAC buffer in the coming years, underpinning the respective two-notch uplift in the rating.

Rationale

Our ratings on PBB reflect our assessment of its 'a-' anchor, which represents our view on the economic environment in countries where the bank operates and banking industry risk in Germany.

We assess PBB's SACP at 'bbb'. We consider PBB's business position to be weak, reflecting PBB's concentrated business model as one of the largest domestic CRE lenders. We assess the bank's capital and earnings as strong because we expect that our projected RAC ratio for PBB will gradually improve to sustainable levels between 10% and 11% over the next two years, after 9.9% at year-end 2016.

Our assessment of PBB's risk position remains moderate, reflecting intrinsically high concentration risk in a cyclical sector. We also anticipate funding to remain average and liquidity adequate. The support PBB has received in the past from the German government is reflected in our assessment of its SACP. We do not incorporate potential extraordinary future government support into the ratings on PBB. We believe that the prospect of extraordinary government support for the German banking sector is uncertain following the full implementation of the EU Bank Recovery and Resolution Directive, including bail-in powers, in January 2015.

We incorporate a two-notch uplift into our long-term rating on PBB, because we estimate the ratio of the bank's additional loss-absorbing capacity (ALAC) to S&P Global Ratings' risk-weighted assets (RWA) at about 26% (pro forma the add-on for senior subordinated instruments) at end-2016, and we expect it will remain far above the 8% threshold for a two-notch uplift. Specifically, we forecast that the bank will maintain this ALAC buffer well above 15% over the next two years. Its ALAC buffers materially enlarged after taking account of standard term debt reclassified as senior subordinated instruments under the new, retroactive German law that was introduced in January 2017 (see "German Deutsche Pfandbriefbank Upgraded To 'A-' On Higher ALAC Buffer; Outlook Neg; Sr Sub Debt Cut To 'BBB-'" published on March 28, 2017).

Anchor: 'a-', reflecting economic risk for the international operations, and German banking industry risk

Our bank criteria use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating (ICR). Our anchor for a commercial bank operating mainly in Germany is 'a-', based on an economic risk score of '1' and an industry risk score of '3'. We view the economic risk trend in the German banking industry as negative and the industry risk trend as stable.

Because PBB conducts about 50% of its lending business in countries with weaker economic risk scores than Germany, its weighted economic risk at '2' is weaker than that of lending institutions with higher proportions of domestic loans, but not to the extent that it affects the anchor of 'a-'. However, if the bank undertakes proportionally higher expansion in countries with higher economic risks, the shifting mix of exposure could increase the weighted economic risk score to '3' and lead to a deterioration of the bank's anchor. Also, deterioration of the economic risk for Germany--which we see to be on a negative trend--could trigger deterioration of the anchor. In our base case, we expect that the bank will maintain its current economic and industry risk profile at least in the next two years.

Our economic risk assessment reflects Germany's highly diversified and competitive economy, which we believe remains robust in the face of projected fragile and sluggish improvements in economies and financial markets across Europe until 2018 as well as the potential for limited negative effects from the U.K. referendum decision to leave the EU (Brexit). Despite accelerated house-price increases, we currently do not see major economic imbalances given that these price rises are not accompanied by credit expansion in the German economy. We anticipate that the German housing market will remain undervalued by the end of 2018 in affordability terms. However, as an export-led nation, Germany remains vulnerable to swings in global economies, trade flows, and capital market trends. Our negative economic risk trend mainly captures a one-in-three possibility that we could revise our current assessment of a very low risk of economic imbalances within the next 24 months if we see higher house-price increases than the average 5.2% between 2016 and 2018 that we currently forecast, or if we observed strong lending expansion or materially softer underwriting standards in the German banking industry.

Industry risk benefits from Germany's extensive funding market and banks' domestic funding surpluses, as well as from material improvements that have been made to strengthen banking regulation and supervision given ongoing EU-wide regulatory harmonization and convergence as banks implement Basel III. However, we believe that strong competition in German markets, coupled with an ultra-low interest rate environment, remain drags on profitability, although this is currently mitigated by historically low credit losses in Germany.

We classify the likelihood of the German government providing extraordinary support to systemic domestic banks as uncertain, as is the case for most other European banks. This is because, following the full implementation of the EU's enhanced bank resolution framework in 2015, governments such as Germany that wish to provide support to stressed banks are constrained from directly bailing them out.

Table 1

Deutsche Pfandbriefbank AG Key Figures

	--Year-ended Dec. 31--				
(Mil. €)	**2016**	**2015**	**2014**	**2013**	**2012**
Adjusted assets	62,605.0	66,740.0	75,495.0	73,893.0	97,017.0
Customer loans (gross)	41,926.0	42,176.0	40,100.0	38,271.0	51,873.0
Adjusted common equity	2,507.8	2,479.2	2,218.0	2,071.0	1,988.0
Operating revenues	462.0	506.0	399.0	627.0	613.0
Noninterest expenses	267.0	305.0	313.0	444.0	475.0
Core earnings	123.5	241.0	15.0	166.4	84.3

Business position: Concentrated CRE business model

We consider PBB's business profile to be weak in light of its concentration in cyclical wholesale business and more vulnerable than the German industry risk score of '3' indicates. PBB is one of the largest CRE lenders and largest covered bond issuer in Germany. Its second business line is public investment finance.

PBB primarily operates in two business segments: CRE finance (forming 50% of total exposures year-end 2016) for financing real estate transactions in office, retail, residential and logistics properties; and public investment finance (forming 15% of total exposures) for financing public sector investment predominantly in infrastructure projects. Due to its run-down mode, the portion of PBB's exposures in nonstrategic portfolios is decreasing to 34% of total exposures at Dec. 31, 2016, from 39% at year-end 2015, or 49% at year-end 2013. These were mainly the budget financing, which the bank does not pursue under its updated strategy.

We consider PBB's narrow mix of business lines and revenues, compared with those of most peers, to be a key weakness. We compare PBB with peer banks operating on Germany and other countries with similar industry risk like France, Netherlands, the U.K., and the Nordics. For the comparison of business position, we look at banks with diverse business models. Most peers show a better diversified business mix and a material share of retail, which we generally see as a superior base for revenue stability.

PBB's portfolio is internationally diversified, but largely opportunistic, and not clearly linked to a particular client franchise or competitive advantage. We anticipate that management will continue to focus new business on assets in selected European markets that are eligible to back covered bond issuance. PBB does not focus on retail business apart from initiatives to collect retail funding since 2013, which is likely to remain negligible for the overall business profile.

PBB was previously 100% owned by the German government through Germany-based Hypo Real Estate Holding AG (HRE) and received support from the German government between 2008 and 2010. As per conditions set by the European Commission, PBB was reprivatized on July 16, 2015, via an IPO. Until at least mid-2017, Germany will continue to maintain an indirect shareholding of at least 20% via the German Financial Markets Stabilisation Fund (Finanzmarktstabilisierungsfonds) and HRE.

Table 2

Deutsche Pfandbriefbank AG Business Position					
	--Year-ended Dec. 31--				
(%)	**2016**	**2015**	**2014**	**2013**	**2012**
Total revenues from business line (mil. €)	586.0	510.0	403.0	638.0	618.0
Other revenues/total revenues from business line	100.0	100.0	100.0	100.0	100.0
Return on equity	7.1	8.8	0.2	7.0	2.7

Capital and earnings: Strong capital buffer and improving earnings

We view PBB's capital and earnings as strong, given our projected RAC ratio for PBB of about 10%-11% in the next two years based on profit generation, after 9.9% at year-end 2016. Our forecasts incorporate our expectation that the bank's internal capital generation continues to benefit from currently low level of risk costs, maintaining operational cost efficiency and gradual improvement of lending margins, reflecting the contractual maturities of low interest legacy loans and better margins on new business. Moreover, we project our RWA will show a proportionally and gradually declining trend considering the wind-down of the nonstrategic portfolio compensating for the new businesses in the real estate and public investment finance businesses. We also forecast an unchanged dividend pay-out ratio between 40% and 50%. For 2016, however, PBB proposed a higher extra dividend of €141 million, which includes a 100% pay-out from its onetime gain (pre-tax €132 million) on its HETA bond recovery in 2016. This is in light of currently a very comfortable 19.0% regulatory Tier-1 capital ratio and a 4.2% leverage ratio (both are PBB's assessment under fully phased in Basel III rules) at Dec. 31, 2016. We continue to consider the quality of PBB's capital and earnings, as well as its earnings capacity, as weaknesses. As is the case for many largely wholesale peers, the bank's funding costs are highly sensitive to market perception, which, in the context of high concentration risks in cyclical sectors, weighs on our earnings assessment of PBB.

Table 3

Deutsche Pfandbriefbank AG Capital And Earnings					
	--Year-ended Dec. 31--				
(%)	**2016**	**2015**	**2014**	**2013**	**2012**
Tier 1 capital ratio	19.0	18.2	23.0	20.1	18.9
S&P Global Ratings' RAC ratio before diversification	9.9	9.7	12.1	12.3	11.4
S&P Global Ratings' RAC ratio after diversification	9.2	9.5	11.8	11.7	11.1
Adjusted common equity/total adjusted capital	100.0	100.0	68.9	67.5	66.6
Net interest income/operating revenues	87.4	84.2	105.5	50.9	48.3
Fee income/operating revenues	1.7	2.8	0.3	1.4	3.8
Market-sensitive income/operating revenues	0.4	(1.2)	(27.6)	8.6	2.8
Noninterest expenses/operating revenues	57.8	60.3	78.4	70.8	77.5
Preprovision operating income/average assets	0.3	0.3	0.1	0.2	0.1
Core earnings/average managed assets	0.2	0.3	0.0	0.2	0.1

RAC--Risk-adjusted capital.

Table 4

Deutsche Pfandbriefbank AG Risk-Adjusted Capital Framework Data

(Mil. €)	Exposure at default	Basel II RWA	Average Basel II RW (%)	S&P Global Ratings' RWA	Average S&P Global Ratings' RW (%)
Credit risk					
Government and central banks	29,983	4,477	15	3,212	11
Institutions	3,159	974	31	994	31
Corporate	26,808	5,941	22	19,366	72
Retail	7	2	30	1	20
Of which mortgage	7	2	30	1	20
Securitization*	0	0	0	0	0
Other assets	484	185	38	604	125
Total credit risk	60,442	11,578	19	24,178	40
Market risk					
Equity in the banking book§	3	3	101	24	813
Trading book market risk	--	346	--	518	--
Total market risk	--	349	--	542	--
Insurance risk					
Total insurance risk	--	--	--	0	--
Operational risk					
Total operational risk	--	866	--	952	--
		Basel II RWA		**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification		13,113		25,673	100
Total Diversification/Concentration Adjustments		--		1,978	8
RWA after diversification		13,113		27,651	108
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings' RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		2,491	19.0	2,546	9.9
Capital ratio after adjustments†		2,491	19.5	2,546	9.2

*Securitization exposure includes the securitisation tranches deducted from capital in the regulatory framework. §Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. †Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2016, Standard & Poor's.

Risk position: High risk concentrations in cyclical sectors

Our overall risk position assessment for PBB is moderate, mainly reflecting the high sector and single-name concentrations in its credit exposures, which are intrinsic to PBB's business, and which we expect will continue. The bank's management has a prudent moderate growth strategy only in core products and regions with a main focus on typically lower-risk covered-bond eligible business, with CRE loan-to-value ratios of up to about 60% on average, or to public-sector borrowers.

We believe the cyclicality of the CRE markets and concentrations in the real estate lending portfolio represents high tail risk to the bank's capital and earnings buffer. PBB's CRE concentrations are higher than at many peer banks that have a wholesale profile and concentrate in a niche business. For comparison, we look at peers in Germany and banks with similar economic risk profiles, for example, domestic banks in Switzerland, Austria, or the Nordics. In addition, most of PBB's peers tend to have a higher share of generally less risky retail mortgages, which contributes to risk diversification.

We also see potential for tail risks due to low risk weights for the bank's sizable public finance book and credit spread risk.

PBB continues to show a superior credit loss track record over the past five years. Credit costs have remained very low, reaching zero or insignificant risk cost for years. Moreover, problem loans continued to go down to below 1% of customer loans or €388 million (after €368 million HETA has been restructured with a €132 million onetime gain in 2016) as of Dec. 31, 2016, after €536 million at year-end 2015 (also excluding HETA for comparison reasons). However, in our view PBB's very favorable recent track record is not sustainable long term through a full credit cycle. In 2010, PBB transferred a substantial amount of nonperforming and noncore assets into a government-guaranteed workout unit, FMS Wertmanagement Anstalt desoeffentlichen Rechts (FMSW), which significantly improved PBB's risk profile. Reflecting this transfer and restructuring in the years since as well as a currently benign economic cycle in Germany, we regard that the sustainable level of risk costs of PBB through the cycle are likely to be materially higher.

Table 5

Deutsche Pfandbriefbank AG Risk Position					
	--Year-ended Dec. 31--				
(%)	**2016**	**2015**	**2014**	**2013**	**2012**
Growth in customer loans	(0.6)	5.2	4.8	(26.2)	(10.3)
Total diversification adjustment/S&P Global Ratings' RWA before diversification	7.7	2.6	2.7	5.1	3.0
Total managed assets/adjusted common equity (x)	25.0	26.9	34.0	35.7	48.8
New loan loss provisions/average customer loans	0.0	(0.0)	0.1	0.0	(0.0)
Gross nonperforming assets/customer loans + other real estate owned	0.9	1.8	2.9	2.5	2.1
Loan loss reserves/gross nonperforming assets	33.5	16.3	12.1	15.8	29.9

RWA--Risk-weighted assets.

Funding and liquidity: Reliance on implicit state support

We continue to consider PBB's funding to be average and its liquidity adequate. As the largest covered bond issuer in Germany, PBB is mainly funded through covered bonds. Public-sector covered bonds formed about 32% of total funding and mortgage covered bonds 25% as of Dec. 31, 2016.

The rest of the funding mainly includes customer deposits and long-term debt. In 2013, PBB started collection of retail deposits, which accumulated to €3.5 billion by year-end 2016.

PBB's S&P Global Ratings-calculated liquidity ratio, which indicates coverage of short-term wholesale funding by broad liquid assets, was 1.3x as of Dec. 31, 2016 (calculated with a one-year horizon, in contrast to the regulatory one-month calculation), and its stable funding ratio was mildly above 100% as of Dec. 31, 2016. The ratios underline

PBB's healthy balance sheet structure.

In our view, PBB also benefits from Germany's extensive funding market, and the banking sector's domestic funding surpluses from low domestic credit growth and high savings rates. In our view, the government ownership is also beneficial for PBB, since we believe that it supports investor confidence in PBB and the bank's capital market access and funding costs for the transition period, particularly if markets were to worsen.

We understand that PBB will continue to concentrate on secured funding sources. Unsecured funding will be largely driven by the overcollateralization requirements of its covered-bond pools, which mainly depend on the size and quality of its exposures. Furthermore, the need for unsecured funding will depend on the portion of noncover pool eligible assets. Following asset transfers to FMSW, PBB's funding and liquidity profile has materially improved as asset transfers in 2010 largely eliminated short-term funding gaps, thereby reducing PBB's unsecured funding needs and enhancing liquidity.

Table 6

Deutsche Pfandbriefbank AG Funding And Liquidity

	--Year-ended Dec. 31--				
(%)	**2016**	**2015**	**2014**	**2013**	**2012**
Core deposits/funding base	18.3	19.0	16.8	17.3	16.0
Customer loans (net)/customer deposits	420.1	388.5	377.2	351.4	433.4
Long-term funding ratio	83.6	85.7	85.0	86.8	82.3
Stable funding ratio	103.6	109.3	119.9	123.7	106.5
Short-term wholesale funding/funding base	17.2	15.0	15.8	13.9	18.4
Broad liquid assets/short-term wholesale funding (x)	1.3	1.6	2.0	2.4	2.0
Net broad liquid assets/short-term customer deposits	59.5	103.9	270.2	370.4	441.2
Short-term wholesale funding/total wholesale funding	21.1	18.5	18.7	16.5	21.6
Narrow liquid assets/3-month wholesale funding (x)	2.1	3.6	4.4	4.0	3.1

External Support: Two notches of uplift for substantial ALAC buffers factored into the rating

PBB's ICR is two notches higher than its unsupported SACP, because our rating composition includes ALAC uplift on significant increases of ALAC buffers materially above our 8% threshold for a two-notch uplift in line with our criteria from a retroactive German law change in Jan. 1, 2017. We estimate the ratio of the bank's ALAC to S&P Global Ratings' RWA at about 26% (pro forma the add-on for senior subordinated instruments) at end-2016, and we expect it will remain far above the 8% threshold for a two-notch uplift. Specifically, we forecast that the bank will maintain this ALAC buffer well above 15% over the next two years. This forecast takes into account PBB's Tier 1 and Tier 2 issuance plans, senior subordinated instruments and respective maturities, and our forecast of a gradual rise in the bank's risk-adjusted capital (RAC) ratio. However, we expect that the ALAC buffer could fall through this period for two reasons:

- We believe the bank will have a smaller surplus in its total adjusted capital as a component of the ALAC buffer, since the bank's RAC ratio is modestly above our 10% minimum for a strong capital assessment.
- Depending on where the regulators set the bank's minimum requirement on own funds and eligible liabilities, it is possible that the bank may replace some maturing senior subordinated debt with senior unsecured debt. This would require a change in the law to enable such issuance, however.

The new German law on Jan. 1, 2017, change turned certain long-term standard senior unsecured bonds into subordinated instruments in a resolution and liquidation. Accordingly, we reclassified such affected instruments as senior subordinated debt. For the senior subordinated instruments, the starting point for the issue ratings is each bank's SACP. We then deduct one notch for subordination, given that the starting point for rating all four systemic banks is 'bbb-' or higher.

We believe that the prospect of extraordinary government support for the German banking sector is uncertain following the full implementation of the EU Bank Recovery and Resolution Directive, including bail-in powers, in January 2015. We do not completely exclude the possibility of support, and we consider that systemically important German institutions such as PBB face several more years of structural and balance sheet reforms to improve their "resolvability" (mitigating the systemic impact if they fail). Nevertheless, we believe the German government's ability and willingness to provide support is lower and less predictable under the enhanced resolution framework. We therefore see the tendency of Germany to support private sector commercial banks as uncertain, and do not incorporate any uplift to the long-term counterparty credit rating on PBB for government support.

We view the German resolution regime as effective under our ALAC criteria because, among other factors, we believe it contains a well-defined bail-in process under which authorities would permit nonviable systemically important banks to continue critical functions as going concerns following a bail-in of eligible liabilities. We view PBB to be moderately systemically important to Germany, and, given its complexity, expect that it will be subject to a well-defined bail-in plan.

Additional rating factors: None

No additional factors affect this rating.

Senior subordinated debt

The 'BBB-' issue ratings on PBB's senior subordinated debt are one notch below our assessment of PBB's 'bbb' SACP, in line with our hybrid capital criteria.

Nondeferrable senior subordinated debt

The 'BB+' issue ratings on PBB's nondeferrable senior subordinated debt are two notches below our assessment of PBB's 'bbb' SACP, in line with our hybrid capital criteria.

Junior subordinated debt instruments

The 'BB-' hybrid issue rating on the junior subordinated instruments issued by Hypo Real Estate International Trust I is four notches below our assessment of PBB's 'bbb' SACP, in line with our hybrid capital criteria.

We derive the four-notch difference to SACP as follows:

- One notch for subordination;
- Two notches for the current Tier-1 regulatory capital status; and
- One notch due to the principal write-down; even though not contractually documented, the relevant regulatory and legal framework in Germany creates the equivalent of such a clause.

The Hypo Real Estate International Trust I hybrid instruments are phased out, and they are currently included with 60% of the nominal value in the bank's regulatory core capital. Fully phased in, the instruments will be not compliant.

Related Criteria And Research

Related Criteria

- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, June 01, 2016
- Criteria - Financial Institutions - Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Financial Institutions - Banks: Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria - Financial Institutions - Banks: Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 09, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 09, 2011
- Criteria - Financial Institutions - Banks: Bank Capital Methodology And Assumptions, Dec. 06, 2010
- Criteria - Financial Institutions - Banks: Methodology For Mapping Short- And Long-Term Issuer Credit Ratings For Banks, May 04, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- General Criteria: Rating Implications Of Exchange Offers And Similar Restructurings, Update, May 12, 2009
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks, March 23, 2004

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	**a-**	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of May 11, 2017)	
Deutsche Pfandbriefbank AG	
Counterparty Credit Rating	A-/Negative/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	A-
Subordinated	BB+
Subordinated	BBB-
Counterparty Credit Ratings History	
28-Mar-2017	A-/Negative/A-2
15-Dec-2016	BBB/Watch Pos/A-2
01-Dec-2015	BBB/Stable/A-2
17-Jul-2015	BBB/Negative/A-2
03-Feb-2015	BBB/Developing/A-2
29-Apr-2014	BBB/Negative/A-2
Sovereign Rating	
Germany (Federal Republic of)	AAA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Additional Contact:
Financial Institutions Ratings Europe; FIG_Europe@spglobal.com