

Bulletin:

Deutsche Pfandbriefbank's Weaker Profitability Outlook For 2026 Is In Line With Transition To Greater Business Stability

February 16, 2026

This report does not constitute a rating action.

FRANKFURT (S&P Global Ratings) Feb. 16, 2026--S&P Global Ratings today said that Deutsche Pfandbriefbank AG's (PBB; BBB-/Negative/A-3) weak profit outlook for 2026 underlines the bank's multiyear transition toward a more sustainable business model.

On Feb. 13, 2026, PBB announced that it expects a 2026 pre-tax profit between €30 million and €40 million amid costs related to the U.S. exit and a sluggish market recovery. In particular, the interest expenses associated with the credit-linked note as part of the synthetic risk transfer on the performing U.S. book will weigh on its 2026 profitability. The transaction largely shields the bank from credit risk in the U.S. performing book, and related costs will reduce over 2027-2028. We also note some remaining uncertainty about the need for additional loan loss provisions on the nonperforming U.S. book. However, we consider that PBB has largely derisked its U.S. exposure and German development book, which, combined with an increasing share of fee income, should lead to greater financial stability.

In our view, PBB will largely depend on external factors to meet its medium-term strategic financial ambitions, including operating income in the region of €600 million and a return on tangible equity of 8%.

Positively, the bank's new business volume of €6.3 billion exceeded our expectations of less than €6 billion in 2025 and the bank expects new business volumes to continue to rise to between €7.5 billion and €8.5 billion in 2026. This will be just enough to stabilize its real estate finance book.

We note that PBB has sufficient available distributable items and minimum distributable amount buffer to service its additional tier 1 instrument (rated 'B-') and we anticipate that PBB will seek to maintain investor confidence across its full debt stack to improve funding costs over the coming years. The bank remains well capitalized, with a common equity tier 1 ratio of 14.9% as of end-2025. We expect our risk-adjusted capital ratio to stabilize above 13% over the forecast horizon.

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Related Research

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- [Deutsche Pfandbriefbank AG](#), Jan. 29, 2026
- [Deutsche Pfandbriefbank Outlook Revised To Negative On Weaker Profit Outlook, Transition Risk; Affirmed At 'BBB-/A-3'](#), Nov. 21, 2025

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