



Rating Action: Moody's Ratings assigns Baa2 bank deposit and senior unsecured ratings to Deutsche Pfandbriefbank AG, outlook negative

12 Aug 2026

Frankfurt am Main, August 12, 2026 -- Moody's Ratings (Moody's) has today assigned Baa2/P-2 long- and short-term bank deposit and issuer ratings to Deutsche Pfandbriefbank AG (pbb). We also assigned a Baa2 long-term senior unsecured rating. The outlook on the bank's long-term bank deposit, issuer and senior unsecured ratings is negative. At the same time, we assigned (P)Baa2 senior unsecured MTN, (P)Ba2 junior senior unsecured MTN, (P)Ba3 subordinate MTN and (P)P-2 Other Short-Term MTN program ratings, Baa2/P-2 long- and short-term Counterparty Risk (CR) Ratings, a Ba3 subordinate debt rating, and a B2(hyb) preferred stock non-cumulative rating to pbb's Additional Tier 1 capital instrument. Furthermore, we assigned a ba2 Baseline Credit Assessment (BCA) and Adjusted BCA and a Baa2(cr)/P-2(cr) long- and short-term CR Assessment to pbb.

RATINGS RATIONALE

ASSIGNMENT OF BCA

pbb is a specialized German commercial real estate (CRE) lender. Since 2024, the bank has been undergoing a strategic transformation process aiming at a better exposure diversification through a reduction of the share of loans backed by office buildings as well as at enhanced revenue diversification through a small, but tentatively growing contribution from fee-generating real estate asset management and loan syndication activities.

In addition, since 2025, pbb has refocused its lending activities on European CRE markets, and is in the process of exiting US CRE markets, where underperforming exposures have been a key driver behind the bank's increase in problem loan balances (to 6.9% of gross loans as of year-end 2025 from 1.2% as of year-end 2020).

pbb's ba2 BCA incorporates the bank's ba1 Financial Profile, but is constrained by the bank's narrowly focused business model, which exposes pbb to considerable concentration risks. This highly concentrated business model results in undiversified earnings streams from a single asset class, amplifying profitability challenges through a combination of reduced revenues and rising loan losses in times of asset class stress. We, therefore, consider pbb to operate a monoline business model with meaningful concentration on a single high-risk asset class, which we reflect in a two-notch negative qualitative adjustment for lack of business diversification. The BCA of ba2 stands at the upper end of the resulting BCA range, which has led us to assign a negative outlook to the bank's long-term deposit, issuer and senior unsecured debt ratings.

pbb's ba1 Financial Profile reflects the bank's fairly resilient funding profile and satisfactory liquidity reserves. It also takes account of the bank's recently lowered capital ambition levels and capital ratio volatility from the calculation of risk-weighted assets with internal models in line with the foundation internal ratings-based (F-IRB) approach. We also incorporate pbb's sub-par profitability owing to continued elevated loan loss provisions as well as to reduced revenue generation in pbb's CRE lending business. We expect the sensitivity of the CRE sector to weaker GDP growth and higher inflation and interest rate levels, which can be accentuated by geopolitical risks, to constitute particular challenges for the performance of pbb's loan book and for the bank's new business underwriting. The ba2 BCA further reflects our expectation of only gradually retreating problem loan balances and the bank's very limited capability to source additional capital through earnings retention or from the capital market, in case of need. Unless the macroeconomic

outlook improves markedly, we believe pbb will only gradually be able to enhance its financial results through additional fee income from anticipated growth in non-lending activities and through replacing the maturing loans with higher-margin new business.

The ratings also incorporate pbb's environmental, social, and governance (ESG) considerations per our General Principles for Assessing Environmental, Social and Governance Risks methodology. With a Credit Impact Score (CIS) of CIS-3, ESG factors have a limited impact on the current ratings, with potential for greater impact over time, reflecting governance considerations related to concentration risks as well as the lack of a through-the-cycle track record of improving profitability and earnings diversification. Environmental and social risks have a limited credit impact on the rating to date.

ASSIGNMENT OF LONG-TERM RATINGS

pbb's ratings reflect its ba2 BCA and Adjusted BCA and the results from our Advanced Loss Given Failure (LGF) analysis, which takes into account the relative severity of loss in resolution for each liability class. For pbb's bank deposit, issuer and senior unsecured ratings, our Advanced LGF analysis yields three notches of rating uplift, while for pbb's junior senior unsecured rating class, this results in an alignment of the bank's junior senior unsecured MTN program ratings with its Adjusted BCA.

For subordinate debt and non-cumulative preference shares, our Advanced LGF analysis leads to rating assignments one notch and three notches (for the non-cumulative preference shares, incorporating additional going concern coupon and principal loss risks) below the Adjusted BCA, respectively.

Furthermore, we assume a low probability of government support because of the bank's small size in the context of the German banking sector, which does not result in any additional rating uplift.

-- OUTLOOK

The negative outlook on the long-term bank deposit, issuer and senior unsecured ratings reflects our expectation of a persistently sluggish macroeconomic environment and related limited recovery potential for CRE exposures, which will in our view likely hold back pbb's revenue development and likely require the bank to take additional provisions, dragging on its profitability. The negative outlook also takes account of our expectation of an unchanged liability structure over the 12-18 months outlook horizon.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

pbb's ratings could be upgraded as result of an upgrade of the bank's BCA. In addition, pbb's junior senior unsecured MTN program ratings and lower-ranking liabilities could be upgraded in case of a sustained increase of the share of junior senior unsecured or lower-ranking liabilities relative to its tangible banking assets.

A BCA upgrade would require a strong and sustained improvement of the bank's solvency profile, which would likely also strengthen the bank's funding flexibility.

pbb's ratings could be downgraded if its BCA gets downgraded, or in case of a change in pbb's liability structure, in particular if the bank materially reduces the volume of junior senior unsecured or lower-ranking liabilities relative to its tangible banking assets.

The BCA could be downgraded if pbb's financial profile does not improve, in particular if it continued to display persistently high levels of problem loans, subdued profitability and weakening capital buffers.

The BCA could also be downgraded in case unfavorable market conditions were to constrain the bank's ability to efficiently refinance its lending business over an extended period of time, or if the operating environment in one or more of pbb's core operating markets were to deteriorate markedly or if the initiated enhancements to the bank's strategy and risk management prove insufficient for the bank to arrive at a better-balanced and less vulnerable business model.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2025 and available at <https://ratings.moodys.com/rmc-documents/454566>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

pbb's ba2 BCA is set three notches below the initial "Financial Profile" score of baa2 to reflect the risks associated with the concentration risk in the bank's CRE monoline business model which severely limits the bank's business diversification. Furthermore, we adjust from the starting points of capital and funding scores to reflect downside risks to the bank's capitalization calculated under the use of internal models and additional short-term maturity components not captured in the starting point.

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At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1462204.

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