S&P Global
Ratings

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Tear Sheet:

Deutsche Pfandbriefbank AG

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This report does not constitute a rating action.

What's new: Despite increasing interest rate volatility, ongoing geopolitical conflicts, and muted sentiment in the commercial real estate (CRE) market, credit loss performance at Deutsche Pfandbriefbank (PBB) was better than expected in the first half of 2026. For full-year 2026, PBB still expects new business volumes of €7.5 billion-€8.5 billion and profit before tax of €30 million-€40 million.

S&P Global Ratings considers that PBB's financial flexibility has moderately improved. Regulatory capital ratios showed a cyclical increase from the reapplication of favorable loss given default treatment in several countries, which strengthened its regulatory capital ratios. During the second quarter, PBB's common equity Tier 1 ratio improved to 14.6% from 13.4% and its total capital ratio to 18.6% from 17.1%. More negatively, PBB's European nonperforming loan (NPL) ratio rose to 7.3% from 6.5%.

Why it matters: PBB is in a critical phase of repositioning its business model to the changing operating environment. An increase in defaults or falling valuations could still trigger sizable loan losses in the coming quarters. The price of single properties has been structurally diverging, depending on their location and environmental standards, especially in the office space. In the U.S., rising government bond yields could affect CRE valuations and lower realized values in PBB's NPL book. During 2027 and 2028, we expect the falling cost of synthetic risk transfer to support profitability. However, in our view, meeting its return on tangible equity target of 8% (pretax) in 2028 will require a more supportive operating environment.

Further deterioration in CRE market conditions, or economic developments that threaten asset quality and profitability during the transition phase are still PBB's main rating risks.

Ratings Score Snapshot

SACP: bb

Anchor	bbb+	
Business position	Constrained	-2
Capital and earnings	Adequate	0
Risk position	Moderate	-1
Funding	Moderate	-1
Liquidity	Adequate	
CRA adjustment		0

Support: +2

ALAC support	2
GRE support	0
Group support	0
Sovereign support	0

Additional factors: 0

Issuer credit rating
BBB-/Negative/A-3
Resolution counterparty rating
BBB/--/A-2

Recent Research

- Deutsche Pfandbriefbank's Q1 Result: Asset Quality And Capital Management Will Be Key For 2026, May 12, 2026
- Deutsche Pfandbriefbank AG 'BBB-/A-3' Ratings Affirmed; Some Hybrids Downgraded; Outlook Remains Negative, March 18, 2026
- Bulletin: Deutsche Pfandbriefbank's Weaker Profitability Outlook For 2026 Is In Line With Transition To Greater Business Stability, Feb. 16, 2026
- Deutsche Pfandbriefbank AG, Jan. 29, 2026

Outlook

The negative outlook reflects the challenges facing the bank in repositioning its business model during a period of geopolitical and market volatility. Over the next 12-24 months, PBB will look to maintain investor appetite for its debt and ensure sufficient capital headroom above regulatory requirements, while growing its new business.

Downside scenario

We could lower our rating over the next two years if:

- CRE markets show increased signs of stress due to increasing rates or weaker economic developments, which could increase risks to PBB's asset quality and would further pressure core profitability from lower lending volumes.
- Financial losses or additional regulatory impact depressed regulatory capital ratios beyond what we currently expect and increase the risk of a regulatory capital breach.
- PBB suffered from restricted market access at affordable pricing for a prolonged period.
- We have doubts that available additional loss-absorbing capacity (ALAC) buffers would be used to protect senior unsecured investors, or if the ALAC buffer was expected to fall to below 6%.

Upside scenario

We could revise the outlook to stable if management makes tangible progress against its announced strategic agenda and new business plans without material setbacks from the external environment or constraints from its capital position.

This would enable the bank to improve its risk-adjusted profitability, which should also benefit investor confidence and funding spreads.

Key Metrics

Deutsche Pfandbriefbank AG--Key Ratios And Forecasts

	--Fiscal year end Dec. 31--				
(%)	**2024a**	**2025a**	**2026f**	**2027f**	**2028f**
Growth in operating revenue	-9.8	-22.4	(-9.0)-(12.0)	13.0-17.0	0.0-5.0
Growth in customer loans	-9.5	-14.5	0.0-(2.0)	(-2.0)-(-4.0)	0.0-4.0
Net interest income/average earning assets (NIM)	1.0	1.02	0.85-0.95	1.0-1.1	1.05-1.15
Cost-to-income ratio	49.6	61.6	75-78	65-68	64-67
Return on average common equity	2.9	-9.6	0.5-1.0	1.8-2.5	2.0-3.0
New loan loss provisions/average customer loans	0.5	1.2	0.25-0.35	0.25-0.35	0.25-0.35
Gross nonperforming assets/customer loans	5.4	7.6	5.7-6.7	4.5-5.5	3.9-4.9
Risk-adjusted capital ratio	12.9	13.5	12.8-13.5	12.5-13.5	12.5-13.0

All figures include S&P Global Ratings' adjustments. a--Actual. f--Forecast.

Key Statistics

Deutsche Pfandbriefbank AG Key Figures

Mil. EUR	2026*	2025	2024	2023	2022
Adjusted assets	39,027	39,837	44,118	50,830	52,958
Customer loans (gross)	29,534	30,403	35,556	39,290	37,981
Adjusted common equity	2,764	2,803	3,085	3,038	3,007
Operating revenues	167	422	544	603	531
Noninterest expenses	138	260	270	301	274
Core earnings	15	(282)	90	91	187

*2026 data is for the 6 months to end-June. EUR--euro.

Deutsche Pfandbriefbank AG Business Position

(%)	2026*	2025	2024	2023	2022
Total revenues from business line (currency in millions)	167	422	544	603	531
Return on average common equity	1.1	(9.6)	2.9	2.9	6.0

*2026 data is for the six months to end-June.

Deutsche Pfandbriefbank AG Capital And Earnings

(%)	2026*	2025	2024	2023	2022
Tier 1 capital ratio	16.4	16.4	15.9	17.3	18.4
S&P Global Ratings’ RAC ratio before diversification	N/A	13.5	12.9	11.8	12.8

Deutsche Pfandbriefbank AG Capital And Earnings

S&P Global Ratings' RAC ratio after diversification	N/A	12.1	11.5	10.5	11.3
Adjusted common equity/total adjusted capital	90.3	90.4	91.2	91.1	91.0
Double leverage	N.M.	N.M.	N.M.	N.M.	N.M.
Net interest income/operating revenues	98.8	96.9	85.5	79.9	92.1
Fee income/operating revenues	7.2	1.0	0.9	0.5	1.5
Market-sensitive income/operating revenues	(12.6)	(1.9)	14.5	14.3	6.6
Cost to income ratio	82.6	61.6	49.6	49.9	51.6
Preprovision operating income/average assets	0.2	0.4	0.6	0.6	0.5
Core earnings/average managed assets	0.1	(0.7)	0.2	0.2	0.3

*2026 data is for the 6 months to end-June. N.M.--Not meaningful.

Deutsche Pfandbriefbank AG RACF (Risk-Adjusted Capital Framework) Data

	Exposure*	Basel III RWA	Average Basel III RW (%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government & central banks	11,919,783,305	175,004,168	1	511,352,972	4
Of which regional governments and local authorities	3,714,351,641	76,062,698	2	196,193,403	5
Institutions and CCPs	620,055,935	96,239,050	16	115,867,560	19
Corporate	23,827,972,369	15,089,092,006	63	17,638,923,518	74
Retail	1,030	66	6	239	23
Of which mortgage	1,030	66	6	239	23
Securitization§	1,385,607,111	207,841,067	15	277,121,422	20
Other assets†	2,535,694,865	549,433,776	22	2,945,960,803	116
Total credit risk	40,289,114,615	16,117,610,132	40	21,489,226,515	53
Credit valuation adjustment					
Total credit valuation adjustment	--	123,677,026	--	0	--
Market risk					
Equity in the banking book	9,384,584	23,722,747	253	54,186,631	577
Trading book market risk	--	223,666,036	--	335,499,054	--
Total market risk	--	247,388,783	--	389,685,685	--
Operational risk					
Total operational risk	--	823,585,742	--	1,167,283,692	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	17,525,686,437	--	23,046,195,892	100
Total diversification/ concentration adjustments	--	--	--	2,593,654,052	11
RWA after diversification	--	17,525,686,437	--	25,639,849,944	111
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**

Deutsche Pfandbriefbank AG RACF (Risk-Adjusted Capital Framework) Data

	Exposure*	Basel III RWA	Average Basel III RW (%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Capital ratio					
Capital ratio before adjustments		2,863,000,000	16.4	3,101,000,000	13.5
Capital ratio after adjustments‡		2,863,000,000	16.4	3,101,000,000	12.1

*Exposure at default. §Securitization exposure includes the securitization 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, 2025, S&P Global Ratings.

Deutsche Pfandbriefbank AG Risk Position

(%)	2026*	2025	2024	2023	2022
Growth in customer loans	(5.7)	(14.5)	(9.5)	3.5	(2.3)
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	11.3	12.0	12.4	12.7
Total managed assets/adjusted common equity (x)	14.2	14.2	14.3	16.8	17.6
New loan loss provisions/average customer loans	0.1	1.2	0.5	0.6	0.1
Gross nonperforming assets/customer loans + other real estate owned	7.9	7.6	5.4	3.9	2.2
Loan loss reserves/gross nonperforming assets	32.4	35.8	28.3	37.9	46.2

*2026 data is for the six months to end-June. N/A--Not applicable.

Deutsche Pfandbriefbank AG Funding And Liquidity

(%)	2026*	2025	2024	2023	2022
Core deposits/funding base	22.1	22.7	21.62	18.9	15.0
Customer loans (net)/customer deposits	370.6	364.1	411.2	445.5	525.4
Long-term funding ratio	79.3	85.3	84.3	79.2	80.0
Stable funding ratio	98.3	106.6	96.2	95.2	102.0
Short-term wholesale funding/funding base	22.5	15.9	17.1	22.3	21.4
Regulatory net stable funding ratio	112.0	118.0	116.0	111.0	110.0
Broad liquid assets/short-term wholesale funding (x)	1.0	1.5	0.9	0.9	1.2
Broad liquid assets/total assets	20.9	21.4	13.9	18.3	23.2
Broad liquid assets/customer deposits	105.1	105.2	72.3	107.1	171.7
Net broad liquid assets/short-term customer deposits	6.6	69.2	(13.8)	(21.0)	45.2
Regulatory liquidity coverage ratio (LCR) (x)	402.0	379.0	200.0	212.0	171.0
Short-term wholesale funding/total wholesale funding	28.6	20.4	21.6	27.3	25.0
Narrow liquid assets/3-month wholesale funding (x)	3.0	6.8	1.7	2.5	1.4

*2026 data is for the 6 months to end-June.

Related Criteria

- Risk-Adjusted Capital Framework Methodology, May 5, 2026
- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of September 03, 2026)*	
Deutsche Pfandbriefbank AG	
Issuer Credit Rating	BBB-/Negative/A-3
Resolution Counterparty Rating	BBB/--/A-2
Commercial Paper	
Local Currency	A-3
Junior Subordinated	B-
Senior Subordinated	B+
Senior Unsecured	BBB-
Short-Term Debt	A-3
Subordinated	B
Issuer Credit Ratings History	
21-Nov-2025	BBB-/Negative/A-3
11-Mar-2025	BBB-/Stable/A-3
14-Feb-2024	BBB-/Negative/A-3
17-Nov-2023	BBB/Negative/A-2
18-Mar-2022	BBB+/Stable/A-2
Sovereign Rating	
Germany	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.