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Deutsche Pfandbriefbank AG

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Deutsche Pfandbriefbank AG

Ratings Score Snapshot

Global Scale Ratings
Issuer Credit Rating
BBB-/Negative/A-3
Resolution Counterparty Rating
BBB/--/A-2

SACP: bb+

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

Support: +1

ALAC support	+1
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

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Strong risk-adjusted capital (RAC) buffers.	Monoline commercial real estate (CRE) financing business with high reliance on interest income and strategic challenge to generate increasing fee income.
Reliable access to covered bond funding and retail deposits.	Weak asset quality in the U.S. office portfolio and sensitivity to the German CRE market.
Large additional loss-absorbing capacity (ALAC) buffers protect senior creditors in the event of a resolution.	Relatively weak profitability, despite expected receding credit losses.

Given the difficult CRE markets, we expect Deutsche Pfandbriefbank AG (pbb) will face strategic challenges to adjust its business model. On Oct. 10, 2024, pbb announced adjustments to its CRE-centric business model and the goal of achieving a pre-tax return on tangible equity of 8% by 2027, while targeting a reduction in concentration risks and dependence on interest income. The measures include ending the loss-making U.S. West Coast business, adjusting the property mix away from office buildings toward higher-demand property types, including data centers and serviced living, and building up the asset management, brokerage and servicing business linked to pbb's expertise in CRE financing. If successful, improved structural profitability and a higher share of fee income from real estate investment solutions could benefit its resilience and ability to absorb credit losses from its lending portfolio over the medium term.

However, we believe prospects for success remain highly sensitive to conditions beyond management's control, notably interest rates, the recovery of CRE markets, and pbb's own market perception. We don't anticipate any direct material impact on pbb's earnings, capital, or risk profile and, if any, they are only expected to materialize very gradually over the medium term.

The biggest risk remains higher credit losses. The bank continues to navigate through difficult CRE markets, particularly in its U.S. and development businesses, and we expect further significant, but decreasing, levels of credit losses over 2025. Positively, lower interest rates could allow the bank to release some of the modelled and interest-rate sensitive stage 1 and stage 2 credit-loss provisions. The level of credit losses remains the main consideration in our ratings, and it assumes that pbb remains overall profitable. We forecast credit losses in 2024 to materialize at about 40 basis points (bps), compared with 55bps in 2023, but to reduce structurally to below 30bps from 2025. We believe the main risk to this projection is if interest rates remain higher than expected or if there is a significant recession in the U.S. or Germany. This could trigger further loan defaults and related losses from falling collateral values.

Positively, strong capital buffers and a resilient funding profile support the transition over the coming years. In our base case, we forecast pbb's RAC ratio to increase toward 13.2%-13.7% by 2026, after 11.8% at year-end 2023. This increase from earnings retention and a slight decrease in its real estate financing exposure should help mitigate downside risks stemming from the new strategy implementation and the challenging macroeconomic and geopolitical environment. Also, considering pbb's covered bond and retail deposit funding, we see reduced need for unsecured wholesale funding over the coming years, giving the bank time to restore investor confidence in its business model.

We expect that, in a stress scenario, pbb would likely be subject to a resolution action that prioritizes full and timely payment to senior preferred creditors. We think this scenario is more likely than liquidation and therefore continue to apply one notch of uplift for ALAC to our 'bb+' stand-alone credit profile (SACP) assessment for the bank. We expect pbb can maintain a sizable ALAC buffer, equivalent to 6%-8% of S&P Global Ratings' risk-weighted assets (RWAs) by year-end 2026, compared with an estimated 8.3% as of Dec. 31, 2024. We include one notch of ALAC uplift into our long-term issuer credit rating on pbb rather than the two notches that are common for banks with ALAC ratios comfortably above 6%. This considers that pbb is a more nuanced case in terms of expected resolution measures relative to other systemically important banks.

Outlook

The negative outlook reflects our view that weak CRE markets, especially in the U.S., could increase pbb's cost of risk in its highly concentrated CRE portfolio beyond our base-case expectation in the next two years. The negative outlook also reflects heightened risk to investor confidence on pbb's monoline business model and predominantly wholesale funding structure. Mitigating some of the risk is our forecast that pbb will remain profitable and maintain its high capitalization, with our risk-adjusted capital ratio staying well above 10% and the ALAC ratio above 6% of S&P Global Ratings' RWAs.

Downside scenario

We could lower our ratings over the next two years if CRE markets remain challenging for an extended period and erode pbb's asset quality and capital position. We could also lower the ratings if weakening investor confidence restricts pbb's market access, which remains critical to its wholesale-driven funding model.

Upside scenario

We could revise the outlook to stable in the next two years if pbb's asset quality remains resilient, and we see market conditions in the CRE market stabilizing. This would also likely require us to see pbb making tangible progress in delivering on strategic objectives, which could also boost investor confidence.

Key Metrics

Deutsche Pfandbriefbank AG--Key ratios and forecasts

	--Fiscal year-ended Dec. 31--				
(%)	**2022a**	**2023a**	**2024e**	**2025f**	**2026f**
Growth in operating revenue	(10.2)	13.6	(7.5)-(9.1)	(7.3)-(8.9)	(2.1)-(2.5)
Growth in customer loans	(2.3)	3.4	(7.2)-(8.8)	(3.2)-(3.9)	(2.7)-(3.3)
Net interest income/average earning assets (NIM)	1.0	1.0	1.0-1.2	1.0-1.2	1.0-1.2
Cost to income ratio	51.6	49.9	49.9-52.4	54.3-57.1	54.4-57.2
Return on average common equity	6.0	2.9	2.9-3.2	3.2-3.6	3.8-4.2
New loan loss provisions/average customer loans	0.1	0.5	0.3-0.5	0.2-0.3	0.2-0.3
Gross nonperforming assets/customer loans	2.2	3.9	4.7-5.2	4.6-5.1	4.2-4.7
Risk-adjusted capital ratio	12.8	11.8	12.5-13.0	13.0-13.5	13.2-13.7

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast.

Anchor: 'bbb+', Based On The Economic Risk In pbb's Main Markets And The Banking Industry Risk In Germany

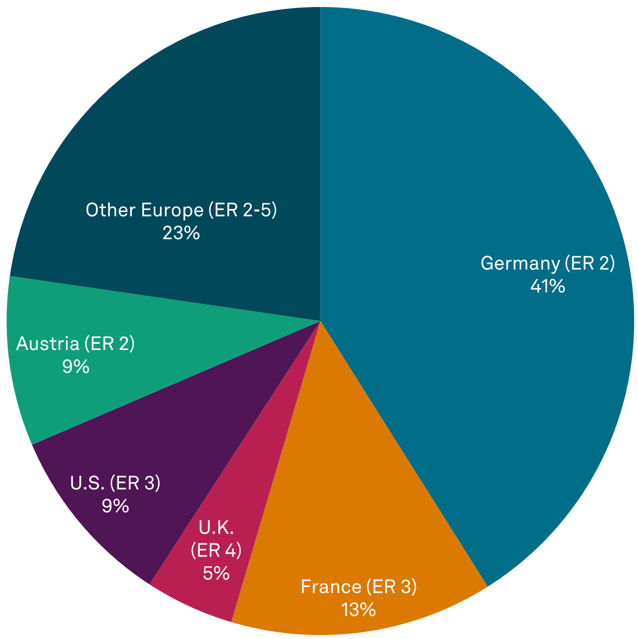
The weighted-average economic risk score of slightly below '3' is weaker than the economic risk score of '2' for banks that only operate in Germany, reflecting pbb's 55% share of lending exposure outside of Germany. However, we still use the anchor of 'bbb+' as a starting point to derive the issuer credit rating. The industry risk score of '4' is based solely on pbb's home market, Germany. We view the trends for economic risk and industry risk as stable (see "Banking Industry Country Risk Assessment: Germany," published Aug. 7, 2024).

Our economic risk assessment for Germany takes a positive view of the economy's competitiveness and wealth, as well as its track record in absorbing large economic and financial shocks. Despite structural risks to Germany's economic model, higher sensitivity to geopolitical stress, and a modest economic outlook compared with European peers', we expect German households and non-financial entities to remain overall resilient. We forecast a modest increase in domestic credit losses from low levels, to 25bps in 2025 and up from expected 20bps in 2024. This is also based on our expectation of a robust German labor market, the deterioration of which would be a key risk for credit losses. In our opinion, the significant exposure of German banks to the CRE sector continues to represent a risk for the asset quality and profitability of some German banks, but will likely not impair their capital position and therefore does not pose a systemic risk to the German banking sector.

Our industry risk assessment for Germany considers the structurally modest profitability of the banking sector relative to peers'. German banks have benefited significantly from higher interest rates, but we expect cyclical interest rate support to have peaked in 2024 and profitability to decline slightly again as policy rates began to fall. We continue to see that inefficient cost bases, overcapacity, and intense competition are putting a structural strain on profit margins. We factor in positively the banking sector's access to a very stable and broad domestic funding market. The funding profile of German banks largely includes sticky retail deposits, which benefit from a comprehensive deposit protection scheme, as well as covered bonds, which represent a very reliable and cost-efficient funding source.

Chart 1

We expect around 40-45% of pbb's lending to remain in Germany
pbb's loan portfolio by country as of June 30, 2024



ER--Economic risk. Source: S&P Global Ratings.

Business Position: Significantly Concentrated On CRE Financing

We anticipate that pbb's concentrated wholesale-oriented business profile will remain its main rating weakness. The 2027 strategy builds on its existing business as a CRE finance solutions provider. The bank's CRE portfolio is internationally diversified but largely opportunistic, and not clearly linked to a particularly strong client franchise or competitive advantage. The cyclical CRE finance business is the core earnings and risks contributor and accounted for about 73% of financing volume as of Sept. 31, 2024. It mainly includes financing real estate transactions for offices, residential and logistics properties, retail--including shopping centers--and hotels.

Until 2027, pbb aims to materially expand its new real estate investment solutions segment, which will offer debt and equity investment solutions to institutional investors and targets increasing cooperation in deal sourcing and servicing. If successful, this segment could provide capital-light fee income, with pbb targeting up to 10% fee income of operating revenue, from close to zero currently.

The remaining non-core portfolio in run-off mode accounts for 27% of financing volume and mainly covers low-yielding budget financing and also includes the bank's public investment finance business (for example, infrastructure projects). The management utilizes opportunistic asset sales in the non-core portfolio to generate earnings and navigate through ongoing difficult CRE markets. We expect this portfolio with very low risk-weighted assets to only marginally contribute to profitability in the coming years.

We expect pbb's mix of business lines and revenues will remain more concentrated than that of many peers. Higher rated peers often have broader business models with a better diversified and less cyclical business mix, which we generally consider positive for earnings stability. But smaller and more concentrated peers like NIBC Bank, Kommunalkredit Austria, or Grenke usually show greater earnings stability and better profitability. pbb's expansion into real estate asset management products, which began in 2023 and might be accelerated by an acquisition, may support revenue diversification over the medium term but it will take time, considering the high competition and margin pressures in the segment.

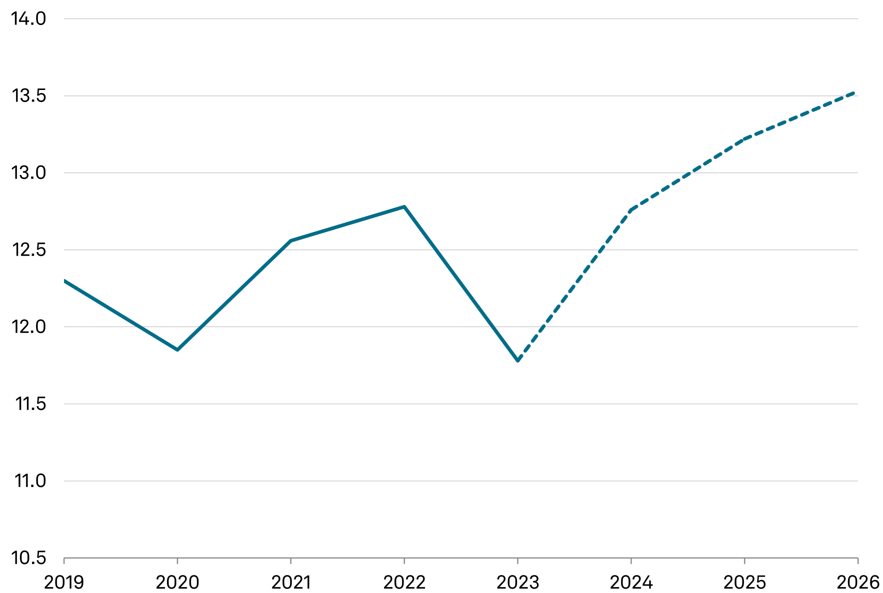
Capital And Earnings: Strong capitalization supports the credit profile

We expect pbb's capitalization will remain its key rating strength. This is indicated by our forecast that the bank's RAC ratio will further improve to about 13.2%-13.7% over the next two years, compared with 11.8% at year-end 2023. Despite an expected mild recovery in new lending volumes, we expect the outstanding balances in CRE exposure and related S&P Global Ratings risk-weighted assets to reduce during 2025 and 2026. Capitalization levels should also enable pbb to absorb a potential acquisition to support its real estate investment solution plan without risking our strong assessment.

Chart 2

pbb's risk-adjusted capital ratio expected to increase despite capital distribution plan

pbb's risk-adjusted capital ratio



Source: S&P Global Ratings.

We expect pbb will distribute 50%-75% of net income after coupon payments on additional tier 1 (AT1) capital over the next two years. This is in line with its revised capital distribution plan of a minimum 50% payout ratio. Pbb's regulatory common equity tier 1 capital ratio was 14.5% on Sept. 30, 2024, above the bank's target of above 14% through the cycle. However, for 2025, we expect a strong technical increase of 200bps-300bps in regulatory capital ratios, from the full implementation of Basel 4 under the Foundation Internal Ratings Based Approach and the removal of standardized risk parameters applied over the second half of 2024.

The quality of pbb's earnings will remain a relative weaknesses, in our view, but will not weigh on the rating for now. Given its wholesale business model, pbb's revenue and risk costs will structurally show greater volatility compared to larger, more diversified universal banks. Among others, pbb's weak earnings quality is demonstrated by its comparatively low earnings buffer (S&P Global Ratings' metric that quantifies the capacity of earnings to absorb through-the-credit-cycle losses) of 0.35%-0.55% over 2024-2026.

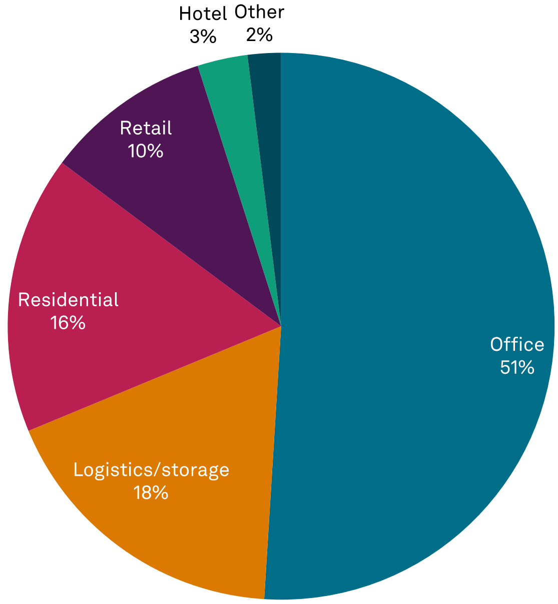
Risk Position: Downside Risks From High Concentrations In Cyclical Sectors With Macroeconomic Headwinds

Pbb's business model will remain structurally exposed to high sector and single-name concentrations. We expect pbb's risk profile will continue to constrain the rating. This is because CRE markets' high cyclicality and pbb's concentrations in its real estate lending portfolio continue to represent material tail risk to the bank's capital and earnings profile. In our view, heightened risks include pbb's exposure to office, retail, and hotel segments, which make up the bulk of pbb's real estate finance portfolio.

Chart 3

Office exposure dominates pbb's real estate finance book

pbb's real estate finance lending by property type as of June 30, 2024



Source: S&P Global Ratings.

Pbb's U.S. business in particular proved weak and highly sensitive to the sharp decline in office valuations, with non performing exposure amounting to 18% of the U.S. portfolio as of Sept. 30, 2024. The sharp correction in office prices required a stock of stage 3 provisions of €179 million as of Sept. 30, 2024, resulting in an nonperforming loan (NPL) coverage ratio of about 25%. In addition, €71 million are booked as stage 1 and 2 provisions. Further collateral revaluations, amid low transaction volumes, could require additional provisions over 2025.

Furthermore, pbb's development portfolio, largely located in Germany, was hit by the sharp increase in interest rates, with non-performing exposure amounting to €565 million or about 20% in third quarter 2024.

We also remain cautious in our view of the German CRE market in general, considering the weak economic outlook, low transaction volumes, and higher for longer ECB rates that could further weigh on valuations.

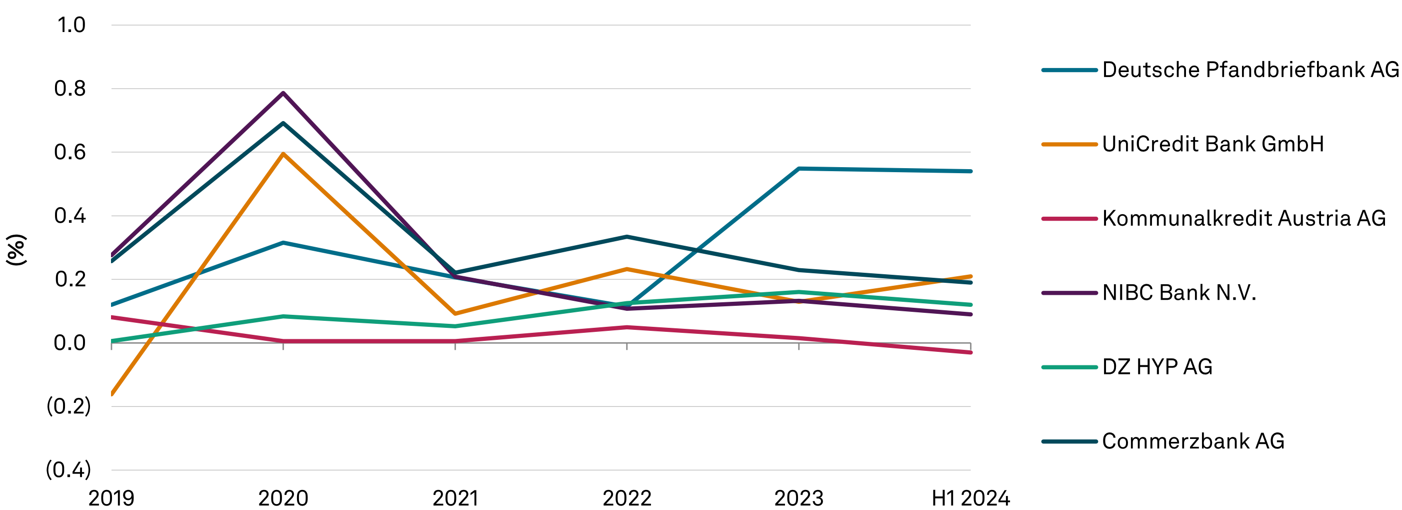
Asset quality appears weaker than peers'. Pbb's NPLs and credit losses have increased faster than peers', with an NPL ratio of 4.6% (€1.7 billion) in third quarter 2024 and cost of risk at 55bps in 2023 and only marginally below that in 2024. This is despite solely collateralized senior lending and generally favorable loan-to-value (LTV) ratios of 56%, on average. Pbb's stress testing shows an exposure at risk of about €540 million, which could materialize if property revaluations see further material deterioration.

In our base case, we expect pbb's credit losses to weigh on profitability but to gradually normalize to 20bps-30bps over 2025 and 2026.

Chart 4

pbb's loan loss provisions on elevated level since 2023

New loan loss provisions to average customer loans among rated peers



H1--First half. Source: S&P Global Ratings.

Funding And Liquidity: Strong Reliance On Wholesale Funding Balanced By Resilient German Covered Bonds Markets

Pbb's funding and liquidity profile showed improving resilience following a period of negative market sentiment in 2024 Amid intense investor scrutiny and materially expanded wholesale spreads, pbb maneuvered the situation in 2024 with appropriate liquidity planning and benefited from the ramp up of retail deposits and reduced new business opportunity, limiting the need for wholesale refinancing. This adds to the good track record of sound funding and liquidity management. We expect pbb will continue to balance heightened investor confidence risks, in terms of cost and access, from its wholesale funding structure. However, it will need to continue to build trust with unsecured wholesale investors to achieve more attractive funding spreads.

Secured funding and retail deposit access provide stability in times of stress Pbb is a large covered bond (Pfandbrief) issuer, with outstanding covered bonds of about €20 billion, forming about 50% of the funding base at mid-year 2024. Pbb further increased its direct (term) retail deposits by 32% to €7.9 billion as of Sept. 30, 2024, versus €5.9 billion as of the end of third quarter 2023. The retail deposit base also proved to be relatively sticky, despite several price cuts over 2024.

We consider covered bond and retail deposit funding to be also available in times of mild stress, as proven during 2024. This provides stability and reduces refinancing pressure for its unsecured wholesale funding instruments.

Funding and liquidity ratios are on good levels. The 116% net stable funding ratio as of Sept. 30, 2024, was comfortably above the 100% regulatory requirement and in line with recent years, when it fluctuated between 110% an 120%. Its 2025 funding plan will focus on covered bonds in benchmark format as well as on private placements. While pbb is not planning to issue senior bonds, it could do so if spreads continue to recover.

The liquidity coverage ratio of 215% and a broad liquid assets to short-term wholesale funding of 1x as of Sept. 30, 2024 indicate no particular liquidity concern. Accordingly, we believe the bank could operate for more than six months without access to market funding in an adverse scenario. We see the bank's liquidity stress testing capabilities as adequate.

Support: Ratings Uplift Due To Strong Buffers Of Subordinated Capital For Bail-In Resolution

The one notch of ALAC uplift reflects our expectation that, if it failed, pbb would be subject to a resolution action that ensures full and timely payment to all senior preferred creditors. We continue to think this scenario is more likely than liquidation and assume that the authorities' first choice would be to try to sell the entire business. Recapitalizing the bank through a bail-in would be the second option. We expect that pbb will maintain a sizable ALAC buffer of 6%-8% by year-end 2026, compared with an estimated 8.3% on Dec. 31, 2024. This is supported by pbb's intention to maintain a bail-in buffer of at least 8% of total liabilities and own funds, in line with its binding regulatory minimum requirement for own funds and eligible liabilities (MREL). It must meet its MREL using only subordinated instruments, which is not the case across the whole European banking sector.

We see some potential to include a second notch of ALAC uplift in the issuer credit rating but not in the near term. We grant pbb only one notch of ALAC uplift, instead of the two notches typical for banks with ALAC ratios comfortably above 6%. We are confident that a share transfer could, in principle, lead to the continued full and timely payment of senior preferred liabilities. Yet, we consider pbb is a more nuanced case in terms of resolution measures to ensure the continuity of its operations and in light of its overall creditworthiness, relative to higher-rated banks. Notably, we take into account the Single Resolution Board's (SRB's) changing opinions about pbb's resolution plan in the past and that its ultimate decision at the point of nonviability may prove to be borderline about the orderly resolution or liquidation of the bank. Pbb's business is concentrated in CRE financing and in the context of the German market has limited deposit funding. As such, SRB could assign it little relevance from a financial stability standpoint when considering public interest for a resolution action. We also note that, even without the use of resolution tools, the German Pfandbrief Act provides strong protection for covered bond investors (covered bonds comprise 50% of pbb's funding base). The highly cyclical nature of CRE assets and the associated high regulatory capital requirements may additionally hamper the SRB's ability to quickly sell pbb on acceptable terms.

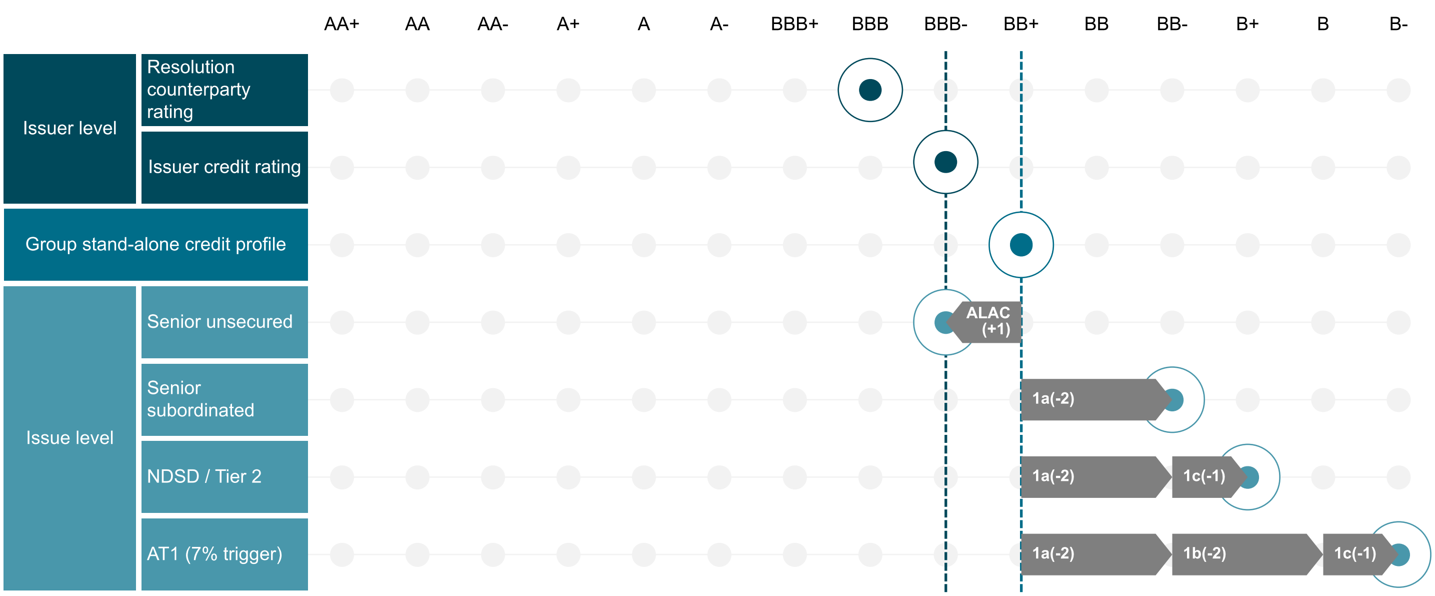
Environmental, Social, And Governance (ESG)

The effect of ESG considerations on pbb is similar to that on its industry and domestic peers. We note that the bank has developed green concepts for its funding instruments and a green lending framework in relation to properties with high environmental standards. We believe the environmental specifications of buildings have become increasingly important to investors and tenants. The incorporation of energy efficiency measures should help justify rent levels and protect properties' market value over the longer term.

Group Structure, Rated Subsidiaries, And Hybrids

We notch down our ratings on regulatory capital instruments and senior nonpreferred debt from our 'bb+' SACP for pbb.

Deutsche Pfandbriefbank AG: Notching



Key to notching

---- Issuer credit rating
----- Group stand-alone credit profile
ALAC Additional loss-absorbing capacity buffer
1a Contractual subordination
1b Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
1c Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.
AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt.

Resolution Counterparty Ratings (RCRs)

The 'BBB/A-2' long- and short-term RCRs on pbb consider our forward-looking opinion that certain senior liabilities are explicitly protected from default through an effective bail-in resolution process for the issuing financial institution.

Key Statistics

Table 1

Deutsche Pfandbriefbank AG--Key figures					
		--Fiscal year-ended Dec. 31--			
(Mil. €)	September 2024	2023	2022	2021	2020
Adjusted assets	45,141.0	50,830.0	52,958.0	58,360.0	58,841.0
Customer loans (gross)	36,065.0	39,290.0	37,981.0	38,890.0	39,580.0
Adjusted common equity	3,105.0	3,038.0	3,007.0	2,910.0	2,863.0
Operating revenues	425.0	603.0	531.0	591.0	529.0
Noninterest expenses	198.0	301.0	274.0	268.0	249.0
Core earnings	74.0	91.0	187.0	228.0	117.0

Table 2

Deutsche Pfandbriefbank AG--Business position					
		--Fiscal year-ended Dec. 31--			
(%)	September 2024	2023	2022	2021	2020
Total revenues from business line (currency in millions)	425.0	603.0	531.0	591.0	529.0
Other revenues/total revenues from business line	100.0	100.0	100.0	100.0	100.0
Return on average common equity	3.2	2.9	6.0	7.5	3.9

Table 3

Deutsche Pfandbriefbank AG--Capital and earnings					
		--Fiscal year-ended Dec. 31--			
(%)	September 2024	2023	2022	2021	2020
Tier 1 capital ratio	15.9	17.3	18.4	18.9	17.8
S&P Global Ratings' RAC ratio before diversification	N/A	11.8	12.8	12.6	11.8
S&P Global Ratings' RAC ratio after diversification	N/A	10.5	11.3	11.2	10.7
Adjusted common equity/total adjusted capital	91.2	91.1	91.0	90.7	90.6
Net interest income/operating revenues	84.5	79.9	92.1	83.6	90.5
Fee income/operating revenues	0.7	0.5	1.5	1.4	1.1
Market-sensitive income/operating revenues	15.3	14.3	6.6	15.4	4.2
Cost to income ratio	46.6	49.9	51.6	45.3	47.1
Preprovision operating income/average assets	0.6	0.6	0.5	0.6	0.5
Core earnings/average managed assets	0.2	0.2	0.3	0.4	0.2

N/A--Not applicable.

Table 4

Deutsche Pfandbriefbank AG--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	17,042,701,526.6	484,238,411.0	2.8	1,112,890,011.0	6.5
Of which regional governments and local authorities	4,783,358,578.7	403,038,791.6	8.4	297,161,947.7	6.2
Institutions and CCPs	1,542,595,763.0	282,725,842.0	18.3	374,293,260.7	24.3
Corporate	31,446,365,437.2	15,380,121,324.0	48.9	23,622,972,719.7	75.1
Retail	10,207.8	3,392.8	33.2	2,614.4	25.6
Of which mortgage	10,207.8	3,392.8	33.2	2,614.4	25.6
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	1,490,374,847.7	888,353,892.5	59.6	2,017,675,698.6	135.4
Total credit risk	51,522,047,782.2	17,035,442,862.2	33.1	27,127,834,304.4	52.7
Credit valuation adjustment					
Total credit valuation adjustment	--	119,434,831.3	--	0.0	--
Market risk					
Equity in the banking book	3,031,946.3	34,639,941.1	1,142.5	3,320,715.5	109.5
Trading book market risk	--	51,974,498.6	--	77,961,747.8	--
Total market risk	--	86,614,439.7	--	81,282,463.3	--
Operational risk					
Total operational risk	--	975,157,643.5	--	1,101,420,679.5	--

	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings' RWA	% of S&P Global Ratings' RWA
Diversification adjustments					
RWA before diversification	--	18,494,735,749.9	--	28,310,537,447.3	100.0
Total diversification/concentration adjustments	--	--	--	3,516,433,821.1	12.4
RWA after diversification	--	18,494,735,749.9	--	31,826,971,268.3	112.4

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings' RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	3,208,000,000.0	17.3	3,336,000,000.0	11.8
Capital ratio after adjustments‡	3,208,000,000.0	17.3	3,336,000,000.0	10.5

*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. CCP--Central counterparty. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2023, S&P Global Ratings.

Table 5

Deutsche Pfandbriefbank AG--Risk position

		--Fiscal year-ended Dec. 31--			
(%)	**September 2024**	**2023**	**2022**	**2021**	**2020**
Growth in customer loans	(10.9)	3.4	(2.3)	(1.7)	(1.8)
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	12.4	12.7	12.0	11.0
Total managed assets/adjusted common equity (x)	14.6	16.7	17.6	20.1	20.6
New loan loss provisions/average customer loans	0.5	0.5	0.1	0.2	0.3
Gross nonperforming assets/customer loans + other real estate owned	4.6	3.9	2.2	1.5	1.2
Loan loss reserves/gross nonperforming assets	33.9	37.9	46.2	58.5	51.5

N/A--Not applicable.

Table 6

Deutsche Pfandbriefbank AG--Funding and liquidity

		--Fiscal year-ended Dec. 31--			
(%)	**September 2024**	**2023**	**2022**	**2021**	**2020**
Core deposits/funding base	21.8	18.9	15.0	11.9	12.9
Customer loans (net)/customer deposits	404.1	445.5	525.4	616.0	580.6
Long-term funding ratio	87.2	79.2	80.0	88.9	90.9
Stable funding ratio	97.7	95.2	101.9	119.8	119.9
Short-term wholesale funding/funding base	13.8	22.3	21.4	11.8	9.6
Regulatory net stable funding ratio	116.0	111.0	110.0	118.0	N/A
Broad liquid assets/short-term wholesale funding (x)	1.0	0.9	1.2	2.5	2.8
Broad liquid assets/total assets	12.4	18.3	23.2	26.3	24.2
Broad liquid assets/customer deposits	63.7	107.1	171.7	245.6	210.2
Net broad liquid assets/short-term customer deposits	0.4	(21.0)	45.2	232.1	255.8
Regulatory liquidity coverage ratio (LCR) (%)	215.0	212.0	171.0	227.0	N/A
Short-term wholesale funding/total wholesale funding	17.5	27.3	25.0	13.3	11.0
Narrow liquid assets/3-month wholesale funding (x)	2.3	2.5	1.4	4.6	7.2

N/A--Not applicable.

Deutsche Pfandbriefbank AG--Rating component scores

Issuer credit rating	**BBB-/Negative/A-3**
SACP	bb+
Anchor	bbb+
Economic risk	2
Industry risk	4
Business position	Constrained
Capital and earnings	Strong
Risk position	Constrained
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+1

Deutsche Pfandbriefbank AG--Rating component scores (cont.)	
Issuer credit rating	**BBB-/Negative/A-3**
ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- 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: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Research Update: Deutsche Pfandbriefbank 'BBB-/A-3' Ratings Affirmed On Strategic Update; Outlook Still Negative On Asset Quality Risk, Oct. 14, 2024
- Bulletin: Deutsche Pfandbriefbank Continues To Navigate Difficult Commercial Real Estate Markets, Aug. 14, 2024
- Bulletin: Deutsche Pfandbriefbank's First Quarter Results Show A Mixed Picture, May 14, 2024
- Research Update: Deutsche Pfandbriefbank Downgraded To 'BBB-/A-3' On Challenges From Commercial Real Estate; Outlook Negative, Feb. 14, 2024
- Research Update: Deutsche Pfandbriefbank Ratings Lowered To 'BBB' On Risk Cost Acceleration In Difficult CRE Markets; Outlook Negative, Nov. 17, 2023
- Banking Industry Country Risk Assessment: Germany, Aug. 7, 2024

Ratings Detail (As Of January 17, 2025)*	
Deutsche Pfandbriefbank AG	
Issuer Credit Rating	BBB-/Negative/A-3
Resolution Counterparty Rating	BBB/--/A-2

Ratings Detail (As Of January 17, 2025)*(cont.)	
Commercial Paper	
Local Currency	A-3
Junior Subordinated	B-
Senior Subordinated	BB-
Senior Unsecured	BBB-
Short-Term Debt	A-3
Subordinated	B+
Issuer Credit Ratings History	
14-Feb-2024	BBB-/Negative/A-3
17-Nov-2023	BBB/Negative/A-2
18-Mar-2022	BBB+/Stable/A-2
24-Jun-2021	BBB+/Negative/A-2
15-Dec-2020	A-/Negative/A-2
15-Sep-2020	A-/Watch Neg/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.