

## **FITCH AFFIRMS WUESTENROT AT 'BBB+' ON ADB ACQUISITION PLAN**

Fitch Ratings-London/Paris/Milan-15 April 2010: Fitch Ratings has affirmed Germany-based Wuestenrot Bausparkasse AG (BSW) and its sister bank, Wuestenrot Bank AG Pfandbriefbank (WBP), at Long-term Issuer Default Rating (IDR) 'BBB+' with Stable Outlooks. This follows BSW's announcement that it has agreed to acquire a smaller German building and loans association (Bausparkasse), Allianz Dresdner Bauspar AG (ADB), from Commerzbank AG ('A+' / Stable).

The agency has also affirmed BSW and WBP at Short-term IDR 'F2', Support '3', Support Rating Floors 'BB+' and Individual 'B/C'. Given the close links between BSW and WBP, both banks are assessed as a single economic entity.

Fitch acknowledges the execution risk associated with ADB's acquisition, especially as BSW is still in the process of integrating Vereinsbank Victoria Bauspar AG (VVB), a smaller competitor acquired in 2009. The agency also considers that managing the increased complexity of BSW's enlarged and diversified portfolio of distribution networks will require a high level of attention from management in order to maintain satisfactory growth and operating efficiency while protecting the integrity of the Wuestenrot franchise. Furthermore, the integration will be conducted amid a challenging economic environment, which may adversely impact credit quality of the banks' loan books.

At the same time, Fitch recognises that the long-term cooperation agreements concluded with some of the biggest German financial institutions will provide BSW with exclusive access to large distribution channels. The agency views positively the resulting new business growth potential thus available to BSW in an otherwise stagnating Bauspar market. This in turn should support the gradual evolution of BSW's balance sheet towards a more favourable Bauspar tariff structure. Fitch takes additional comfort from BSW's satisfactory integration of VVB to date, which has been progressing in line with expectations. This experience should be largely replicable and aid the incorporation of ADB.

Fitch expects that ADB's profitability and asset quality will have no significant adverse impact on BSW's risk profile. The restrictive regulatory framework, which governs the operations of German building and loans associations, results in conservative business models and moderate risk profiles. Furthermore, ADB's moderate size relative to BSW's should help mitigate execution risk. BSW's solid capitalisation and significantly improved operating profitability in 2009 also offer a significant buffer to absorb the new entity.

The ratings of Wuestenrot & Wuerttembergische AG (W&W AG) - BSW's and WBP's 100% owner and holding company - and W&W AG's insurance entities are not affected by this transaction.

Established in 2001, ADB had total assets of EUR3.8bn at end-2008 and currently has about 670,000 clients. The acquisition is subject to regulatory and anti-trust approvals.

In Fitch's rating criteria, a bank's standalone risk is reflected in Fitch's Individual ratings and the prospect of external support is reflected in Fitch's Support ratings. Collectively these ratings drive Fitch's Long- and Short-term IDRs.

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 29 December 2009, are available on [www.fitchratings.com](http://www.fitchratings.com)

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