



Tagging Info

**Fitch Revises Wuestenrot's Outlook to Positive; Affirms at 'BBB+' Ratings**

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Fitch Ratings-Frankfurt/London-01 August 2011: Fitch Ratings has revised Germany-based Wuestenrot Bausparkasse AG's (BSW) and its sister bank, Wuestenrot Bank AG Pfandbriefbank's (WBP) Outlooks to Positive from Stable and affirmed their Long-term Issuer Default Ratings (IDRs) at 'BBB+'. Fitch has also affirmed BSW's and WBP's Short-term IDRs at 'F2'. A full list of ratings is at the end of this release.

The Positive Outlook reflects BSW's continuing progress towards streamlining its business model and integrating acquired business. Allianz Dresdner Bauspar AG (ADB), which was acquired from Commerzbank AG ('A+' / Stable) in 2010, is scheduled to be fully integrated by 2013 and Vereinsbank Victoria Bauspar AG (VVB), acquired in 2009, is now fully integrated. The entities' 100% parent, Wuestenrot & Wuerttembergische AG ('BBB+' / Stable), has implemented a restructuring initiative (W&W 2012) across the group to improve cost efficiency and profitability as well as optimising capital allocation and capital costs. Fitch considers that BSW's market position has been improved by the ADB and VVB acquisitions, which have increased its distribution network and are driving new business.

Fitch expects the successful integration of ADB and the completion of W&W 2012 to result in increased profitability from 2013 onwards. Earnings are currently negatively affected by integration and restructuring costs. This could result in an upgrade of the IDR in the next 12 to 18 months. Any delay or material divergence from the integration plan or W&W 2012 would likely result in a revision of the Outlook back to Stable.

BSW and WBP are closely linked and operate to a large extent as a single economic entity, the 'Bausparbank'. This is in particular underpinned by a common management team and the sharing of essential functions such as treasury and risk management. However, BSW and WBP have to be kept as legally separate entities because BSW's protective building society (Bausparkasse) status prevents it from taking over WBP's covered bond (Pfandbrief) licence and business.

Fitch considers the Bausparbank's capitalisation as solid in light of its granular and low risk residential mortgage-lending business and resilient asset quality driven by a robust residential property market in Germany and favourable short-term indicators. The ratings also reflect the BSW's monoline business model in a competitive Bauspar market, considerable exposure to interest rate risk and expected increasing competition concerning retail deposits by substitute banking products.

Given both banks' significant retail deposit base, their role as residential mortgage lenders and WBP's status as a Pfandbrief issuer, Fitch would expect moderate support from the German authorities. BSW and WBP would, if ever needed, first look for support to their 100% parent Wuestenrot & Wuerttembergische AG. Although strong, its willingness to support cannot be relied upon, in Fitch's view, as its ability to do so would be restricted by the large relative scale of the Bausparbank.

Wuestenrot & Wuerttembergische AG is a publicly listed bancassurance group operating mainly in Germany. BSW is one of Germany's largest Bausparkasse with a market share of 13.9% at end-2010. WBP is focused on domestic residential mortgage lending with access to Pfandbrief refinancing.

The rating actions are as follows:

Wuestenrot Bausparkasse AG

Long Term IDR: affirmed at 'BBB+', Outlook revised to Positive from Stable

Short Term IDR: affirmed at 'F2'

Viability Rating: affirmed at 'bbb+'

Individual Rating: affirmed at 'B/C'

Support Rating: affirmed at '3'

Support Rating Floor: affirmed at 'BB+'

Wuestenrot Bank AG Pfandbriefbank

Long Term IDR: affirmed at 'BBB+', Outlook revised to Positive from Stable

Short Term IDR: affirmed at 'F2'

Viability Rating: affirmed at 'bbb+'

Individual Rating: affirmed at 'B/C'

Support Rating: affirmed at '3'  
Support Rating Floor: affirmed at 'BB+'

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Applicable criteria 'Global Financial Institutions Rating Criteria', dated 13 August 2010, 'Short-Term Ratings Criteria for Corporate Finance', dated 2 November 2010, are available at [www.fitchratings.com](http://www.fitchratings.com).

**Applicable Criteria and Related Research:**

Global Financial Institutions Rating Criteria  
Short-Term Ratings Criteria for Corporate Finance

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