



## NON-RATING ACTION COMMENTARY

# Failed Bid for Aareal Does Not Affect Ratings

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Fitch Ratings-Frankfurt am Main, London-09 February 2022: The recent failed attempt by US financial investors to acquire a majority stake in Aareal Bank AG (BBB+/Negative/F2) does not affect the bank's ratings, Fitch Ratings says.

In the agency's view the proposed acquisition would not have materially changed Aareal's established business profile. The bidders' intention to accelerate Aareal's growth plans did not entail any substantial strategic shift and should have been broadly neutral for its risk appetite and financial profile. Aareal's management supported the offer as the bidders would have backed the bank's existing set-up. They would have maintained the integration of subsidiary Aareon, whose enterprise resource planning systems for the housing sector and, increasingly, for the utilities sector, diversifies the bank's franchise beyond its dominant commercial real-estate (CRE) lending.

We expect Aareal to continue to execute its strategic CRE lending growth targets and intensify Aareon's M&A activities. The failed bid highlights Aareal's exposure to event risks arising from its fragmented shareholder base and absence of a strong core majority owner. Persistent pressure from activist investors, who question Aareon's role in the group, is likely to continue to take up a considerable amount of management time in the near future.

However, we do not view the risks or the benefits arising from Aareal's existing or potential new owners as material enough to influence its Viability Rating (VR) and VR-driven Issuer Default Ratings (IDRs). Event risks would only affect the ratings if they were likely to materialise and to significantly change the bank's business, risk and

financial profiles.

The Negative Outlook on Aareal's Long-Term IDR is unrelated to the unsuccessful bid. It reflects potential profitability challenges related to asset quality pressure from the pandemic in the cyclical CRE sector. The VR is constrained by Aareal's focus on CRE lending. Besides immediate pressure on the performances of weaker borrowers in the hotel and retail segments, structural trends such as online shopping and the changing use of office space, accelerated by the pandemic, could weaken parts of the CRE sector in the longer term. These risks are adequately mitigated by the bank's good geographical diversification, sound capitalisation and diversified funding, which we expect to be unchanged.

We could revise the Outlook on the Long-Term IDR to Stable from Negative if Aareal weathers the challenges arising from the pandemic, limiting risks to its asset quality and profitability, while maintaining stable capitalisation.

Aareal announced on 4 February 2022 that Atlantic BidCo GmbH's public tender offer to acquire a majority stake in the bank had not reached the required minimum acceptance threshold of 60%. The offer lapsed after the end of the acceptance period on 2 February and will be unwound. Atlantic BidCo is a special purpose vehicle controlled indirectly by financial investors Advent International Corporation, Centerbridge Partners, L.P. and other co-investors.

Contact:

Markus Glabach

Director

Primary Rating Analyst

+49 69 768076 195

Fitch Ratings - a branch of Fitch Ratings Ireland Limited

Neue Mainzer Strasse 46 - 50 Frankfurt am Main D-60311

Roger Schneider

Director

Secondary Rating Analyst

+49 69 768076 242

Media Relations: Louisa Williams, London, Tel: +44 20 3530 2452, Email:

[louisa.williams@thefitchgroup.com](mailto:louisa.williams@thefitchgroup.com)

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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