Annual Report 2009

Wüstenrot & Württembergische AG

wüstenrot
württembergische

Contents

Key figures of W&W Group

W&W Group (according to IFRS)

Consolidated statement of financial position		31 Dec 2009	31 Dec 2008
Available-for-sale financial assets	€ bn	16.9	12.7
Loans and advances to banks	€ bn	15.1	16.7
Loans and advances to customers	€ bn	30.6	28.6
Liabilities to customers	€ bn	23.8	20.9
Technical provisions	€ bn	29.1	28.5
Equity	€ bn	2.6	2.3
Net asset value per share	€	28.71	25.63
Total assets	€ bn	69.5	64.5

Consolidated income statement		1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Net financial result (after allowance for credit losses)	€ mn	1,513.9	462.1
Premiums/contributions earned (net)	€ mn	3,767.5	3,684.4
Insurance benefits (net)	€ mn	3,727.9	2,791.9
Earnings before income taxes from continued operations	€ mn	292.0	100.3
Consolidated net income	€ mn	221.7	67.1
Earnings per share	€	2.40	0.69

Other disclosures		1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Employees[1]		8,267	8,134
Employees[2]		9,819	9,806
Return on equity after taxes	%	9.1	2.8
Assets under management	€ bn	26.8	25.3
Sales of own and third-party investment funds	€ mn	262.2	436.5
New home loans business	€ mn	5,492.0	5,391.6

Segment overview		1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Home Loan and Savings Bank			
New home loan savings business (paid in)	€ bn	8.4	7.9
New home loan savings business (gross)	€ bn	11.0	10.0
Property/Casualty Insurance			
New premiums/contributions (measured in terms of annual contributions to the portfolio)	€ mn	184.1	156.3
Gross premium/contribution income	€ mn	1,304.6	1,286.5
Life and Health Insurance			
Annual Premium Equivalent (APE)	€ mn	226.8	236.3
Gross premium/contribution income	€ mn	2,438.4	2,340.0

1 Full-time equivalent headcount as at 31 December 2009 (previous year's figure as at 31 Dec 2008).
2 Number of employment contracts as at 31 December 2009 (previous year's figure as at 31 Dec 2008).

Key figures of W&W AG

W&W AG (according to the German Commercial Code)

		1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Net income	€ mn	115.1	97.5
Earnings per share[1]	€	0.60[2]	0.50
Share price at year-end	€	16.75	18.05
Market capitalisation at year-end	€ mn	1,540.9	1,556.7

1 Subject to approval by the Annual General Meeting
2 € 0.50 dividends plus € 0.10 bonus dividends

Financial Calendar

Press conference

Annual W&W press conference	Tuesday, 11 May 2010

Annual General Meeting

Annual General Meeting of Wüstenrot & Württembergische AG	Thursday, 10 June 2010

Financial reports

Annual Report 2009	Wednesday, 31 March 2010
Interim management statement as at 31 March	Tuesday, 11 May 2010
Half-yearly financial report as at 30 June	Friday, 13 August 2010
Interim management statement as at 30 September	Friday, 12 November 2010

W&W – We've got it covered

Having united the forces of Wüstenrot and Württembergische, we've become a one-stop shop for comprehensive financial planning. We leverage the combined power of our two equally strong pillars, a home loan savings bank and an insurance provider, to respond to our clients' needs like no other financial services provider in Germany. This integrated range of services enables Wüstenrot & Württembergische to offer all clients tailor-made solutions to meet their individual financial planning needs, encompassing savings and investment, home loan savings, financial cover and risk protection. Coupled with our sales channels comprising more than 6,000 W&W advisors, this makes us one of the strongest financial services providers in Germany.

In the midst of limited government services, demographic transition, different lifestyles and a complex array of products, we are our clients' preferred partner in all their private financial planning questions with comprehensive advisory services and cohesive coordinated solutions. Social responsibility is at the heart of our business; by contributing to optimal financial planning across different demographic groups, we help people achieve both a high degree of flexibility and the greatest possible security – offering them dependability, transparency and stability.

Continuously upholding its fundamental commitment to personal responsibility and solidarity, Wüstenrot and Württembergische comprehensively fulfil financial planning needs. Our advisors are close to our clients. The service we offer is personalised. It is the foundation we draw upon to develop solutions that exceed our clients' expectations. Pursuing this conviction, we intend to decisively expand our business, securing among other things strength, independence and the freedom to perform.

"W&W 2012 – ensure, enhance, expand"

Interview with Dr Alexander Erdland, Chairman of the Management Board of Wüstenrot & Württembergische AG

Dr Erdland, the financial crisis and the economic recession left an unmistakable mark on financial services providers in 2009. How has the W&W Group performed during the crisis?

We have coped well with the challenges that the massive financial markets and economic crisis has presented us. We were even able to slightly exceed our objective of a 9% return on equity after taxes for 2009, with a net profit of € 222 million in accordance with IFRS, or 9.1%. Both business divisions contributed significantly: the Home Loan and Savings Bank division at € 112.6 million and the Insurance segments, particularly Property/Casualty insurance, at € 97.5 million. 2009 is not just an ordinary year – it is the pivotal year in our "W&W 2009" restructuring programme. This programme was conceived in 2006 to usher in a new integrated alignment for the Group.

We set 2009 as our target year without being able to predict then exactly what market developments were to come. The aim was to ensure a stable substantive foundation for both business divisions and for W&W as a whole. Spurring growth and lowering costs were slated along with a new holistic Group management and a culture of partnership and responsibility for clients, employees and owners.

What W&W Group segments are showing the restructuring programme's first signs of success?

We are no longer experiencing any attrition in Property/Casualty insurance premiums. Our growth in total gross premiums written is higher compared with industry peers – which indicates that we are gaining market share.

After many years, we have stopped experiencing attrition in our annual premiums in our Life Insurance business as well. However, this segment is particular in that one-off contributions account for a significant portion. But that is typical of the entire market.

Our Home Loan and Savings business once again grew, whilst the industry underwent a double-digit decline. We were thus able to gain a greater market share in home loan savings, from 7.8% in 2006 to 11.6% in 2009. This growth does not include the Victoria Bausparkasse contracts that we were awarded in addition. We were also able to expand our home loan financing business. The uncertain times of the economic crisis have underscored how important real estate is to people. They invest to preserve value, renovate and improve the energy efficiency of their houses and apartments. At the same time, bank deposits from customers have increased dramatically.

Last but not least, we have come closer together in the W&W Group. Our employees are clearly committed to our mission "Wüstenrot & Württembergische - We've got it covered", as the results of our recent employee survey showed.

They seemed satisfied with our progress.

Call it a bit of pride in the way the Group has performed even in light of the starting situation. But this is no time for complacency. We have refocused ourselves. We have regained market share. We have increased our efficiency, enhanced earnings potential, established presentable risk management and improved Group cohesion. Our restructuring helped us enormously in weathering the financial crisis relatively well to date. Exacerbated overall conditions, uncertain economic prospects, extremely volatile capital markets and further need to improve internally make diligently continuing our modernisation work indispensable.

This is why we are moving on to the next programme phase: "W&W 2012". The key terms of this programme are "ensure, enhance, expand." We laid the foundation with our hard work for "W&W 2009". Driving the Group forward in the market, in terms of service efficiency and in earning power, is the vital and worthwhile task that will shape our path for the next three years under "W&W 2012".

Our profit target for 2012 is € 250 million after taxes, an achievable objective that we will also require to fund the growth we have planned, to make it possible to strategically invest in our future and thus continue to ensure a strong solvency position.

What are the concrete ways the W&W Group will accomplish this?

In a company that is active on the capital markets under different interest rate levels and interest rate scenarios, with different valuation requirements, every earnings contribution has components that are possible in one year but will not necessarily be so the next.
After extensive intervention on the part of central banks to ease liquidity problems, credit ratings problems – and all the associated negative effects on the economy – will need to be addressed in the coming years. Income from capital investments will be impacted, becoming more volatile and challenging. We must be mindful of this.

In order to truly attain the necessary earnings sustainably, we must continue to invest. Overall we are planning to commit € 280 million to implementing the programme measures in growth, efficiency and personnel by 2012. We need the majority of this money to continue our IT strategy in order to ensure the quality of our portfolio and expand it, as well as to implement heightened regulatory requirements, strengthen our employees' skills and enhance our ability to manage our business. First and foremost, we need to invest in our competitive strength and thus the core of meaningful growth as recognised financial planning experts.

We are investing in sales growth, advisory and contract support, in products, in technology, in the labour organisation and service, also with the aim of streamlining things overall; in short, we are investing to enhance our value for our clients. By doing so we can offer more, drive more, accomplish more.

What are W&W Group's prospects for the future in your opinion?

W&W has become more trusted, more recognised – and this during a financial crisis. We are proud of that and we are building on this. We are highly motivated to take the next steps toward successfully realising our vision of Wüstenrot and Württembergische, the financial planning experts. The outlook is good; we are a unique one-stop shop offering solutions for savings and investments, home loan savings, financial cover, and risk protection. We shelter millions of people from everyday risks. We help people to securely shape their future, make it possible for them to own their own home and inspire them with the confidence that we will support them step-by-step in securing their financial independence.

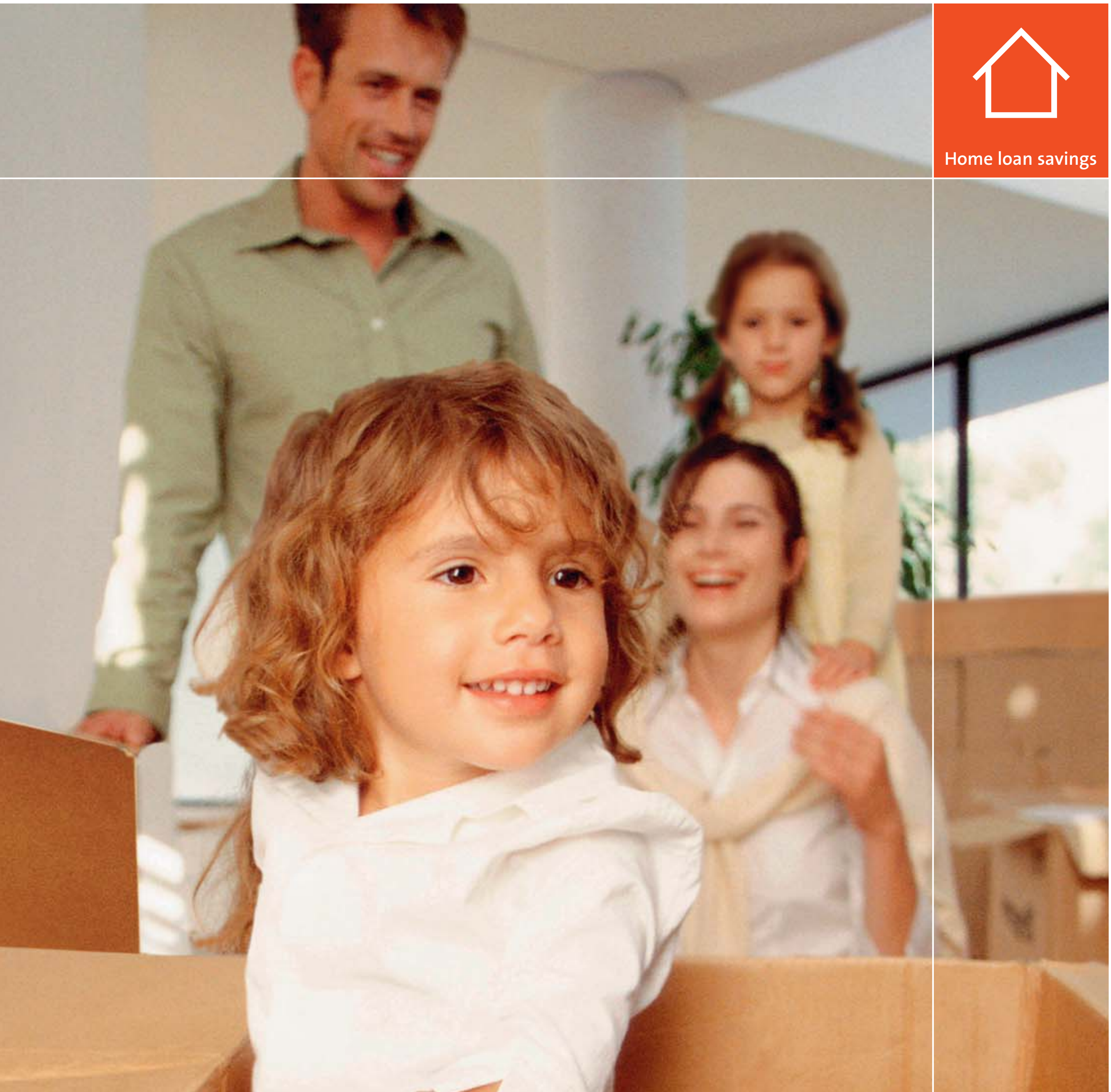
Our clients and our mobile sales representatives promote tremendous mutual trust. If we diligently pursue our mission of providing personalised consultation in financial planning advisory services that address the individual needs of our customers simply and dependably, then we will unleash even more of our potential. We have a wide array of opportunities to forge how we add value.

You see, financial planning means providing for the future, assuming lasting responsibility to open doors. Doors for people who are our customers, or who will be. That is our conviction. That is what will continue to guide us. It is the foundation of our success in bringing the advantages that financial planning experts have to offer to people.

The dream of owning a home.

Retirement planning can make this a reality now.

Home loan savings



Home loan savings with the Wüstenrot 'Wohn-Riester' contributes to private retirement provisioning with residential property. After all, home ownership means rent savings later in life and so represents a "rock solid" retirement provision. Don't let Riester subsidies pass you by. Wüstenrot will tell you everything you need to know.

Wüstenrot and Württembergische. Together we've got it covered.

W&W Group Management Board

Management Board of W&W AG

Dr Alexander Erdland – Chairman of the Management Board
Group Development & Communications
Group Legal Services and Compliance
Group Management Board Chairman
Group Audit
Client, Product and Sales Management

Klaus Peter Frohmüller – Chief Operating Officer
Group Organisation and Services
Capital investments of W&W AG

Dr Michael Gutjahr – Chief Human Resources Officer
Group Human Resources

**Dr Jan Martin Wicke – Chief Risk Officer
Chief Financial Officer**
Group Controlling
Group Accounting
Group Risk Management

Division Heads

Norbert Heinen – Head of Insurance Division
Chairman of the Management Board of
Württembergische Lebensversicherung AG and
Württembergische Versicherung AG

Matthias Lechner – Head of Home Loan and Savings Bank Division
Chairman of the Management Board of
Wüstenrot Bank AG Pfandbriefbank

W&W Group Business Divisions

The W&W Group has organised its business activities in two divisions: Home Loan Savings Bank, and Insurance.

The managers of the divisions, together with the Management Board of W&W AG, make up the Management Board of the W&W Group. It is the central management body of the Group.

Supervisory Board of W&W AG

Hans Dietmar Sauer
Chairman

Chairman of the Management Board (ret'd.)
Landesbank Baden-Württemberg

Rolf Henrich[1]
Deputy Chairman

Senior Assistant Manager

Christian Brand

Chairman of the Management Board
Landeskreditbank Baden-Württemberg
– development bank

Hans-Peter Braun[1]

Head of Department
W&W Service GmbH

Wolfgang Dahlen[1]

Head of Organisation
Deputy Chairman of the Group Works Council
Württembergische Versicherungen

Gunter Ernst

Member of the Divisional Board (ret'd.)
Bayerische Hypo- und Vereinsbank AG

Dr Rainer Hägele

Lawyer and solicitor
Director General at the Ministry of Finance
of the State of Baden-Württemberg

Dr Reiner Hagemann

Chairman of the Management Board (ret'd.) Allianz Versicherungs-AG, Member of the Management Board (ret'd.) Allianz AG

Kirsten Hermann[1]

Customer Service Specialist
Wüstenrot Bausparkasse AG

Dr Wolfgang Knapp

Lawyer and solicitor M.C.L.
Avocat, Cleary Gottlieb LLP, Brussels

1 Employee representative.

Ulrich Ruetz

Chairman of the Management Board of BERU AG (ret'd.)

Matthias Schell[1]

Head of Department Group Accounting
Wüstenrot & Württembergische AG

Joachim E. Schielke

Chairman of the Management Board
Baden-Württembergische Bank,
Member of the Management Board
Landesbank Baden-Württemberg

Walter Specht[1]

Chairman of the Works Council W&W Service GmbH

Frank Weber[1]

Chairman of the Works Council
Württembergische Versicherungen,
Karlsruhe operations

Christian Zahn[1]

ver.di Trade Union
Head Office

2009 – the pivotal year mastered

The W&W Group achieved great things together and realised its objectives on the path to stronger growth, improved efficiency and profitability in 2009: A brief overview of the milestones

January

On 1 January 2009, W&W Service GmbH commenced operations. A total of 480 employees at the offices in Stuttgart, Ludwigsburg and Karlsruhe support the W&W Group as service partners.

The new 2009 automotive tariff restored our portfolio and premium to a positive balance.

February

The dialogue platform "Direct to the Management board" is launched on the Intranet. This opens a direct line of communication, to enable W&W Group employees to contact the Management Board at any time, with the aim of enhancing information transparency.

Wüstenrot Bank AG Pfandbriefbank's Top Tagesgeld and Top Termingeld flex deposits break the € 1 billion mark for the first time. Both products have quickly established themselves amongst the highest-volume deposit products and as an important pillar in the banking business.

March

The first-ever W&W Innovation Congress seeks to promote new ideas in office and mobile sales. Employees select their favourite proposals from the top ten list.

The W&W Group achieves € 65.5 million in net income for 2008 despite the financial crisis, and faithfully continues the Group's modernisation programme.

April

The Group takes second place in the "Best Marketing Company Award 2009". With this prize, BBDO Consulting and the Chair for innovative marketing at the University of Bremen recognises the company's market orientation and innovative strength. The winners are selected using company and market indicators.

May

W&W AG once again pays a dividend of € 0.50 per share. Looking toward positive business development and the Group's potential, W&W affirms its 2009 target of a 9% return on equity after taxes, equivalent to a result of € 215 million after taxes, prior to the Annual General Meeting.

June

The 14th Württembergische Classic delights vintage car fans throughout the Bodensee region. Mr Horst Seehofer , Prime Minister of the State of Bavaria, and Mr Günther H. Oettinger, then Prime Minister of Baden-Württemberg, are the distinguished Masters of Ceremony. Justice Minister of Bavaria Dr Beate Merk and District President of Tübingen Hermann Strampfer are also in attendance.

The W&W Group receives the "Total E-Quality" seal. Every year, this distinction is awarded to recognise companies, organisations and associations that are committed to sustained and successful equal opportunity for their employees. The only company in Baden-Würtemberg recognised, Wüstenrot Bausparkasse AG was awarded the seal for the fifth consecutive time.

July
Württembergische Lebensversicherung AG brings the new unit-linked annuity insurance Genius PrivatRente to the market, offering the highest yields, the greatest security and peak flexibility.

The W&W Group enhances its financial and investment strength with a capital increase. The Company's subscribed capital amounts increases by € 30 million to € 481 million divided into 92 million no-par value registered shares.

August
The new "W&W Depot" securities account product is brought to the market. This paves the way for establishing uniform and strategic custody account management for securities and investment funds at Wüstenrot Bank AG Pfandbriefbank within the W&W Group.

Financial journal Focus Money reports that "Wüstenrot offers the best home loan and savings contract eligible for Riester subsidies." The Munich-based Institut für Vermögensaufbau was commissioned by the magazine to examine 25 state and private home loan and savings banks.

September
The former Vereinsbank Victoria Bauspar AG (VVB), Munich, merges with Wüstenrot Bausparkasse AG on 29 September 2009. Close collaboration with VVB sales partners HypoVereinsbank and ERGO-Versicherungsgruppe as well as the home loan savings division is to be continued at the new Wüstenrot office in Munich. The VBB integration process is scheduled for completion by the end of 2010.

The W&W Group promotes family and working life compatibility with its family-friendly model. The "parent child office" in Stuttgart offer parents the option to take their children to work and look after them in emergency situations.

October
The Wohn-Riester product offering is expanded with Riester bridge loans. Württembergische's premium rate for motor insurance was optimised once again for new contract business.

Württembergische cooperates exclusively with leading mobility service provider Sixt Leasing. This company offers the Group's motor insurance customers attractive conditions.

The Wüstenrot German-language campaign "Stolz. Wie..." receives the bronze Effie. The prize is awarded by the General Association of Communications Agencies.

November
In a nationwide customer satisfaction survey, Wüstenrot & Württembergische's Service Centres receive excellent results, earning the KUBUS seal.

The Wüstenrot Bank Visa card replaces the MasterCard to optimise free global ATM withdrawals from current accounts. Online banking also provides electronic account statements round the clock and the servicing of account changes is improved.

Württembergische Lebensversicherung AG is rated as "very good" in stress tests conducted by analysis firm Morgen & Morgen. Karlsruher Lebensversicherung AG, a W&W Group member, passed the tests to earn a rating of "excellent."

In the December issue of Finanztest, Stiftung Warentest ranked the new Wohn-Riester rates from home loan savings banks for the first time. Wüstenrot's rates were amongst the highest rankings.

December
W&W AG forms a Group Works Council on 4 December 2009. It consists of two representatives from each W&W subsidiary.

An employee survey shows that the vast majority of the office and mobile sales force stands behind the mission of being the financial planning experts, which accelerated W&W convergence into a united Group.

Group Management Report

The W&W Group in profile

Group structure and ordinary activities

The W&W Group is ***THE*** expert in savings and investment, home ownership, financial cover and risk protection – throughout every stage of the customer's life. Created in 1999 from the merger between the long-standing companies Wüstenrot and Württembergische, the Group, which has its headquarters in Stuttgart, Germany, comprises a Home Loan and Savings Bank division and an Insurance division. These two equally strong pillars are managed through a strategic management holding in the form of the listed company Wüstenrot & Württembergische AG (W&W AG). The majority shareholder of W&W AG is Wüstenrot Holding AG, with 67.32% of the shares. This company in turn is wholly owned by Wüstenrot Stiftung (Gemeinschaft der Freunde Deutscher Eigenheimverein e.V.), a foundation established in the form of a charitable association.

The Management Board is the central coordination body within the W&W Group. Represented on the Board, in addition to the W&W AG Management Board, are also the managers of the Home Loan and Savings Bank division and the Insurance division.

Major strategic shareholdings held by W&W AG include Wüstenrot Bausparkasse AG, Wüstenrot Bank AG Pfandbriefbank, the listed company Württembergische Lebensversicherung AG and Württembergische Versicherung AG. W&W AG's smaller strategic investments include W&W Asset Management GmbH, Wüstenrot Haus- und Städtebau GmbH, W&W Informatik GmbH, Württembergische Krankenversicherung AG, W&W Service GmbH and the Czech Wüstenrot companies based in Prague.

The products offered by the W&W Group are targeted at retail and commercial customers in the core market, namely Germany. In terms of foreign operations, the Group's strategic focus is on the Czech Republic, which offers considerable growth prospects despite increasing competition.

The W&W Group is a trusted partner to its six million customers. This trust is founded on the Group's expertise and commitment, coupled with the customer proximity offered by more than 6,000 mainly independent sales partners and 9,800 W&W employees working in-house. The combination of the Home Loan and Savings Bank and the Insurance divisions means that customers' entire financial provision needs can be met from one single source.

The W&W Group has established itself as the largest independent financial service-provider in Baden-Württemberg with the highest number of customers and has carved out a niche for itself among the top ten companies on the German market in both of its areas of business: Wüstenrot was ranked in 2nd place for new home loan savings business measured in terms of the gross volume of business paid in. In relation to private property financing, Wüstenrot ranks among the top ten providers in Germany. Meanwhile, Württembergische Lebensversicherung AG is in 8th place in terms of gross premiums written, whilst Württembergische Versicherung AG is ranked 10th, again in terms of gross premiums written.

Financial protection from the very start

A sense of responsibility, stability and reliability – these are values that have hardly ever been as relevant as they are today, against the background of the financial crisis. For Wüstenrot und Württembergische they are values with a long tradition behind them, reaching back to 1921 in the case of home loan savings, with the founding of Wüstenrot, and as far back as 1828 for insurance, with a fire insurance undertaking being set up then. Today, the W&W Group offers a modern financial protection package from one single source, based on four areas of need. The pictures used in this Report are also intended to depict the product diversity inherent in the W&W Group, based on the motto: "Wüstenrot & Württembergische: Together, we are THE experts for savings, investment and risk protection." The four areas of need covered by the Group are represented by the symbols that feature on the front cover as well as on the illustrated pages within the Report itself.

Investment and savings encompass secure, modern products such as current accounts and overnight deposit accounts, online banking and investment fund savings and withdrawal plans, all of which offer reliable options for payment transactions and investments.

The concept of home ownership extends from saving the necessary capital, financing the purchase or renovation work through to the associated insurance cover.

The concept **of financial cover** encompasses all solutions designed to protect private needs – from pension, health and nursing care insurance through to accident and life insurance.

Finally, **risk protection** rounds off the range of products on offer. This includes all products and services related to insured events and the settlement of claims, such as home, house contents, motor vehicle or third-party liability insurance, as well as legal protection insurance.

Customers benefit from the diverse range of products available from across the Group's divisions, selecting the products that they need to meet their specific needs. The products are designed to complement one another, and the product mix is permanently being developed in line with the requirements of the market and customers. A few examples are given below:

- Fully comprehensive cover for electricity producers in their own home: Financing provided by Wüstenrot Bank AG Pfandbriefbank for a photovoltaic cell, combined with the risk protection of an electronic photovoltaics policy provided by Württembergische Versicherung AG.
- Car insurance provided by Württembergische Versicherung AG with a reduction of up to 10% for customers with a Wüstenrot home loan savings account.
- "Genius Invest" fund-based pension provided by Württembergische Lebensversicherung AG, combining a high level of security with good return prospects thanks to the involvement of W&W Asset Management GmbH.

The W&W Group looks after its customers with a multi-channel sales approach. Wüstenrot und Württem-bergische sets great store by personal advice. The 6,000 employees working in the mobile sales force across the Group are the customers' direct contacts at W&W, providing expert and reliable information. They are the central pillars in the sales structure. Nevertheless, sales through independent brokers are another important element, as a means of reaching different interest groups. With this in mind, W&W set up its own sales company two years ago in the form of Württembergische Vertriebsservice GmbH for brokers and freelance agents. This company writes life insurance and property/casualty insurance business. Overall, the W&W Group's broker company maintains more than 4,000 active links with freelance sales partners.

W&W is also involved in direct activities such as the online banking services offered by Wüstenrot Bank AG Pfandbriefbank and product sales via external credit institutions and other financial service-providers.

Its acquisition of Vereinsbank Victoria Bauspar AG also provides the W&W Group with a sales channel for home loan savings products via HypoVereinsbank and ERGO Group.

Both the Home Loan and Savings Bank division and the insurance companies within the W&W Group have more than three million customers to their name, of whom a good half have taken out two or more products with the Group.

The W&W Group has been able to more than double the number of products that the sales teams at Wüstenrot and Württembergische have been able to arrange on each other's behalf, from 230,000 in 2006 to 486,159 in 2009. The Wüstenrot sales team was able to sell life insurance worth a total of € 473.8 million in 2009, as well as € 11.3 million of new business in property insurance. Conversely, sales staff at Württembergische contributed € 672.3 million to the total volume of new home loan savings business recorded by Wüstenrot.

Financial protection requires good customer service
According to the representative KUBUS study carried out across Germany in 2009, customers rated their "telephone contact" with the Württembergische customer service department as "excellent". Meanwhile, the Wüstenrot Dialogue Centre was rated as being "very good". Customers also classed as "very good" the "advisory services and range of products" provided by both companies and the "quality of customer care" provided in relation to insurance products.

Business strategy

In 2006 the W&W Group launched its "W&W 2009" modernisation programme. The key aims of this modernisation approach were to secure:

- more growth and viable jobs
- greater efficiency, to guarantee competitiveness
- greater profitability, to guarantee the Group's independence.

On this basis, and despite the financial crisis and weak economic environment, the W&W Group achieved its core aim and raised its return on equity (ROE)[1] after taxes from 2.0% in 2006 to 9.1% in 2009. This meant that the Group was able to record a net profit for the year of around € 222 million. The Home Loan and Savings Bank segment contributed € 112.6 million, with the insurance segments generating € 97.5 million.

Within the W&W Group as a whole, numerous areas were reviewed and optimised on the basis of the three-year programme:

- The Group's management structure was streamlined further, with Management Board bodies being interlinked to a greater extent across the entire Group.
- Key management functions such as Personnel and Audit were centralised at W&W AG.
- Risk management within the Group was expanded in terms of its quality and quantity.
- W&W Service GmbH was established with the aim of improving efficiency by means of pooling services.
- Sales strategy was redefined and the sales channel mix expanded.
- Numerous new products were developed.
- Loan processing was standardised and automated, to achieve long-term process improvements.
- The administration offices in the insurance segment were restructured.
- And the concept of portraying the Group as ***THE*** expert for savings, investment, and risk protection was established.

Since spring 2009 efforts have been made to take up where the "W&W 2009" programme left off. This second stage, referred to as "W&W 2012" as the Group works to build on its status as THE expert for savings, investment and risk protection, is oriented more heavily towards profitable growth. Our aim, as of 2012, is therefore to achieve a sustainable organic result of € 250 million per year after taxes. The next strategic phase "W&W 2012" builds on the results of "W&W 2009" by:

- shoring up successes that have already been achieved,
- making improvements where there is still work to be done, and
- expanding in areas where we want to stretch ourselves even further.

We aim to achieve the following by 2012:

- Greater efficiency in customer service, so that we can improve our response to our customers and partners' needs even further.
- Greater flexibility, so that we can react quickly enough to changes on the market.
- Greater innovation, so that we can adjust our product portfolio and workflows more effectively in line with the changing competition.
- Greater prioritisation so that we can deploy our limited resources effectively and sustainably.
- Stronger links with our employees, so that the changes that we need to make can be implemented with their involvement and in a stable environment.

As ***THE*** expert for savings, investment and risk protection we aim to make a new unmistakeable name for ourselves in our field. There is a huge amount of potential, and we are looking to tap into this with our new "W&W 2012" modernisation programme.

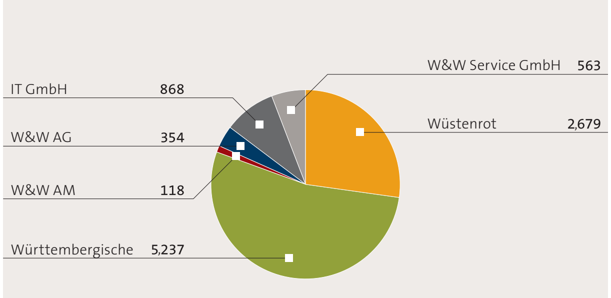
Our employees

The W&W Group has set itself high standards in its day-to-day activities, and these can only be met with the ultimate in customer advisory services and optimised financial protection solutions. The performance and the dedication of our employees working in-house and as part of our mobile sales force are based on shared principles as defined in our mission. We represent a clear position and are pulling in the same direction – guaranteeing a positive response from our customers. It is this high standard on which all of our work is based.

1 The return on equity is the ratio of the consolidated net income for the financial year to consolidated equity.

Employees of the W&W Group

as at 31 Dec 2009



However, it is only right that top performances should be suitably rewarded at W&W. With this in mind, a performance-related remuneration element based on the Group's RoE was agreed during the year under review. As a result, for the first time in April 2010, a staff bonus will be paid throughout the Group based on the success achieved by W&W in 2009.

Comprehensive training

As at 31 December 2009, the W&W Group employed 9,819 members of staff (2008: 9,806) measured in terms of the number of employment contracts. The Group's 479 trainees (2008: 515) are primarily training in commercial subjects. The range of training courses available to employees is supplemented by various courses of study at the institutions of higher education in Stuttgart, Karlsruhe and Mannheim, which offer a combination of academic study and work experience. We have signed cooperation agreements with selected higher education institutions in our region whose courses tie in with our business activities. W&W initiates contacts with the students at an early stage, signalling its interest in the best potential candidates. Through our "Best Graduate" prize, for example, we promote excellence in the area of business studies at Pforzheim institution of higher education. At our own training centre we provide our employees working in-house and in our mobile sales force with the opportunity to develop professionally and personally. For us, offering a modern and diversified range of continuing professional development opportunities to our employees is simply an investment in the future.

Social responsibility

With flexible working time models, measures designed to promote a work/life balance and a company pension scheme, we support our employees' high level of dedication to W&W. Family-friendly measures are particularly important to us. These include our decision to extend the duration of parental level beyond the statutory minimum by twelve months, our part-time employment models and the options that we offer for teleworking during parental level. A further example in this regard is the pilot project carried out at our Stuttgart office in October 2009 that enabled parents with a childcare emergency to bring their children to work with them. The aim is for this approach to be extended to other locations.

Focusing on employee communication

In January 2009 all employees, working in-house and in the mobile sales force, were encouraged, as part of the first W&W Innovation Fair, to submit their ideas for the company. The focus was on commercial aspects. However, the suggestions were not just meant to be innovative and new, but were also meant to demonstrate creativity and, not least, serve to implement the W&W mission of being *THE* expert for savings, investment and risk protection. Overall, some 400 innovative ideas were submitted, from which experts and a panel representing the entire company ultimately selected ten fair exhibitors. At the event, which was staged in Stuttgart, Ludwigsburg and Karlsruhe, employees voted for the W&W Innovation 2009. The suggestion that received the most votes was the idea that solar panels could be installed on the roofs of W&W premises.

The intranet platform "Direct to the Management Board" was launched in February 2009. This enables employees to get in touch with the Board directly and to ask questions. Intranet readers can then select which three issues they think the Board should address. This is a way of democratising communications and of really getting employees involved.

As in the previous year, we carried out a survey of the W&W Group's in-house staff and also of our mobile sales force in October 2009. The main areas covered were general levels of satisfaction, cooperation and the mission statement "W&W: *THE* experts for savings, investment and risk protection". Employees welcomed the convergence process and were in favour of the mission statement. There was a greater feeling than during the previous year that Wüstenrot und Württembergische was operating as a single company and presenting itself as such to the outside world.

HR now a Group-wide department

Since 1 January 2009 the Group Human Resources department has brought together the previous personnel functions at Wüstenrot and Württembergische. The aim is to manage HR uniformly across the Group as a whole. Following restructuring and a process of standardisation, routine HR processes are now handled via the intranet, and are thus faster and more efficient. Key elements include the personnel portal with numerous functions for employees, the "Personnel Direct" service centre available to all Group staff and the HR advice service available to executive staff.

New management structure

The W&W Group's management structure was streamlined with effect from 1 August 2009. As a result, the link-ups between the Board committees have been developed further, having been introduced three years ago as part of the restructuring programme. Klaus Peter Frohmüller, who was previously the W&W AG Board member with responsibility for Operations, now also takes up this function in the management team of Württembergische Versicherungen and the Home Loan and Savings Bank division. Group-wide responsibility for HR now lies with Dr Michael Gutjahr, who has been appointed to the Management Board of W&W AG. This means that as well as being responsible for HR at Württembergische Versicherungen, he is now also responsible for this area at W&W AG and in the management teams of the Home Loan and Savings Bank division.

New Chairman of the Management Board at Württembergische

Norbert Heinen has been appointed as the new Chairman of the Management Board of Württembergische Versicherungen and also heads the Insurance division at W&W with effect from 1 January 2010. He takes over from Dr Wolfgang Oehler, who has retired.

Group Works Council established

For the first time since the merger between Wüstenrot and Württembergische in 1999, a Group Works Council meeting was held in December 2009. Represented on this Works Council are the subsidiaries of W&W AG. The Council began its work in early 2010. The rights of the individual works councils in the individual companies remain unaffected by this development.

Thanks to all employees and employee representatives

Our thanks go to our in-house employees and to our mobile sales force for their exceptional commitment during the past financial year Their expertise and dedication to their work are crucial to the future of the W&W Group.

Our very special thanks also go to the employee representatives and their committees, and to the executive staff representative committees. Without cooperation founded on dedication and trust it would not have been possible to implement, successfully and on schedule, the many measures needed to secure our future.

Protection and responsibility

As an expert in financial protection, the W&W Group places its business activities in the context of social responsibility. Wüstenrot und Württembergische help to fulfil basic human needs. We help our customers to secure their financial existence, to put a roof over their heads, to stay in good health and to protect their property. We help them to look after their families and to plan for their old age. By combining these components in its business model, the W&W Group creates a particularly strong community of protection.

Over and above its actual business activity, the W&W Group is also aware of its responsibilities towards its social and cultural environment. The majority shareholder of W&W AG is the Wüstenrot Foundation holding. The Foundation operates as a charity, focusing its work on the concepts of planning, building and living. To take one example of its work, the Foundation has renovated the bungalow in Bonn formerly occupied by the German Chancellor, turning the building into a museum that is now open to the public. The W&W Group supports, among other groups, the Stifterverband für die Deutsche Wissenschaft (the business community's innovation agency for the German science system), the Friedrich August von Hayek Foundation, the Karlshöhe Ludwigsburg social welfare project, the Ludwigsburger Schlossfestspiele concert programme and many other smaller projects.

The Group meets its social responsibility as an employer through its family-friendly measures, but also in the form of numerous training and support programmes. As one of the companies that has signed up to the Fair Company initiative launched by the Handelsblatt publishing group, for example, the W&W Group is committed to offering high-quality work placements to undergraduates.

Commitment to the environment

It is also part of company policy to work to conserve the environment by means of corporate environmental protection measures. Back in 2007 the Group's Stuttgart site was awarded the ECOfit certificate. The next step, implementing Group-wide environmental guidelines, and the certification of the Ludwigsburg and Karlsruhe sites are currently being reviewed by W&W Service GmbH, and are scheduled for completion in 2010. This report is further proof of the extent to which W&W commits itself to climate protection. As confirmed by the environmental seal of the Forest Stewardship Councils (FSC), all of the W&W Group's activity reports are printed on paper produced from sustainably managed forests. Additionally, the quality seal "Print CO_2-kompensiert" (CO_2 produced by printing process offset) ensures that the emissions from the production of the W&W activity report are financially offset through internationally recognised climate protection projects. Through "GoGreen", the climate protection programme run by Deutsche Post, the report is also dispatched as part of a CO_2-neutral process. The plan is to extend these measures to all Group activity reports over the coming years.

The W&W Group ratings

The independent rating agencies Standard & Poor's (S&P) and FitchRatings (Fitch) confirmed all of the W&W Group ratings in December 2009. The stable outlook for all areas of the Group was also reaffirmed.

Ratings

	Standard & Poor's		FitchRatings	
	Financial strength rating	Issuer credit rating	Financial strength rating	Issuer default rating
W&W AG	BBB- outlook stable	BBB- outlook stable		BBB+ outlook stable
Württembergische Versicherung AG	BBB+ outlook stable	BBB+ outlook stable	A– outlook stable	BBB+ outlook stable
Württembergische Lebensversicherung AG	BBB+ outlook stable	BBB+ outlook stable	A– outlook stable	BBB+ outlook stable
Württembergische Krankenversicherung AG			A– outlook stable	BBB+ outlook stable
Wüstenrot Bausparkasse AG		BBB+ outlook stable		BBB+ outlook stable
Wüstenrot Bank AG Pfandbriefbank Issuer rating		BBB+ outlook stable		BBB+ outlook stable
Wüstenrot Bank AG Pfandbriefbank Public-sector Pfandbriefe		AAA[1]		AAA
Wüstenrot Bank AG Pfandbriefbank Mortgage bonds				AAA
Württembergische Versicherung AG Hybrid bond		BBB–		
Württembergische Lebensversicherung AG Hybrid bond		BBB–		BBB–

1 S&P confirmed the rating of the public-sector Pfandbriefe as "AAA" in November 2009. The rating was withdrawn at the request of Wüstenrot Bank AG Pfandbriefbank given that public-sector lending is no longer part of the Bank's core business.

S&P paid particular tribute to the very good operating performance of Württembergische Versicherung AG, which is associated with a very strong reserve policy. With regard to the Home Loan and Savings Bank division, emphasis was placed on the good sales performance recorded. S&P views the cross-selling activities of the W&W Group as an area that still requires optimisation.

Fitch based its confirmation of its rating on the success of the restructuring programme and the good performance recorded in 2009. The improved claims/cost ratio of Württembergische Versicherung AG also contributed to the rating.

The W&W subsidiaries –
Württembergische Lebensversicherung AG,
Württembergische Versicherung AG und
Württembergische Krankenversicherung AG – continue to hold the financial strength rating from Fitch, a rating only awarded to insurance companies with a strong financial position.

The W&W share

W&W AG, with its combination of home loan savings and insurance business, two equally weighted areas of business, is unique on the market. For this reason, it is also difficult to compare the W&W share with other bank or insurance stocks. There is no other listed building society on the stock market. Generally, large insurance stocks have a considerably higher freefloat. In contrast, the majority of shares in W&W AG are not publicly held. Wüstenrot Holding alone holds a stake of 67.32% with the freefloat only amounting to 6.1%. This situation has a major influence on the share's tradability. Consequently, changes in the W&W share price cannot, due to the lower liquidity, be directly compared to changes in the price of stocks with a higher market capitalisation and freefloat.

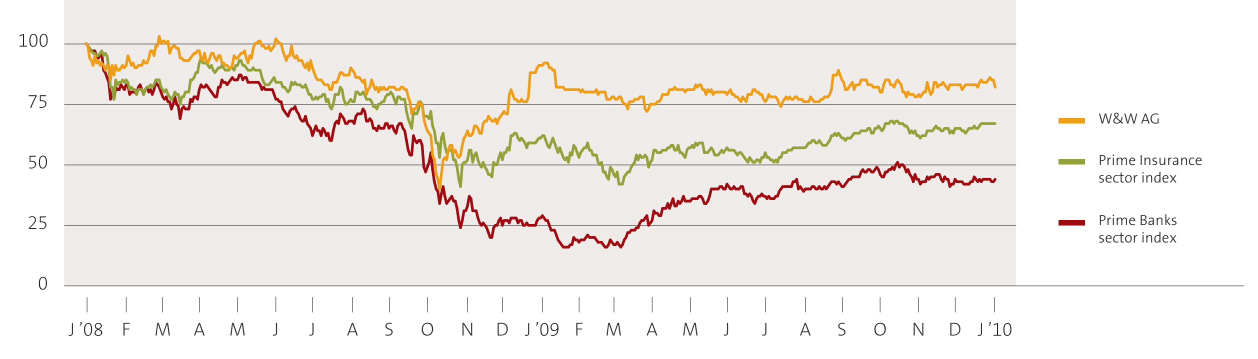
Despite the fact that W&W, in contrast to other companies in the sector, was able to post rising profits and solid growth even in the context of the financial crisis, its share ended 2009 down 7.2% to a year-end price of € 16.75.

Growth recorded by the prime sector index for the banking sector was well above average, at 55.2%, due to the improved business performance of many banks. However, it should also be borne in mind that the banking index had fallen by 70% during 2008 in response to the crisis. The prime sector index for the insurance industry recorded a slight price increase in 2009 of 9.8%.

In terms of the period of the financial crisis between 2008 and 2009, the W&W share shed 15.2%. This meant that the stock proved to be considerably more stable than the prime sector index for the insurance industry, which dropped by 33.4%. The development of the W&W share compared against the prime sector index for the banking industry was even more favourable, with the index falling by 57.1% over the same period.

W&W share price performance (indexed) relative to the Prime Banks and Prime Insurance sector indices

January 2008 to January 2010



The share price of W&W AG does not, in our view, reflect the development in the company's fundamentals. The company has successfully positioned itself on the market as a solid and stable expert in financial protection. W&W AG has been successful in its restructuring efforts, and has thereby boosted the company's earning power. The aim of the newly launched "W&W 2012" growth programme is to shore up the achievements that have already been recorded, whilst laying the foundation for continued growth and success.

Dividends

The Board of Managing Directors will propose to the Annual General Meeting on 10 June 2010 that a dividend of € 0.50 per unit share (2008: € 0.50) be paid for the 2009 financial year, as well as a dividend bonus of € 0.10 per share.

Capital increase and new shareholder structure

In the context of a capital increase, W&W AG increased its share capital by € 30.1 million to € 481.1 million on 7 August 2009 by issuing a total of 5,749,538 new no-par value registered shares. With an issue price of € 15 per share, a total amount of € 86.2 million was raised. This will enable W&W AG to continue to play an active part in the consolidation process in the financial services industry.

The majority shareholder of W&W AG is Wüstenrot Holding AG, with 67.32% of the shares. Other shareholders include Landesbank Baden-Württemberg with 9.37%, UniCredit S.p.A. with 7.54%, L-Bank with 4.99% and Schweizerische Rückversicherungs-Gesellschaft AG with 4.68%. Thee proportion of publicly held shares is 6.10%.

An overview of the W&W share

Key data	
Security ID	WKN 805100, ISIN DE0008051004
Bloomberg code	WUW GY
Reuters code	WUWGn.DE
Type of issue	Registered share
Type of security	Unit share with no par value
Exchanges	Stuttgart (regulated market), Frankfurt (regulated market) Düsseldorf (unofficial), Berlin (unofficial), XETRA
Share capital	€ 481,067,777.39
Number of shares	91,992,622 units

Key financial indicators	*2009*	*2008*
Annual low [1]	€ 14.22	€ 7.90
Annual high [1]	€ 18.20	€ 20.25
Year-end price [1]	€ 16.75	€ 18.05
Market capitalisation	€ 1,540.9 million	€ 1,556.7 million
IFRS earnings per share	€ 2.40	€ 0.69
Dividend [2]	€ 0.50 + € 0.10 dividend bonus	€ 0.50

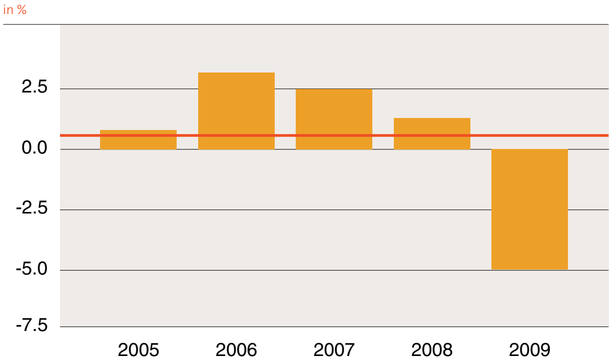
1 XETRA
2 Subject to approval by the General Meeting

Economic situation

Developments in the economy as a whole

As a result of the global economic and financial crisis in 2009 the German economy suffered its worst decline since 1945. Following an exceptionally marked fall in economic output during the first three months of the year, the economy returned to positive rates of growth again with effect from the second quarter. Contributory factors included the measures introduced by the Federal Government to support consumption, such as the environmental premiums for motor vehicles. Additionally, as foreign demand for German exports gradually stabilised again, this also had a positive impact. Despite the recovery over the course of the year, provisional calculations by the Federal Statistical Office put the total fall in price-adjusted gross domestic product at 5% compared with 2008, as the economy reacted to the global crisis.

German Gross Domestic Prpoduct



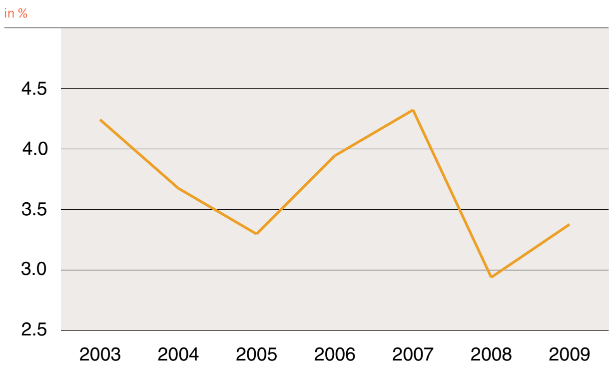
Source: Federal Statistical Office

Capital markets

Bond markets experience a moderate interest rate rise

From a starting point of 2.95% at the 2008 year-end, the first improvements in leading economic indicators, such as the ifo business climate index, resulted in a rise in yields to around 3.7% by the middle of the year, the highest level reached in 2009.

10-year German Government Bonds



Source: Datastream

Given the extremely expansive monetary policy pursued by the European Central Bank (ECB), short-term rates – and thus refinancing costs for banks for example – are set to remain low for the foreseeable future. Coupled with the Central Bank's extremely generous supply of liquidity to the financial systems, this meant that demand for investments was high among market participants on the bond market. As the yield curve was also very steep by historical comparisons, buyers' interest was focused on bonds with longer residual maturities, which meant that their yields were to fall again as the year progressed. This development was also boosted by the inflation expectations on the bond market. Some players on the bond markets even considered there to be a certain risk of deflation in subsequent quarters. As at the 2009 year-end the yield on 10-year Bunds was 3.27% and thus a good 30 basis points up on the same period of the previous year, despite the recovery in the economy over the course of the year. With regard to shorter maturities, a downward trend established itself against the background of consistently low key rates of 1% in the first nine months of the year. This meant that the yield on two-year Bunds fells from approximately 1.75% at the beginning of the year to around just 1.3% by the year-end.

Equity markets enjoy huge price recovery

Europe's equity markets began 2009 by continuing their downward trend of the previous year, triggered by the deep recession. The Dow Jones Euro Stoxx 50 tumbled from 2,448 points at the 2008 year-end to a low point of 1,810 points by mid-March. Huge support provided by the policymakers and central banks, a recovery in key economic indicators and reports from various major banks of good performance all combined, however, to turn the mood around.

The result was a strong price rally on the European stock markets through until the end of 2009, more than offsetting the losses incurred during the first quarter. Ending the year at 2,965 points, the Dow Jones Euro Stoxx 50 gained almost 60% compared with its low point in March, and 21% compared with the beginning of the year.

The DAX, meanwhile, after ending 2008 at 4,810 points, improved by 24% to end 2009 at 5,957 points.

Sector trends

Home loan savings and home loans

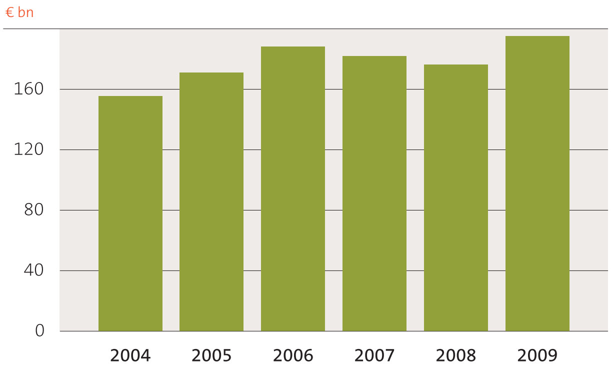
Investment in house-building waned in 2009. At € 119.2 billion, it fell by 0.8% year-on-year. This compares with an increase of 0.5% in 2008. Negative factors during the year under review are thought to include the poorer job and income prospects, which impacted on demand for building services, particularly new-builds.

The number of project completions fell further in 2009, and reached a new all-time low according to an estimate by the ifo Institute. Only 162,000 residential units were completed in total, which was 7.9% down on the previous year. In other words, the number of completed projects was at its lowest level since the post-War years. Of the completions, 141,000 related to homes in newly erected buildings, which equates to a fall of 7.3%. The number of newly completed homes in detached and two-family houses fell by 10.8% to 86,000 units over the same period, whilst the number of completed multi-family homes, at 55,000, stagnated at an exceptionally low level by long-term comparisons.

The market for portfolio real estate developed positively, however. According to a study conducted by the GEWOS Institut für Stadt-, Regional- und Wohnforschung, the number of purchases rose by 1.7% to 547,000. Demand for second-hand properties turned into one of the stabilising factors in the housing sector.

New business in the home loan financing sector developed exceptionally positively during 2009. Private customers took up home loans in the amount of € 195 billion over the course of the year. This was an increase of 10.7% on the year before. The rise can probably be attributed to demand for renovation and modernisation work and specifically to this type of activity carried out in relation to energy efficiency measures. Many property owners also took advantage of the favourable interest rates to reorganise their existing loans.

Housing loans to private households



Sources: Deutsche Bundesbank, own calculations

German building societies recorded a clear fall in new home loan savings business compared with the previous year, which was influenced by one-off effects. On aggregate, more than 3.3 million contracts accounting for home loan and savings business of € 95.0 billion were concluded. This equates to fall of 25% in the number of units and of 15% in terms of the total volume of new business. Business levels in 2008 were affected by the imminent introduction, as of 1 January 2009, of new rules on the use of funds from home loan and savings contracts for which housing subsidies were granted. The old rules will continue to apply to contracts entered into prior to the end of 2008, whereby funds from home loan and savings contracts for which housing subsidies were disbursed may be used freely after the end of a seven-year blocking period. New business was down during the year under review as a result of customers looking to avoid the new rules and rushing to take out contracts before the start of 2009. New business in Riester home loan savings plans developed well, having being introduced onto the market by the building societies in late 2008. Home loan saving has thus been recognised as a product that can be used to provide for retirement and placed on an equal footing with other forms of old-age provision.

Disbursements made by the building societies for home loans fell in 2009. Approximately € 34 billion was paid out, a fall of 18% on the previous year.

Insurance companies

Performance by the insurance sector was stable in 2009. Given the industry's cautious investment policy, it was slightly better placed than the banks, for example, to deal with the turbulence that the crisis triggered on the capital markets.

Life Insurance

According to calculations by the General Association of the German Insurance Industry (GDV), premium growth of 6.6% was recorded in life insurance, with premiums totalling € 81.4 billion (2008: € 76.3 billion). This increase was achieved despite companies having to cope with high levels of contributions coming to an end, as many policies taken out in 2004 reached the end of their five-year contribution period in 2009. Life insurers were particularly successful in relation to policies involving a one-off contribution, recording a rise of 59.3% to € 19.9 billion (2008: € 12.7 billion), more than making up for the fall of 3.5% recorded in relation to regular premiums, which totalled € 61.4 billion (2008: € 63.6 billion).

The success recorded in relation to one-off contributions also dominated the development in new business in the sector, with an increase of 59.3% to € 19.7 billion (2008: € 12.4 billion). With regard to the investment of larger one-off amounts, consumers were apparently more interested in the secure form of investment offered by life insurers in times of economic crisis. In contrast, there was a tendency to be more reticent with regard to longer-term payment obligations. Thus, new business in terms of life insurance policies with regular contributions fell by 15.4% to € 5,812.0 million (2008: € 6,867.0 million).

The fact that consumer behaviour was influenced by the financial and economic crisis was also evident from the allocation of new business by type of insurance policy. The proportion of pension insurance contracts – measured in terms of the number of new policies – increased from 31.1% to 35.2%. Unit-linked insurance policies fell substantially, down from 26.4% during the previous year to 21.2%.

The number of newly concluded Riester pension plans fell by 26.1% from 1.6 to 1.2 million according to the first details provided by the GDV. In terms of basic pensions, some 234,064 new policies were taken out. Compared with the 284,346 policies purchased in 2008, this represents a fall of 17.7%.

Property/Casualty Insurance

Demand for insurance cover remained robust, particularly among private households, despite the uncertain economic environment. In the case of commercial business with sales-based premium calculations, the poor state of the corporate sector pushed premiums down. A high degree of market penetration has been achieved in numerous segments, leaving little scope for providers to notch up growth.

In terms of property/casualty insurance, 2009 was dominated by continued, intensive price competition. According to provisional calculations by the GDV, premium income, with an increase of 0.2%, was almost unchanged at € 54.7 billion (2008: € 54.6 billion). In motor vehicle insurance, the largest segment under Property/Casualty insurance, premiums were down by 1.5% to € 20.1 billion (2008: € 20.4 billion). Comprehensive insurance segments were able to benefit from the scrap bonus for used cars, but the growth was not enough to compensate for the clear downturn in motor vehicle liability insurance.

Claim expenses, as estimated by the GDV, rose 2.1% during the 2009 financial year from € 41.9 million to € 42.8 million. Despite the absence of any major natural disasters in 2009, the claims ratio rose by 1.2 percentage points compared with 2008 to reach approximately 80% for the year as a whole.

Health insurance

Provisions of the German Act to Strengthen Competition essential to private health insurance entered into force with effect from 1 January 2009. For example, with regard to new business, the concept of the transferability of a portion of the aging provision was introduced, requiring the introduction of a new set of rates for full-cost insurance. Additionally, insured parties who took out a full-cost health insurance policy prior to 1 January 2009 have been able to move insurer on a one-off basis taking their aging provision with them in the amount of the basic rate. Only sporadic use has been made of this transfer right. Consequently, shifts in portfolios between the private health insurance undertakings have been limited.

The net increase in insured individuals rose during the first half of 2009 compared with the same period of the previous year from 75,400 to 98,800 people. This meant that the number of individuals with full-cost insurance cover as at 30 June 2009 was 8.74 million, an increase primarily attributable to one-off effects. In addition to the obligation to have insurance that entered into force on 1 January 2009, the introduction of the health fund and the associated premium increases for many insured parties have led a large number of people to switch from statutory health insurance to the private sector.

As a result of the portfolio growth due to new customers and as a result of premium adjustments, premium income rose by 4% compared with 2008 to reach € 31.5 billion. Of this total, € 29.4 billion related to health insurance (+ 3.7%) and € 2.1 billion (+ 6.6%) to compulsory nursing care insurance.

Expenses for insurance benefits, up by 6.0%, thus grew considerably more than premium income.

Business development

Overview of the year under review

Significant rise in consolidated net income

Growth, efficiency and profitability – the W&W Group is sticking firmly to its course. W&W has recorded a return on equity (RoE) of 9.1% and thus, even in a difficult economic environment, actually slightly exceeded the core target set in its "W&W 2009" restructuring programme of 9.0%. Both business areas made a crucial contribution to this achievement.

The new "W&W 2012" modernisation programme set outs the strategic direction going forwards "Securing, improving, expanding" are the three key messages behind "W&W 2012". The aim is to continue to advance the W&W Group on the market, in its customer service efficiency and in its earning power. As part of "W&W 2012", the Group has set itself the target of achieving an annual sustainable consolidated net income of € 250 million, calculated according to IFRS.

Total comprehensive income

Consolidated income statement

The consolidated net income for the year recorded in the consolidated income statement is € 221.7 million (2008: € 67.1 million). This is composed of the following individual results.

Net financial result

The net financial result recorded by the W&W Group improved considerably as at 31 December 2009 compared with the previous year, rising by € 1,051.8 million to reach € 1,513.9 million (2008: € 462.1 million). The following factors should be taken into account.

Net income from available-for-sale financial assets grew by € 1,125.5 million during the period under review. The same figure for the previous year, in the wake of the turbulence on the capital markets, was dominated by impairments and higher disposal losses. Net income from financial assets and liabilities at fair value through profit or loss fell by € 154.0 million to € 163.9 million (2008: € 317.9 million).

This decrease was attributable to the change in value of economic hedges. Net income from receivables, liabilities and subordinated capital rose by € 144.5 million to reach € 1,047.6 (2008: € 903.1 million). This was made possible by favourable refinancing opportunities due to the market fall in interest rate levels over the course of the year. Net expense for allowances for credit losses rose by € 73.3 million during the period under review, to € 125.8 million due to impairment losses on financial assets.

Net result from property

Net income from investment property was up by € 13.3 million to € 23.0 million (2008: € 9.7 million). This figure is dominated by the development in Life and Health Insurance. Lower current expenses and lower impairments, coupled with higher net gains from disposals, resulted in an improved level of net income.

Net fee and commission result

The net fee and commission result rose by € 30.7 million to – € 347.6 million (2008: – € 378.3 million). This development was attributable to the Home Loan and Savings Bank segment and the two insurance segments in equal measure. The reasons for the rise are dealt with in greater detail in the notes on the individual segments.

Premiums and contributions earned

Premiums and contributions earned rose by € 83.1 million to € 3,767.5 million (2008: € 3,684.4 million). One of the main reasons for this increase was higher one-off premiums and contributions in the Life and Health Insurance segment. The Property/Casualty segment was another area in which a rise in new business and thus a rise in premiums was recorded in 2009, particularly in the areas of motor vehicle insurance and corporate customers. The sale of the insurance operations of WürttUK had resulted in a fall in premiums and contributions in 2008.

Insurance benefits

Insurance benefits rose during the 2009 financial year, increasing by € 936.0 million from € 2,791.9 million to € 3,727.9 million. Benefits in the Property/Casualty sector fell due to positive loss adjustment in Germany and abroad. At the same time, however, this effect was more than offset by the higher allocation to technical provisions in the Life and Health Insurance segment. The background lies in the contractually agreed participation of policyholders in the increased net financial result.

General administrative expenses

General administrative expenses rose by € 32.4 million to € 1,041.7 million (2008: € 1,009.3 million). The main reasons were the increase in contributions due to the Pension Security Association, the integration costs associated with the 2009 acquisition of Vereinsbank Victoria Bauspar AG and additional investment in IT.

Net other income/expense

Net other income/expense fell by € 21.8 million from € 125.4 million to € 103.6 million. Whilst there was an increase in the Home Loan and Savings Bank division due to the first-time consolidation effect of the newly acquired Vereinsbank Victoria Bauspar AG, higher expenses for fund unitholders outside the Group in the Life and Health Insurance segment and lower income from the reversal of provisions in the "All other segments" division resulted in a fall overall.

Condensed consolidated statement of comprehensive income

Not yet realised income recognised directly in equity rose by € 210.0 million from – € 165.9 million to € 44.1 million. The changes can be broken down as follows:

As the capital markets recovered over the course of the year, the measurement gains/losses of available-for-sale financial assets in particular improved from – € 162.2 million to € 106.7 million. Measurement gains from investments accounted for using the equity method totalled € 7.6 million (2008: – € 2.4 million). The effect of measuring interest rate swaps in effective hedges with no impact on income amounted to – € 33.4 million (2008: – € 18.1 million). Additionally, actuarial losses from pension provisions in the amount of € 37.8 million (2008: € 17.1 million) were recognised in equity. The main cause of this is the lower discounting rate, down by 75 basis points compared with the previous year.

Total comprehensive income

Total comprehensive income, being reported for the first time, amounted to € 265.8 million (2008: – € 98.9 million) during the 2009 financial year. It is composed of the consolidated net income reported in the income statement in the amount of € 221.7 million (2008: € 67.1 million) and the income of € 44.1 million (2008: – € 165.9 million) recognised directly in equity.

Financial situation of the Group

Principles and objectives of financial management

Strategic and tactical asset allocation within the W&W Group is managed on a decentralised basis within a centrally controlled framework. The individual companies act autonomously in this regard, liaising with one another through coordinated discussion rounds.

The overriding aim is to invest the assets in such a way as to generate the ultimate in security and profitability, combined with liquidity and flexibility at all times. This means that the investments must be appropriately mixed and diversified, thereby guaranteeing the Group's financial strength and increasing the value of the investments.

Liquidity

The liquidity of W&W AG and its subsidiaries was guaranteed at all times during the reporting year. Detailed information in this regard is provided in the Risk Report.

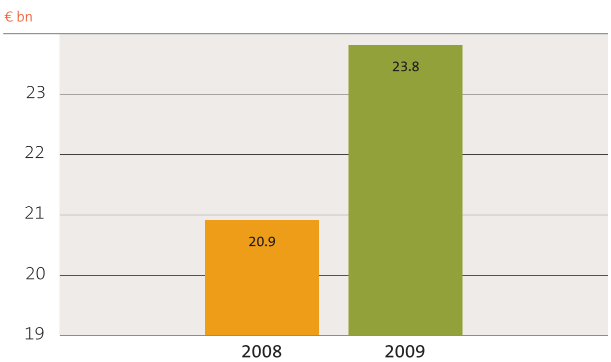
Cash flow statement

Cash flow from operating activities in 2009 was € 3,590.2 million (2008: € 2,260.2 million), with cash flow from investing activities including capital investments totalling minus € 3,836.2 million (2008: minus € 2,082,2 million). Cash flow from financing activities totalled minus € 31.5 million (2008: minus € 115.7 million). The net change in cash flow during the reporting year was therefore minus € 277.5 million (2008: € 62.4 million). For further information please refer to the cash flow statement.

Refinancing

The total volume of customer deposits held by the W&W Group during the year under review rose by 13.9% to €23,769.8 million (2008: € 20,865.8 million). This rise was primarily attributable to the addition of deposits from Vereinsbank Victoria Bauspar AG. Issued bonds fell by € 749.8 million to € 1,293.5 million (2008: € 2,043.3 million). This was due to the restricted level of new issuing activity in a context of higher refinancing premiums sparked by the financial crisis. Efforts were made to counter this development through greater refinancing using open-market transactions with the European Central Bank.

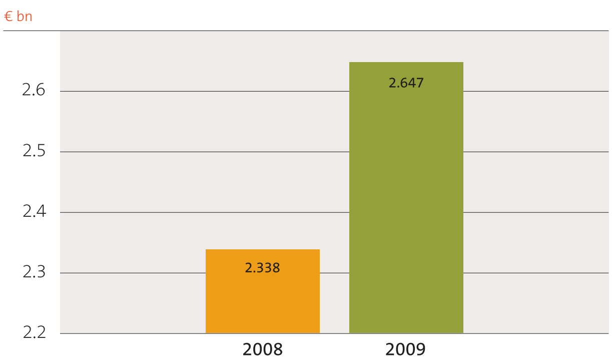
Total customer deposits



Equity

W&W AG, in the capacity of holding company, controls the Group's capital resources, Basically, the equity situation of the subsidiaries is based on the stipulated regulatory requirements as a basic minimum. Internally, the W&W Group has stipulated target solvency ratios for the major subsidiaries and at Group level. These are well above the statutory requirements, with a view to securing a high level of stability for the Group and individual companies.

Equity



As at 31 December 2009, the W&W Group's equity as reported in accordance with IFRS amounted to € 2,647.3 million. This compared with € 2,337.6 million at the previous year-end. The main changes in equity are the result of the higher consolidated net income for the year and the capital increase implemented during the year under review by W&W AG. The distribution of the dividend for the 2008 financial year had the opposite effect. Further effects can be seen from the condensed consolidated statement of comprehensive income and from the statement of changes in equity.

Valuation reserves

Taking into account the performance of the economy as a whole, the European Central Bank has continued to adhere to its expansive monetary policy. The result has been low short and medium-term interest rates, and thus a continuation of low refinancing costs.

Changes in the yield curves and in investment activity have made it possible to increase the valuation reserves on the long-term assets side. Conversely, this development led to higher negative valuation reserves on the long-term liabilities side. Detailed information on the reserves can be found in the individual explanations relating to the respective asset and liability items in the Notes.

Assets and liabilities, and capital structure

Balance sheet structure

in € mn	31 Dec 2009	31 Dec 2008
Assets		
Receivables from reinsurance business, due from customers, and other receivables minus allowance for credit losses	30,570	28,634
Investments[1]	35,363	32,371
Reinsurance share of technical provisions	1,819	1,898
Other assets	1,787	1,545
Total assets	**69,539**	**64,448**
Shareholders' equity and liabilities		
Liabilities	33,850	30,196
Technical provisions	29,123	28,478
Other liabilities	3,919	3,436
Equity	2,647	2,338
Total shareholders' equity and liabilities	**69,539**	**64,448**

1 Investments include financial assets at fair value through profit or loss, loans and advances to banks, available-for-sale financial assets, investments accounted for using the equity method, and investment property.

The consolidated total assets of the W&W Group rose during the past financial year by € 5.1 billion to € 69.5 billion (2008: € 64.4 billion). The assets side is dominated by available-for-sale financial assets, loans and advances to banks, and loans and advances to customers. The increase on the assets side is due to a rise in fixed-income securities within financial assets available for sale. Liabilities are dominated by technical provisions and liabilities to customers. Both of these items have increased.

As at 31 December 2009, the subordinated capital of the W&W Group was € 430.7 million (2008: € 468.2 million). Of this total, € 74.5 million related to participatory capital (2008: € 79.8 million) issued by Wüstenrot Bank AG Pfandbriefbank, with € 356.2 million (2008: € 388.4 million) relating to subordinated liabilities issued by Wüstenrot Bank AG Pfandbriefbank, as well as Wüstenrot Bausparkasse AG, Württembergische Lebensversicherung AG, Württembergische Versicherung AG and Wüstenrot stavební spořitelna a.s., Prague.

Provisions for pensions and other long-term liabilities amounted to € 1,179.0 million (2008: € 1,060.0 million).

Detailed information on the structure of receivables and liabilities, as well as residual maturities, is provided in the Notes to the consolidated financial statements.

Off-balance sheet transactions

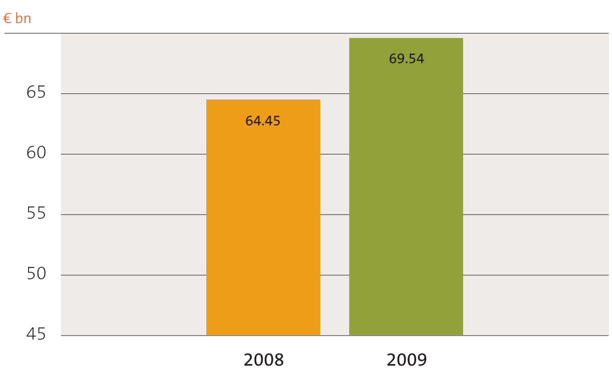
There were no significant transactions by the Group during the year under review or the previous year that are not included in the consolidated balance sheet, e.g. as part of asset-backed securities transactions, sale and lease back transactions or liability relationships vis-à-vis non-consolidated special purpose vehicles.

Investments

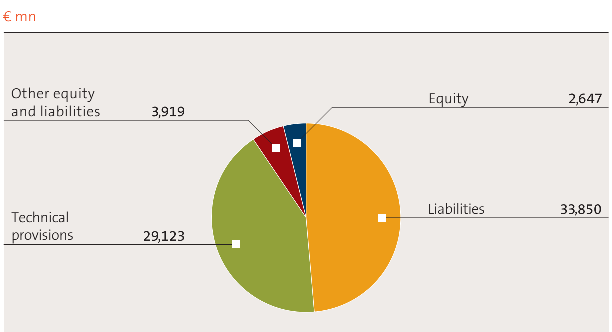
By 2012 the result recorded in 2009 should have been secured for the long term, with the W&W Group being recognised as ***THE*** expert for savings, investment and risk protection on the market. To this end, investments are planned in the following areas over the coming years:

- in planned growth in the capacity of ***THE*** expert for savings, investment and risk protection,
- in the expansion of a profitable portfolio quality,
- in the further consolidation and updating of IT,
- in achieving a strongly competitive cost structure and customer service efficiency,
- in the value-oriented management of the W&W Group,
- in the skills and further training of managers and employees, including in new career paths,
- in change management and
- in the fulfilment of state rules and regulations.

Consolidated total assets



Capital structure 2009



Investments in the special ability to be ***THE*** expert for savings, investment and risk protection are geared in the following direction:

- towards simple products and product combinations from both business divisions and with the corresponding advisory structures for the further promotion of cross selling,
- towards training measures extending to "certified financial protection experts",
- towards analyse procedures, the financial protection Internet portal, the financial protection check-up, financial protection advisory services based on an overall needs approach, a bonus system for customers,
- towards W&W customer service offices,
- towards the further development of advertising.

In order to capture further sales channels, all of the shares in Vereinsbank Victoria Bauspar AG were acquired through Wüstenrot Bausparkasse AG with effect from 8 July 2009. The merger with Wüstenrot Bausparkasse AG was completed on 29 September 2009.

With the aim of developing simpler products, the Dublin-based company W&W Europe Life Ltd. was established in August 2009. It is scheduled to commence operations in 2010.

Segment overview

As a result of the first-time application of IFRS 8, the segments will be presented differently in our financial reports as of the 2009 financial year. The former Home Loan Savings segment and Banking segment have been merged in accordance with internal reporting to create the Home Loan and Savings Bank segment.

Separate reporting will continue to apply to the life and health insurance and Property/Casualty Insurance segment under IFRS 8 due to the separate internal reporting and different business structure.

The three segments – Home Loan and Savings Bank, Life and Health Insurance and Property/Casualty Insurance – therefore continue to constitute the core business of the W&W Group.

Any other business activities are brought together under "All other segments". In addition to W&W AG, this also includes the investment companies and the Czech companies. Separate reporting is no longer carried out for the former segments Investment Products and Holding/Reinsurance.

The previous year's figures have been adjusted accordingly. The reorganisation of the segments means that comparisons with the segment reporting in last year's report can only be made to a limited extent.

Income situation of the individual segments

A table showing the performance of the segments can be found in the Notes from page 114 onwards.

Home Loan and Savings Bank

The Home Loan and Savings Bank segment comprises the subsidiaries Wüstenrot Bausparkasse AG and Wüstenrot Bank AG Pfandbriefbank. Where legally permissible, these are managed jointly.

The segment accounts for € 34.4 billion (2008: € 30.4 billion) of the W&W Group's total assets of € 69.5 billion. Its assets primarily comprise building loans and investments in fixed-income securities. The liabilities side is dominated by liabilities resulting from customer deposits.

With effect from 8 July 2009 Wüstenrot Bausparkasse AG acquired all of the shares in Vereinsbank Victoria Bauspar AG. Consequently, the following figures stated for the current year on the income situation in the Home Loan and Savings Bank segment include the figures for the merged Wüstenrot Bausparkasse AG, as well as the results of Wüstenrot Bank AG Pfandbriefbank.

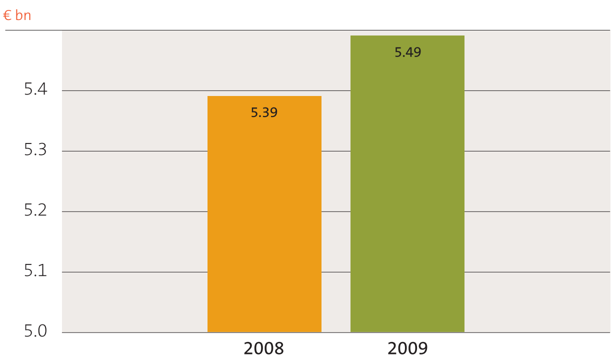
Business development

Gross new home loan savings business written rose by 9.75% in terms of volume to € 11.0 billion, of which € 1,026 million related to what was formerly Vereinsbank Victoria Bauspar AG. This performance meant that W&W stood out from what was otherwise a declining market, with a year-on-year fall of 14.7% recorded for the market as a whole during 2009. It also meant that W&W was able to gain further market share and further consolidate its market position. The total market share rose by 2.6 percentage points to 11.6% (2008: 9.0%). The positive trend is also reflected in the volume of new business paid in, albeit with a slight delay. Compared with the same period of 2008, new home loan savings business written rose by 5.61% in terms of volume to € 8.4 billion, of which € 912 million related to Vereinsbank Victoria Bauspar AG.

New lending business in this segment rose by 8.47% to € 3,703.8 (2008: € 3,414.7 million). Loan extensions accounted for € 654.6 million (2008: € 944.1 million). Pure lending business concluded in 2009 totalled € 3,049.2 million (2008: € 2,470.6 million). Of this, € 36.6 million related to Vereinsbank Victoria Bauspar AG.

New business in private home loans across the W&W Group as a whole reached € 5,492.0 (2008: € 5,391.6 million). This figure includes mortgages granted by Württembergische Lebensversicherung AG and disbursements from home loans. Domestic business accounted for the greater share, at € 5,069.1million (€ 4,987.0 million). Vereinsbank Victoria Bauspar AG accounted for € 130.0 million. The Czech building society and mortgage bank, whose business activities are included under "All other segments", contributed € 422.9 million (2008: € 404.6 million).

New home loans business



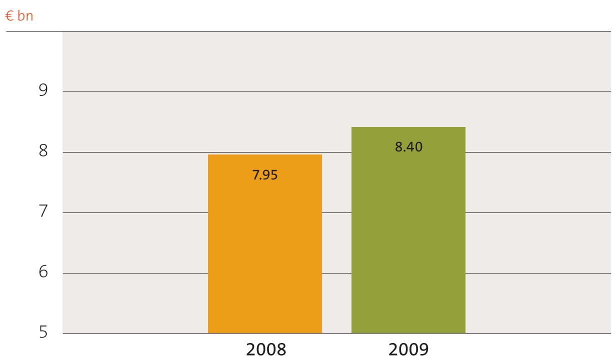
Income situation in the segment

The segment's income as at 31 December 2009 rose by € 83.6 million from € 29.0 million to € 112.6 million.

The net financial result rose by € 85.2 million to € 440.2 million (2008: € 355.0 million). This can be broken down as follows: in terms of net income from available-for-sale financial assets, higher portfolio levels more than offset the generally low level of interest rates over the course of the year and led to an increase of € 6.7 million to € 192.4 million (2008: € 185.7 million). The hedge result fell by € 6.4 million to minus € 0.2 million (2008: € 6.2 million) due to the pro-rata reversal of negative revaluation reserves in relation to closed swaps . Net income from receivables, liabilities and subordinated capital rose by € 93.3 million to € 276.7 million (2008: € 183.4 million). This increase was partly the result of lower bonus expenses for home loan savings deposits, as certain contractual changes are now only possible within the building savings collective if the right to a bonus is waived. It can also be explained by the fall in refinancing costs as a result of lower interest rates, and by the favourable interest rates associated with open-market transactions in particular. Net expense for allowances for credit losses increased by € 7.3 million to € 34.8 million (2008: € 27.5 million) in response to the gloomy state of the economy.

The net fee and commission result rose by € 17.1 million to – € 9.7 million (2008: – € 26.8 million). The contributory factors in this regard were the positive effect from the development in provisions for the reimbursement of completion fees and higher levels of commission reverse entries in relation to our sales partners.

New home loans and savings business (paid-in)



An increase of € 9.8 million to € 326.7 million (2008: € 316.9 million) was recorded in relation to general administrative expenses. The fall in personnel expenses was more than offset by the fall in service revenues, other administrative expenses in relation to the integration of Vereinsbank Victoria Bauspar AG and the higher contributions due to the Pension Security Association.

Net other income rose by € 30.2 million to € 49.6 million (2008: € 19.4 million). The contributory factors were the liabilities-side difference of € 17 million required to be recorded under IFRS 3 as a result of the acquisition of Vereinsbank Victoria Bauspar AG and income from the adjustment of contingent liabilities.

Unlike during the previous year, tax expenses during the current financial year are not influenced by tax income from earlier periods.

Life and Health Insurance

This segment mainly comprises
Württembergische Lebensversicherung AG,
Karlsruher Lebensversicherung AG,
ARA Pensionskasse AG and
Württembergische Krankenversicherung AG.

The segment accounts for € 30.0 billion (2008: € 29.2 billion) of the Group's total assets. Of this, on the assets side, € 18.2 billion (2008: € 18.2 billion) relates to the item "Receivables" and € 7.0 billion (2008: € 6.6 billion) to the asset category "Available-for-sale financial assets". The liabilities side is dominated by technical provisions, in the amount of € 26.8 billion (2008: € 26.0 billion).

Business development

Growth in new premiums and contributions in life and health insurance was above the market average, up by a total of € 182.8 million from € 517.8 million to € 700.6 million, bringing the downward trend to an end.

One-off contributions and regular new premiums developed as follows:

- The rise in one-off contributions in life insurance was 68.3%, up from € 312.8 million to € 526.4 million, and thus higher than the market growth of 59.3%. Karlsruher Lebensversicherung AG, whose operations focus on bank sales, was able to record a considerable 90.1% increase in one-off contributions, which totalled € 14.4 million (2008: € 7.6 million).
- With regard to regular new premiums, smaller falls were recorded in the life insurance sector than the industry average. Regular new premiums fell by 14.7% from € 185.2 million to € 158.0 million, whilst a 15.4% fall was recorded on the market as a whole.
- New premiums in the health insurance sector fell by 18.0% compared with the previous year, down from € 19.8 million to € 16.2 million. The lower level of sales at full-cost rates was not offset by sales in supplementary insurance policies.

Measured in terms of the Annual Premium Equivalent (APE), new business was down on the year before. However, because the APE includes regular premiums in their full amount but only counts one-off contributions on the basis of 10% of their value, the APE for Life and Health insurance fell by € 236.3 million to € 226.8 million, a drop of 4.0%.

Given the positive result in terms of one-off contributions, gross premiums written in Life and Health Insurance increased by € 98.4 million, rising from € 2,340.0 million to € 2,438.4 million.

in € mn	2009	2008
New premium	700.6	517.8
One-off premium, life	526.4	312.8
Regular premium, life	158.0	185.2
New premiums for the year, health	16.2	19.8
APE	226.8	236.3
Gross premiums written	2,438.4	2,340.0

Income situation in the segment

The segment's income as at 31 December 2009 rose by € 3.3 million from € 13.4 million to € 16.7 million. One of the main factors was the rise in premium income due to the increased levels of new business.

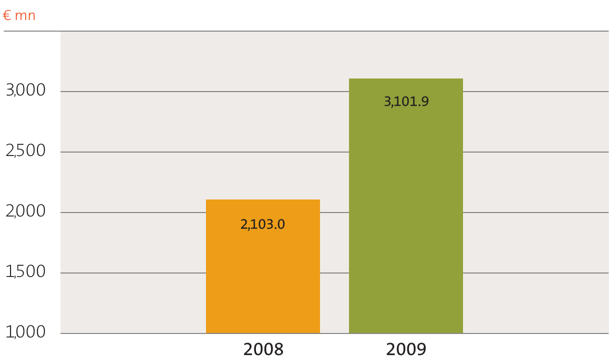
The net financial result was € 1,007.2 million (2008: € 119.1 million).

Net income from available-for-sale financial assets developed positively. Depreciation expenses and disposal losses fell substantially, with the result that this financial asset category rose by €1,030.7 million from – €819.6 million to + € 211.1 million. Net income from financial assets in the category "net income from financial assets and liabilities at fair value through profit or loss" totalled € 176.5 million (2008: € 309.0 million). This fall of € 132.5 million was mainly due to the performance of economic hedges in the equity, interest rate and currency sectors. Net income from receivables, liabilities and subordinated capital, at € 707.8 million (2008: € 661.3 million), improved slightly on the basis of a higher level of income from disposals. This was achieved despite the fact that interest rates remained low. The clear rise in risks in the banking sector meant that interest defaults occurred in relation to investments in subordinated financial instruments.

Net expense for allowances for credit losses rose by € 24.2 million during the period under review, to € 88.1 million due to impairment losses on receivables. The main reasons were writedowns on reclassified securities in the amount of € 71.1 million and on subordinated bonds issued by banks.

Net income from investment property was up € 16.1 million from € 4.6 million to € 20.7 million. Both current expenses and writedowns were lower during the year under review. In addition, the level of income from disposals improved.

Insurance benefits (Life and Health)



Fee and commission expenses fell in conjunction with the fall in new business based on regular premiums. The net fee and commission result totalled – € 137.2 million (2008: – € 152.4 million).

Taking into consideration contributions transferred, reinsurance premiums, and contributions from the provisions created for premium rebates, net premiums and contributions earned amounted to € 2,494.2 million (2008: € 2,380.4 million). Growth in premiums and contributions benefited in particular from the rise in business involving one-off contributions.

The positive way in which the net financial result developed meant that we were AGain able to credit higher benefits to our insurance customers. Substantial amounts were allocated to the provisions for premium rebates. The portfolio increased by € 236.8 million from € 1,605.2 million to € 1,842.0 million. Provisions for future policy benefits for unit-linked life insurance also benefited from the upward trend on the capital markets. Whilst the portfolio was still declining in 2008, a rise from € 516.8 million to € 728.8 million was recorded in 2009. Overall, insurance benefits rose by € 998.9 million from € 2,103.0 million to € 3,101.9 million.

General administrative expenses rose slightly, increasing by € 4.1 million from € 270.3 million to € 274.4 million. Personnel expenses included in this amount grew due to one-off effects and additional capacity in bank sales. The balance of other administrative expenses, writedowns and service revenue, in contrast, fell.

Net other operating income and expenses decreased from € 40.0 million to – € 3.1 million. The positive development on the financial markets sparked gratifying results for the funds in this segment in which unitholders outside the Group also participate. This led to higher expenses under other net income.

Tax income of € 11.1 million was attributable mainly to the reversal of deferred tax liabilities.

Property/Casualty Insurance

This segment mainly comprises Württembergische Versicherung AG. The segment's total assets were € 3.7 billion (2008: € 3.8 billion) and are dominated on the assets side by investments and on the liabilities side by technical provisions.

Business development

Efforts to put a halt to falling premiums succeeded in 2009.

New business, measured in terms of annual contributions to the portfolio, climbed by € 27.8 million to reach € 184.1 million (2008: € 156.3 million). The company Württembergische Vertriebsservice GmbH for brokers and freelance agents, established in 2007, contributed € 17.7 million to this growth.

The motor vehicle and corporate customer sectors developed particularly favourably. After years of a negative trend, growth of € 18.1 million in gross premiums written was recorded, up from € 1,286.5 million to € 1,304.6 million. All of the sales channels contributed to this marked increase in domestic business.

Income situation in the segment

The segment's income as at 31 December 2009 rose by € 16.1 million to € 80.8 million, particularly as a result of the fall in insurance benefits.

The net financial result, at € 38.4 million (2008: € 34.4 million), was slightly improved but still did not match the level of earlier years due to the ongoing financial crisis in 2009.

Net income from available-for-sale financial assets developed positively. Depreciation expenses and disposal losses fell substantially, with the result from these financial assets increasing by € 45.1 million from – € 26.6 million to + € 18.5 million. As share prices rose, net income from derivatives used for economic hedges under the item "Net income from financial assets and liabilities at fair value through profit or loss" fell strongly. The net income from financial assets in this category was – € 16.0 million (2008: + € 13,5 million), corresponding to a fall of € 29.5 million. Net income from receivables, liabilities and subordinated capital reflects the continuation of low interest rate levels and the fall in insurance income. The overall result was € 36.8 million (2008: € 47.7 million).

The net fee and commission result totalled – € 160.8 million (2008: – € 175.9 million). Major items in this balance include the reinsurance commissions received as commission income for reinsurance business, and commissions received as commission expenses, which is then paid out to agents. A key aspect in easing the net fee and commission result situation compared with the previous year was the level of claim recoveries from reinsurers, which increased.

Having given up active foreign business in 2008 in line with our strategy, there was again a fall in earned net premiums from € 1,093.4 to € 1,065.8 million due to a lack of premiums being carried over from the previous year.

Claim levels, however, developed in a welcome manner again during the reporting period. Benefits were down from € 610.3 million to € 509.5 million. The reasons for this development, in addition to positive loss adjustment, included the lower burden from natural disasters.

General administrative expenses fell from € 350.6 million to € 348.1 million.

Net other operating income and expenses decreased from € 38.7 million to € 30.9 million. A fall in net currency income from technical provisions contributed to this fall.

All other segments

"All other segments" comprises those areas of business that cannot be allocated to another segment. Performance is primarily determined by the activities of W&W AG, W&W Asset Management GmbH and the Czech entities (building society,mortgage bank, life insurance). The segment's total assets are € 5.1 billion (2008: € 5.1 billion).

Income situation in the segment

The segment's net profit after taxes totalled € 79.1 million (2008: € 66.0 million). The above companies contributed to this result as follows:
W&W AG € 44.2 million (2008: € 39.6 million), W&W Asset Management GmbH € 19.0 million (2008: € 2.8 million) and the Czech companies € 11.6 million (2008: € 8.9 million).

The net financial result was € 159.9 million (2008: € 109.2 million). This is dominated by higher investment income from W&W AG, consolidated again in the reconciliation to total comprehensive income.

Net fee and commission result fell by € 13.3 million from – € 19.8 million to – € 33.1 million, primarily due to higher fee and commission expenses incurred by W&W AG.

Insurance benefits dropped by € 22.0 million from € 145.3 million to € 123.3 million. In the case of W&W AG, the positive winding-up of former reinsurance business had an impact in this regard.

The increase in general administrative expenses of € 9.5 million from € 83.3 million to € 92.8 million can be attributed to higher IT costs. Net other income fell by € 18.0 million from € 37.5 million to € 19.5 million. During the previous year this figure included income from the reversal of provisions.

Summary of assets, liabilities, financial position, and profit or loss

The W&W Group gained in credibility during the financial markets crisis. The Group's result after taxes for the 2009 financial year was € 221.7 million. This corresponds to a return on equity of 9.1%, and means that we have actually slightly exceeded our 2009 target of 9%, set back in 2006. Earnings per share at Group level in 2009 were € 2.40 (2008: € 0.69)

Not least as a result of the merger between Wüstenrot Bausparkasse AG and Vereinsbank Victoria Bauspar AG, we have generated further growth in the Home Loan and Savings Bank segment. The segment developed favourably in terms of both new business and its profit levels.

In insurance business, the Life and Health Insurance segment markedly recovered from the financial crisis. The low level of claims was particularly noticeable in relation to Property/Casualty insurance. Both segments recorded very positive results.

With regard to foreign business, the W&W Group continued to focus on the Czech Republic. The Czech companies included under "All other segments" all contributed positively to the Group's net profit.

Research and development

We focus our R&D funding on analysis of our customers' current and future needs. In this context, the requisite measures, workflows and products are subject to ongoing optimisation. Our product range is also consistently being expanded in relation to market requirements and customer wishes. Details of the W&W Group's product mix can be found in the "Financial protection from the very start" section of this Management report.

Other information

Report on material events after the reporting date

The amount of loss incurred by W&W Group as a result of Hurricane Xynthia on 28 February 2010 is expected in the region of € 7 to 11 million after taxes. Given the recent occurrence of the hurricane, this estimate is still associated with considerable uncertainties

Disclosures in accordance with section 315 (4) of the German Commercial Code (HGB)

Wüstenrot & Württembergische AG's subscribed capital amounts to € 481,067,777.39 and is divided into 91,992,622 no-par value registered shares which are fully paid in. In accordance with German company law, holders of registered shares are only considered shareholders from a legal perspective, provided they are registered in the share ledger. This is important, amongst other things, in relation to attending annual general meetings and exercising voting rights. There are no further restrictions affecting voting rights or the transfer of the registered shares. Each share holds one vote at the Annual General Meeting. Pursuant to section 60 of the German Stock Corporation Act (AktG), the stockholders' shares of the company's profit are determined in accordance with their percentage holding of the issued share capital. With an increase of the share capital, the participation of new shares in profits may be determined in derogation of Section 60 (2) of the AktG. The right of shareholders regarding the issue of individual share certificates is excluded in accordance with section 5 (3) of the Memorandum and Articles of Association.

The majority shareholder of Wüstenrot & Württembergische AG is Wüstenrot Holding AG, with 67.32% of the shares. 9.37% of the shares are held by Landesbank Baden-Württemberg, 7.54% by UniCredit S.p.A, 4.99% by L-Bank and 4.68% by Schweizerische Rückversicherungs-Gesellschaft AG. The proportion of publicly held shares is 6.10 %. There are no shares carrying special rights, which would permit the holder to exercise control. There are no voting right mechanisms for employee participation schemes.

The appointment and removal of members of the Management Board is carried out in accordance with sections 84 and 85 of the AktG, in conjunction with section 31 of the German Co-determination Act. As a rule, resolutions or amendments to the Memorandum and Articles of Association are carried out in accordance with section 133 (1 paragraph 179 et seq.) of the AktG. In accordance with section 18 (2) of the Memorandum and Articles of Association, in conjunction with section 179 (2, paragraph 2) of the AktG, resolutions or amendments to the Memorandum and Articles of Association at the Annual General Meeting require a simple majority of the share capital represented at the time the resolution is passed, unless otherwise stated by law – for example, with regard to a change to the object to the company. In accordance with section 179 (1) sentence 2 of the AktG in conjunction with section 10 (10) of the Memorandum and Articles of Association, the Supervisory Board shall be authorised to amend the Memorandum and Articles of Association, provided that such amendments are restricted to the wording. The Management Board has no rights over and above the general statutory remit and powers of a management board under German company law. The Management Board shall be authorised for a period of five years (up to 02 June 2014) to increase, on one or more occasions, the Company's share capital by a maximum total amount of € 69,933,268.49 (Authorised Capital 2009) via issuance of new bearer unit shares for contribution in cash, subject to the approval of the Supervisory Board. The shareholders shall be granted a legal subscription right. The shareholders' legal subscription rights may also be granted, whereby the shares may also be subscribed by one or more banks, subject to the obligation of offering these to the shareholders for subscription (indirect subscription right). Subject to approval by the Supervisory Board, the Management Board may exclude shareholders' subscription rights in the following cases:

- for fractional amounts and
- capital increases against contribution in kind when acquiring businesses (or parts thereof) or interests in other companies.

The Management Board is authorised, with the Supervisory Board's consent, to determine the further details of the capital increase, its implementation (in particular the issue price) and the contribution required for the new unit shares.

The parent company has not entered into any material agreements that are subject to change of control clauses triggered in the event of a takeover offer.

A change-of-control clause is in place with regard to one member of the Management Board, including a compensation agreement in the event of a takeover offer; no other compensation agreements exist with members of the Management Board or employees in the event of a takeover bid. Detailed information can be found in the comprehensive remuneration report in the Notes to the Consolidated Financial Statements, from page 210.

Remuneration Report

The remuneration of the Management Board of W&W AG comprises a fixed salary, a fixed benefit plus a performance-based component. There are no subscription rights or other share-based remuneration components. Different regulations are in place for the pension schemes, which are described in more detail in the Notes. The remuneration of the Supervisory Board is generally paid in the form of a fixed remuneration subject to top-up amounts for the Chairman, the Deputy Chairman and membership in committees as well as a variable, performance-based bonus. In addition, the members of the Management Board and the Supervisory Board that carry our supervisory board duties for Group companies are paid a Supervisory Board remuneration from these companies.

Risk Report

Under the terms of the German Banking Act, Wüstenrot & Württembergische Group (W&W Group) constitutes a financial conglomerate. In addition to the industry-specific rules governing our divisions or individual companies in the Group, this means that particular requirements apply to the Group as a whole with regard to risk management and controlling. The parent company of the financial conglomerate is Wüstenrot & Württembergische AG (W&W AG). As such, W&W AG is responsible for defining internal and external standards within the financial conglomerate, as well as controlling and developing their compliance.

Objectives and principles of risk management

A comprehensive risk management and risk controlling system is in place within our Group, which standardises and unites the systems and methods of the individual companies that have been geared towards the relevant business requirements in each case. In this way, we can meet the requirements of a comprehensive approach to risk, whilst fulfilling specific company requirements at the same time.

Our understanding of risk management is that it encompasses all organisational rules and measures that are in place for the (early) detection of risks and for dealing with the risks that arise in association with our commercial activities. Risk is defined as a threat that will prevent W&W Group from achieving its objectives, or from successfully implementing its strategies. Risk controlling is a component of risk management, encompassing the recording, analysis, assessment and communication of risks, as well as monitoring of the measures that have been put in place to manage risk.

The following is a description of the principles and basic elements of our approach to risk management in W&W Group, as well as of our general handling of key risks within the Group. Company-specific details with regard to the design and implementation of risk management can be found in the risk reports for the individual Group companies. With regard to the quantitative analysis and portrayal of the risk situation in the W&W Group, please refer to page 174 "Information on risks arising from financial instruments and insurance contracts" contained in the Notes. Some specific circumstances and tables included in the Notes will be referred to separately below.

Our risk management is aimed at guaranteeing the financial strength of W&W Group and supporting the decision-makers as they manage the Group companies. Our understanding of the concept of risk management extends beyond merely complying with the statutory requirements. Rather, we view risk management as an elementary component of our corporate culture and, through effective risk organisation and tailored risk instructions and processes, aim to create added value.

The risk strategy determines the risk policy being pursued by W&W Group and the framework for risk management. Derived from the overall business strategy, the risk strategy describes the type and extent of the key risks our Group is exposed to. It defines the objectives, measures and instruments with regard to the handling of risks that have already been assumed, or that will arise in future.

Basically, the aim is to strike an appropriate balance between exploiting business opportunities and the associated risks, with the priority at all times being to secure the continued existence of the Group and its member companies. We aim to avoid risks that are incalculable or that could jeopardise the continued existence of the Group.

Risk management organisation

We have clearly defined the tasks and responsibilities of all persons and corporate bodies dealing with risk management issues. The Chairman of the Management Board of W&W AG and the Management Board are the key decision-making bodies on issues relating to risk. The Supervisory Board discusses the risk strategy of W&W Group annually. The Supervisory Board's Audit Committee deals with the appropriateness of the organisation of the risk management on an annual basis. The Management Board of W&W AG, in agreement with the Home Loan and Savings Bank and Insurance divisions, stipulates the objectives of the commercial and risk strategies, as well as the key parameters with regard to risk management. Operational implementation and control of these are managed centrally by the Group's Chief Risk Officer (CRO).

To support the Management Boards in risk-related issues, the Group Board Risk acts as the central body responsible for coordinating risk management and for monitoring the risk profile in W&W Group. Group Board Risk permanent members comprise the CRO of the W&W AG Management Board, as well as the senior risk managers from the divisions and the head of Group Risk Management. The Management Boards convene every two weeks, whilst the Group Board Risk meets once a month; special ad-hoc meetings are convened if necessary. Special meetings dealing with current topics were convened twice in 2009.

The Group Board Risk monitors the appropriate capitalisation and liquidity base, as well as the risk profile of the W&W Group and its member companies, guaranteeing an appropriate balance between the two elements. Its role is to ensure that there is a comprehensive level of risk awareness in our Group, and to further improve risk control. Additionally, the Group Board Risk advises on Group-wide standards on risk organisation (e.g. risk policy), the use of Group-wide methods and instruments in risk management, and presents the Group's bodies with proposals in this regard as the basis for its decision-making.

Group Risk Management supports the Group Board Risk in determining standards to be applied throughout the Group. Group Risk Management within W&W AG is responsible for the financial conglomerate and the entire W&W Group, as well as for W&W AG as an operational company in its own right. Group Risk Management develops methods and processes for identifying, assessing, managing, monitoring and reporting risks for use across all of the companies in the Group. It also conducts qualitative and quantitative risk analysis on the basis of a systematic and regular assessment, and reports to the Management Board of W&W AG.

Given the increasing importance of liquidity risk management, Group-wide liquidity management and systems for controlling liquidity risks have been stepped up, with the existing management and monitoring tools being reinforced. Within this context, we have also established a Group liquidity committee to integrate our corporate governance structures.
In the context of the stipulated risk strategies and guidelines, the divisions and operational individual companies are responsible for managing and controlling

their risks. Like W&W AG, the individual companies have created appropriate organisational structures for this purpose, with risk committees and risk controlling units operating across all of the divisions.

The Insurance Division manages and monitors Württ Board Risk actuarial risks.
The Credit Risk Committee and the Asset Liability Committee convene regularly in the Home Loan and Savings Bank Division.

By stipulating reporting methods and channels, we guarantee regular and timely communication between the risk controlling units and management at Group, division and company level.

The principle of the division of functions is adhered to by ensuring a strict division between those units entering into risk (investments, reinsurance) and those that monitor risk (controlling, accounting, risk management).

Please refer also to the management reporting of our Group companies. The functioning, suitability and effectiveness of our risk management system are regularly reviewed by the internal audit department.

Risk management process

The risk management process in our Group is based on the risk strategies and comprises risk management, risk controlling and the internal audit department. We define risk management as the operational implementation of the risk strategies in the business units with exposure to risk. The business units responsible for managing risk make conscious decisions in relation to the assumption and avoidance of risk. They take into consideration the parameters stipulated centrally, and risk limits. Risk controlling is responsible for risk identification, the risk inventory process, measurement and assessment, risk monitoring as well as for risk reporting. As part of the risk inventory process, the individual Group companies regularly record, update and document existing risks that have been assumed, and also potential risks. The recognised threats are then assessed according to how likely they are to occur and in terms of their potential negative impact on assets, liabilities, financial position and profit or loss. This also includes an assessment of whether individual risks - which might appear to be of secondary importance when considered in isolation - could take on the character of material risks when combined with other risks, or as a result of a cumulative effect over time (risk concentrations). To gain a better overview of our risks, similar risks are grouped together into risk areas across the Group as a whole. The following risk areas have been identified as material for W&W Group:

- Market price risks
- Counterparty risks
- Concentration risks
- Actuarial risks
- Collective risks
- Operational risks
- Strategic risks
- Liquidity risks

Structuring risks into individual risk areas allows us to systematically record potential threats. The instruments and measurement methods used are described in more detail below.

Various different processes are used for the quantitative assessment and valuation of risks, depending on the type of risk concerned. Where possible, stochastic processes and value-at-risk (VaR) metrics are applied for measuring risk. We currently use this method to measure market price, counterparty and actuarial risks. Standard analytical methods, or the methods set out under supervisory law, are applied to the other risk areas. Scenario analyses and stress tests, as well as indicator-based analyses, round off the range of tools used.

Decisions with regard to assuming risk are taken within the scope of the fields of action determined in the business strategy and on a decentralised basis through the business units, as well as in W&W AG. The respective departments of our operational companies manage the risk positions on the basis of the Group risk strategy or the risk strategies of the individual companies.

Besides the IFRS result after taxes, risk indicators such as the Group's regulatory and economic risk-bearing capacity, as well as division-specific indicators are used. In order to better link earnings and risk management, we conduct supplementary analyses to support decision-making by means of a RORAC approach.

Compliance with the parameters set for risk strategy and risk organisation, and the appropriateness and quality of risk management, are monitored on an ongoing basis. The monitoring activities for quantifiable and non-quantifiable risks are used to derive recommended actions, which lead to corrective measures being taken in good time so that the aims formulated in the business and risk strategy are achieved. A unit is also in place to control the measures being taken, in order to control the recommended actions.

The fundamental basis for the Group-wide monitoring of our risk situation and adequate capitalisation is our internal risk-bearing capacity model, which we consistently optimise and extend. The risks calculated using a uniform approach are aggregated in this internal model to give the risk capital requirement, which is then compared against the means available. The major companies W&W AG, Wüstenrot Bausparkasse AG, Wüstenrot Bank AG Pfandbriefbank, Württembergische Lebensversicherung AG und Württembergische Versicherung AG are initially modelled individually and then incorporated into the Group position. Württembergische Krankenversicherung AG was incorporated in the first half of 2009 on the basis of an individual risk measurement process.

Risks relating to the other individual companies that are not modelled separately, as well as strategic risks, are valued on a lump-sum basis. The ability of W&W Group and its main companies to back up the risks assumed with sufficient capital is subject to constant monitoring. In addition, we also monitor our ability to bear risk by means of external risk capital models such as those provided by the financial supervisory authority or independent rating agencies.

All of the essential risks facing our Group are reported to the Management Board and Supervisory Board of W&W AG and to the Group Management Board regularly and on a timely basis. The Group-wide reporting system used for early identification of any actions that need to be taken is complemented by a procedure that has been implemented for ad-hoc risk communication. New risks, or extraordinary changes in the risk situation that will result in the stipulated internal thresholds being exceeded, are also reported on a very short-term basis by the operational units concerned and Group Risk Management to the Management Board of W&W AG and to the Group Management Board.

Material risks

We have summarised below the risk situation of W&W Group, by area:

Market price risks

We define market price risks as potential losses resulting from the uncertainty over the future development of interest rates, equity and forex prices, and property prices.

Market price risks make up the most important risk area. The investments of our insurance companies constitute the lion's share of market price risks. Because these are invested primarily in interest-bearing securities, the risk associated with changing interest levels is the most significant risk within the category of market price risks. Investments in tangible assets such as shares, property and participating interests round off the portfolio. The Home Loan and Savings Bank division also incurs market price risks through the lending business, customer deposits and – to a lesser and strictly limited extent – through proprietary trading activities.

Our investment policy is security-oriented and focuses on preserving sufficient liquidity and securing the necessary minimum return. Opportunities are exploited within the context of a calculable and appropriate risk/return ratio.

Particular attention is also paid to interest rate development. Persistently low interest rates may pose a threat in the medium term to the earnings of, in particular, Wüstenrot Bausparkasse AG and Württembergische Lebensversicherung AG, as new investments and reinvestments may only be made at lower interest rates, while at the same time the interest rates previously agreed (or the interest rate arrangements) with customers have to be adhered to. We counter the guarantee risk through active risk management within the scope of duration management, as well as dynamic product and wage policy.

Through intensive interaction between investment on the one hand and calculations/actuarial mathematics on the other, we align our assets/liabilities management accordingly, so that the Group secures guaranteed payments even in the long term. The risks associated with changes in interest rates, on both the asset and the liability side are modelled within the framework of market price risks and valued using the described instruments.

In addition to risk management on the level of the overall bank in the Home Loan and Savings Bank division, Wüstenrot Bank AG Pfandbriefbank also follows a risk management system that is oriented on the pfandbrief business. The provisions of the German Pfandbrief Act form the basis thereof. The key instrument for managing and limiting interest rate risks with the cover pool is the coverage based on present values.

The effects of potential market price scenarios on the Group's result and equity situation are set out in more detail in the Notes from page 174.

With regard to the Group companies incorporated into our internal risk-bearing capacity model, we value the market price risks of interest-bearing securities and liability-side items dependent on interest rates on a net present value basis, i. e. taking into account future payment flows on the basis of a value-at-risk model. Monte Carlo simulations are used to generate potential loss allocations. Our stochastic modelling is supplemented by sensitivity analysis, which flags up any portfolio value changes due to market fluctuations. Alongside our approach at Group level, the individual companies also use comparable methods to measure their market price risks, in the course of in-depth observations.

As part of their regularly revised investment strategies, the individual Group companies determine an appropriate mix and diversification of securities according to type, region and risk category. The strategic investment objectives are permanently monitored and limited, using limit systems.

To manage market price risks, the W&W Group companies also made use of derivative financial instruments in the form of swaps, options, futures and forward exchange contracts during 2009. Please refer to the Notes from page 166 for details. The statutory rules imposed under supervisory law with regard to such transactions were complied with.

Open net foreign exchange positions in globally oriented investment funds and foreign currency bonds held by our insurance companies can lead to currency risks. Fund managers counter this risk by regularly reviewing expected foreign exchange prices, and by implementing foreign exchange cover measures or measures designed to reduce risk.

Insurance-related liabilities in foreign currencies are covered with suitable investments in the same currency, whereby largely currency-matching cover ensures that currency risks from these transactions remains very limited.

Counterparty risks

Counterparty risks are potential losses arising from the default of (or deterioration in the credit rating of) borrowers or debtors.

Risks in connection with the default of a business partner arise for our Group in relation to the credit institutions' customer lending business. Counterparty risks can also arise if securities default or if there is a change in their credit rating, or from claim default risks in relation to our counterparties in the reinsurance business.

Our strategic focus on home loans in the customer lending business excludes the possibility of individual loans that could jeopardise the Group's continued existence, which means that risks are primarily related to collective and structural risks in the loan portfolio. There are currently still no signs of significant risks in our customer loan portfolios. Nevertheless, we could, at a subsequent stage, face necessary allowances for credit losses as a consequence of the current economic situation, and in particular if there is a sustained rise in unemployment.
By applying careful loan review and scoring procedures and clear acceptance guidelines, by securing loans against property, by monitoring and limiting various risk indicators and by using a sophisticated system for the automated calculation of value adjustments, we are able

to limit, monitor and manage credit risks. Credit risks are valued using our loan portfolio model.

With regard to the Group companies incorporated into our internal risk-bearing capacity model, we value any bonds that we hold at their net present value, i.e. taking into account future payment flows on the basis of a credit value-at-risk model, as commonly used in the sector. Monte Carlo simulations are used to generate loss allocations. The stochastic model is based on market data (e.g. data provided by rating agencies) and takes account of the likelihood of defaults as well as the likelihood of a switch from one rating class to another.

Counterparty risk is limited by achieving a broadly diversified mix of investment categories, taking into account the relevant regulatory provisions governing the area of business concerned, and by carefully selecting issuers and reinsurance partners.

We counter the creation of cluster risks arising from the concentration of large or different investments with a single issuer by applying lines, and by limiting the maximum permitted investment volume per issuer. W&W Group bases the evaluation of issuers and the determination of limits on the assessment of international rating agencies as well as own risk classifications.

Contracting parties and securities are limited mainly to parties and instruments with top credit quality in the investment grade range. The lines for the important issuers and counterparties are subject to continuous review.

Any threats of default from customer business, investments or reinsurance business are dealt with in the income statement through appropriate value adjustments and provisions.

The approach to creating allowance for credit losses and value adjustments, and how these developed in 2009, is detailed in the Notes on pages 94 and 122. Our assets are listed on page 185, according to rating category and maturity structure.

As a consequence of the financial crisis, unsecured and subordinated exposures (especially from investments in the financial sectors) remain subject to rating-induced default risks. However, our exposure generally features a comparatively good collateralisation structure. Our investments with financial institutions are largely secured by government guarantees and guarantee obligations, or pledges. We set exacting quality standards (first-class rating, investment grade range) when selecting our contractual parties in relation to the allocation of our other unsecured and subordinated exposures. Our subordinated exposures (profit-participation certificates, silent participations and other subordinated receivables) were reduced by € 180 million during the year, to approx. € 1 billion and thus account for a minor share of the total volume of our investment portfolio. Due to the non-servicing of subordinated exposures, our insurance companies were informed by some banks of the non-servicing of interest payments falling due. Interest payment defaults in the year under review totalled € 12.4 million. The issuers in question comprise mainly Landesbank Baden-Württemberg, Bayerische Landesbank and Commerzbank. Further defaults cannot be ruled out in the future.

The financial markets and economic crisis had a massive and marked effect on the situation of the local authorities. Rating downgrades and the discussions about the necessary support measures for countries with higher debt levels triggered a significant rise in the risk premiums for government bonds. Our exposure to government bonds issued by countries being discussed - Portugal, Ireland, Italy, Greece and Spain in particular - totals approx. € 1.1 billion, with the majority of some € 655 million invested in Italy.

Although prices for securitisation transactions recovered towards mid-year, we created write-downs on our investments in one ABS fund during the course of the year. All in all, the hidden encumbrances were reduced significantly compared with the end of the previous year, owing to write-downs and improved performance. Investments are carefully observed and analysed so that any risks in relation to how the markets develop can be identified at an early stage, and counter-measures taken. In conjunction with the financial crisis, the ratings of some issuers, with which W&W Group have business relationships, were downgraded. Rising default probabilities lead to falling rating grades and therefore to an increase in the risk capital requirement to be provided.

As a range of management instruments, our loan portfolio model, which is subject to continuous enhancement, allows us to dynamically adjust credit lines to rating changes.

Concentration risks

Concentration risks are defined as potential losses arising either from the combination of similar risks or as a result of the accumulation of various different risks relating to the same counterparty that, when considered together, are significant enough to jeopardise the solvency or general financial situation of our Group. Typically, concentration risks arise as a result of counterparty risks, market price risks, actuarial risks, liquidity risks or a combination of these.

We have set up a monitoring and reporting system, whereby concentrations with regard to a single counterparty - such as an issuer or concentrations arising from particular claim events above an internally defined threshold - are reported to our Group Risk Management organisational unit. All concentration risk reports from all of the individual companies are forwarded to this unit, so that the aggregated risk for the Group as a whole can be considered in its entirety.

By diversifying our investments, applying limit and line systems and clearly defined acceptance and underwriting guidelines in lending and insurance business, as well as by purchasing appropriate reinsurance cover, we are able to limit concentration risks.
Owing to the regulatory legislation in place (investment directives for insurance companies and building societies) and higher internal rating requirements, W&W Group is invested exponentially in financial institutions. Accordingly, W&W Group is subject in particular to the systematic risk of the financial sector, in addition to the company-specific risk. Government guarantee and support measures, and largely positive corporate news from some banks in the financial sector that are relevant to the sector, means that the default probability of significant financial institutions with whom W&W Group has business relationships has declined from today's perspective.

Actuarial risks

Actuarial risks are the risks associated with possible losses arising from the uncertainty over how claims, services and the costs of concluded insurance policies will develop in the future - but where the premiums have been set in advance.

W&W Group operates in the direct insurance business, offering life, health and property/casualty insurance products, almost exclusively for private and commercial customers on the domestic market. After the sale of the new business activities of its UK branch, WürttUK, Württembergische Versicherung AG does not face any major industrial risks and is no longer involved in reinsurance business. Active reinsurance business with partners outside the Group is only carried out on a very limited scale by W&W AG, in the form of its participatory holding in some German market pools.

As a result of W&W AG giving up its active reinsurance operations for the greater part some years ago, this not being an area that fits in to the Group's strategy, and following the sale of WürttUK, international risk exposure has been significantly reduced. The renewal rights of the English subsidiary of Württembergische Versicherung AG as of 01 January 2008, were sold at the end of 2007. The portfolio that was underwritten before 31 December 2007 remains with Württembergische, and will be settled by means of a service agreement through Antares Underwriting Services Ltd. This results in specific settlement risks. The contractually agreed risk-mitigating measures are tracked continuously within the scope of the risk management. Settlement risks from existing business were hedged by creating appropriate provisions.

Due to our business orientation, with a focus on corporate and private clients, there is no threat to our continued existence resulting from large-scale individual risks. Insurance against terror risks from our policies has been excluded or restricted for the most part by transferring the policies to the specialist insurer Extremus. Cumulative risks are most likely in the case of natural disasters (e.g. storms, hail, flooding), which have however, increased over recent years in terms of both frequency and the value of the resulting claims.

In our Property/Casualty Insurance business, we value actuarial risks at their net present value, i.e. taking into account future payment flows on the basis of a value-at-risk model. Monte Carlo simulations are used to generate loss allocations. Stochastic modelling is supplemented with claim scenarios, in which the occurrence of different large-scale natural disasters is assumed.

To assess the risks arising from catastrophes, natural disasters or cumulative events, W&W Group also makes use of the simulation results of reinsurance undertakings and brokers that specialise in this field. These results are incorporated into our stochastic model.

To limit the actuarial risks on a gross and net basis, i.e. before and after reinsurance, various different instruments and measures that combine to provide effective and appropriate cover are employed.

Our rate and underwriting policy is geared towards risk and reward, and is supported by corresponding incentive systems for the mobile sales force. The price calculation is based on actuarial calculations and statistical analyses of existing portfolios and costs. Risks are assumed on the basis of stipulated guidelines, and with due attention being paid to the maximum underwriting amounts defined for each type of business.

The risk of natural disasters is countered with suitably tailored rates and adjusted contractual conditions for critical areas, as well as with risk exclusions. As well as using our mix of business areas and products to balance out the risk, our efficient claims management and a cautious claim reserves policy means that we can limit our actuarial risk on a gross basis. The adequacy of the reserves are reviewed regularly, using actuarial reports and sensitivity analysis. How our claim reserves have developed can be seen from the claims settlement triangles depicted under page 140 of the Notes. Overall, this overview shows that adequate claim reserves have always been created to date. With regard to the net claim and net settlement ratios, please refer to the Notes.

The security measures are complemented on a net basis by purchasing adequate reinsurance cover for individual risks and cumulative risks across all of the different business areas. The reinsurance programme is adjusted annually to the business development, taking into account the risk-bearing capacity.

Further details on actuarial risks with regard to Property/Casualty Insurance, and the instruments used to minimise these, can be found from page 102 of the Notes.

Actuarial risks arise from life assurance and health insurance, especially from cost risks and biometrical risks. These risks are subject to longer-term adjustment trends and are influenced by exogenous influences such as mortality, life expectancy or progress made in medical science. Short-term fluctuation risks and the risk of errors also come into play.

These risks are monitored on an ongoing basis using actuarial analyses, the results of which are taken into account in the actuarial product design and rate models. The calculation basis includes an additional amount, which would be enough to even out relatively small fluctuations in the calculation assumptions on biometry, interest rates and costs. In addition to the analysis of its own findings, W&W Group also relies on industry recommendation and guidelines of the German Association of Actuaries in order to estimate the actuarial risks. To face up to the trend of rising life expectancy, the safety margin in the actuarial reserves to cover the risk of longevity was increased further. The calculation basis was judged to be appropriate, by both the supervisory authority and the German Association of Actuaries.

In addition to a rate and underwriting policy in line with the risks involved, and the cautious and appropriate creation of reserves, risk is limited on a net basis through reinsurance taken out with high-quality reinsurers to cover individual and cumulative risks. Additionally, existing extensive controlling measures exist on a risk, product and distribution level, as well as close coordination between actuarial mathematics and investment.
Further information on the actuarial risks involved in the life assurance business and the instruments used to minimise these, as well as on the structure of our actuarial reserves, is provided from page 103 in the Notes.

Collective risks

The collective risks affecting loan savings business are potential losses that could arise due to changes in customer behaviour that are not due to interest rate levels, and due to use being made of existing product options. Such changes could include, for example, the customer deciding to stop payments temporarily or permanently, the above-target use of bonus rates of interest, or the choice or change of rate.

To value collective risks, Wüstenrot Bausparkasse AG and the Czech Wüstenrot stavební spořitelna a.s. use stochastically supported simulations, in which modified customer behaviour is depicted through targeted changes to the relevant collective parameters. The parameters are regularly compared with actual performance in order to identify deviations at an early stage. Any sustained deviations that are determined are included in the parameterisation of the model. Effects on the long-term model results are analysed, and any significant deviations are communicated. Quantification is at its net present value, taking into account future payment flows on the basis of the value-at-risk approach, whose parameterisation as well as historical developments and forecast results of the simulation model for the loan savings business are used.

The results of the simulations are incorporated into rate and product development, so that we are in a position from an early stage to identify disruptions to a balanced relationship between saving and lending, and manage these accordingly.

Operational risks

We define operational risks as potential losses arising from the inappropriateness or failure of internal processes or systems, or to human error, or occurring as a result of externally-driven events. Legal and tax risks are also classified as operational risks.

During the year under review, changes to the technical systems and processes used at the credit service centre for the Home Loan and Savings Bank division and strong new business activity created a backlog with regard to processing applications and disbursing loans. Immediate measures were introduced to tackle this situation, and work to eliminate the backlog is now on schedule.

We closely followed the increased risk of an extensive H1N1 pandemic during the year. In order to counter against pandemic risks, we took various preventative measures and drew up further optional action plans, which are available when acutely necessary.

Since the start of 2009, the risk inventories of all significant individual companies are compiled in a Group-wide uniform software application. The individual risks are classified according to their probability and loss potential. They are subsequently transferred into a risk matrix. On the basis of the information thus provided on the risk situation in the individual companies, the reporting of operational risks to management units is extended, and protective management and monitoring promoted. Based on the risk inventory, scenario analyses are created to assess the level of threat and the sensitivity of operational risks.

Furthermore, a range of guidelines on conduct, company rules and operational regulations exist within the W&W Group, as well as processes, systems and controls set up to guarantee that workflows progress properly, efficiently and without disruption. Our aim is raise our employees' awareness of possible risks and to establish an appropriate risk culture so that potential weaknesses and gaps can be identified as early as possible and quickly remedied.

Last year, the optimisation of the internal control systems was enhanced throughout the Group. The Business Continuity Management will be consistently expanded in 2010. Regular quality checks, along with information and ongoing staff training, ensure that the security level achieved is maintained and forms the basis for further improvements.

IT development, IT operations and IT service are all areas covered by W&W Informatik GmbH. This company has its own risk management system, which also considers the IT risks facing the individual companies and provides regular reports on these. Detailed testing and backup procedures for application and computer systems, the redundant design of the in-house and the external telecommunications structure and further protective measures minimise the risk of IT failure.

Legal and tax risks are dealt with through ongoing monitoring and analysis of legislation and actions by the financial authorities. The Group Compliance Committee acts as a central body to monitor compliance with the laws and guidelines. More detailed information on our corporate governance, as well as the composition of the committee can be found on page 255 of the Management Report of W&W AG.

Strategic risks

We regard strategic risks as being the potential losses that could result from the Group or individual companies moving in the wrong strategic direction or failing to achieve strategic targets: in other words, general commercial risk. As well as risks associated with changes in the legal, political or social environment, strategic risks also encompass risks arising from the sales and procurement markets (distribution risks), earnings and cost risks and risks to reputation.

Owing to the financial crisis and its effects on the economic framework, we believe we are increasingly exposed to income and reputational risks, as well as distribution risks. In order to reach our ambitious targets, we continue to work on the cross-selling successes that have already been posted. For more details, please refer to the Segment Reporting and Outlook sections.

Exogenous market influences are intensively monitored and analysed. Sensitivity analysis is used to assess medium to long-term risks and our options for tackling these. Our aim is to identify strategic risks early on so that appropriate risk management strategies and measures can be developed and implemented in good time.
We value strategic risks using event-related scenario calculations and expert estimates. We incorporate these results across business divisions into our internal risk-bearing capacity model by providing an appropriate lump sum for these results.

In terms of the actions of policy-makers and the supervisory authority, we are observing an increasing level of European harmonisation and expansion of creditor and consumer rights, as a result of which greater requirements are being made in terms of transparency, documentation and communication, as well as the control of operational activity. We are keen to accept these challenges and also believe that with W&W Group, we are well-prepared to successfully implement the requirements.

Liquidity risks

We define liquidity risks as potential losses arising from a lack of liquid funds or if such funds are more expensive to acquire than expected (refinancing and market liquidity risk), as well as the risk of a sustained lack of funds (failure to pay risk) in order for us to honour our payment obligations at maturity.

Our liquidity management is geared towards being able to meet all our financial commitments at all times, and on a sustained basis. The focus of our investment policy is primarily based on ensuring liquidity at all times.

A Group Liquidity Committee was established during the year under review to strengthen our governance structures. Furthermore, the liquidity situation is regularly reported on at the Group Board Risk meetings. We secure our liquidity situation from today's perspective on the basis of a weekly report of all key companies in W&W Group. The continuous monitoring of the liquidity plans of the Group companies is carried out by Group Risk Management. The optimisation of the Group-wide liquidity risk management, in terms of organisational structures and workflows, leads to more transparency and process security. A new consolidated liquidity plan provides a Group-wide view of our liquidity situation.

The individual companies are basically responsible for managing the balance of current cash and cash equivalents, monitoring the liquidity targets in the future by comparing potential cash inflows and outflows in a funding matrix. The basis for this is standardised liquidity planning, taking the maturity structures of the receivables and liabilities into account. The calculated surpluses or deficits then represent the basis for the investment or financing decisions. Sensitivity analyses are used to evaluate the effects and coverage potential of specific behaviours of capital markets and customers.
Contingency plans and a liquidity cushion ensure that we can also overcome such unusual situations. The maturity structure of our financial instruments, plus our technical

provisions, are detailed from page 166 in the Notes. The funding volume of our banks is secured through diversified funding potential. In the course of diversifying the funding potential, our banks tap new funding sources and continue to operate significant amounts in open market transactions with the European Central Bank (ECB).

By adhering to a defined share of good quality securities that are eligible for central bank and repurchase transactions, we retain flexibility in relation to our funding operations and thus reduce our refinancing risk. We were able to exploit the significant growth in the volume of our savings accounts and time deposits to substitute short-term, unsecured refinancings in particular. Besides optimising our refinancing structure, we also benefited from the reduction in our refinancing costs. In 2010, our banks will expand the refinancing base further by introducing a refinancing register.

Our insurance companies generally report a permanently positive liquidity balance, owing to the conditions of the business model, which is characterised by the continuous flow of premium income as well as by repayments from investments.

The systems in place enable our individual Group companies to recognise any liquidity shortages at an early stage and to take the necessary measures; this is facilitated by forward-looking planning and operative cash planning. Known or foreseeable liquidity risks are reported to the management of W&W AG immediately within the context of ad-hoc reporting. To the extent that a company is unable to overcome liquidity bottlenecks alone, refinancing options within the Group can be made available in accordance with contingency planning.

As a financial conglomerate, we benefit especially in difficult markets from the diversification of our funding sources. The possibility of bundling our Group liquidity represents a competitive advantage. Not least does our business model provide us with a solid and diversified liquidity base. There is no evidence at present of any threat to the current payment obligations on an individual or at Group level.

Developments in Risk Management

We invested considerable effort in 2009 to further enhance the quality of our risk management in the Group functions, as well as in the risk-bearing subsidiaries. Besides employing additional highly-qualified employees, we invested in technical systems, such as improved simulation models, projects to optimise processes and not least, in the ongoing integration of our database. A key issue is the development of our internal risk-bearing capacity model. This was extended to include a Group limit system that contributes to the systematic monitoring of risk areas for each business division and individual company. This will be extended by a system of early warning indicators integrated in our risk reporting. The application of the modular risk reporting throughout the Group further improved the significance of risk reporting.

The use of the newly developed credit risk model facilitates and optimises the uniform measurement and management of credit risks in transactions conducted on our own behalf and on behalf of our clients. We also use the loan portfolio model for the continuous monitoring of the portfolio structure in relation to creditworthiness and diversification. The liquidity management of W&W Group was standardised further and integrated throughout the Group. An adequate reporting and early warning system was installed in order to utilise synergies throughout the Group. Measures for further optimisation have already been launched by the responsible Group units.

To implement the amendments and extend the minimum requirements for the risk management of banks, the corresponding projects were conducted in the banks as well as in the cross-sectional Group functions. A Group-wide harmonised new product process was passed to facilitate the intake of new products and new markets, in order to guarantee the highest quality uniform standards possible in analysing the risk of product introduction and exploring new markets.

We are preparing for Solvency II by launching a corresponding cross-section project. Our objective is centralised coordination of the securities management, as well as achieving further improvements in the reporting as well as in model and data quality, which we should arrive at by means of the Group-wide organisational integration of the securities risk management in a central securities middle and back office.

Summary and outlook

The W&W Group has a risk management and risk controlling system that enables it to recognise existing and foreseeable risks in good time, to carry out an appropriate valuation and to control them. The relevant risk management rules are adhered to.

The ongoing development and improvement of our systems, procedures and processes, allows us to take due account of the changing internal and external parameters and their impact on the risk position of the Group and the individual Group companies. The planned measures highlight the importance of a strong enterprise risk management culture for the W&W Group.

The regularity, proper functioning and the suitability of our risk management and risk controlling system are regularly reviewed by the internal audit department.

The Group had sufficient risk-bearing capacity at all times during 2009. Based on our internal model, we had access to sufficient financial means in order to cover (with a high degree of security) the risks that had been assumed.

The regulatory requirements with regard to solvency were also fulfilled at all times. An overview of the regulatory capital resources is provided under No.10a of the Notes to the Consolidated Financial Statements. As at the reporting date, there were no discernible risks capable of jeopardising the continued existence of the W&W Group.

Over the past few years the internal and external demands made of companies' risk management have consistently increased. The international financial markets are facing reorganisation. As a consequence of the global financial crisis, governments and regulatory authorities have already initiated a series of regulatory measures. Further regulatory approaches are currently being discussed on an international, European and national level. The supervisory authorities and external partners such as the rating agencies, are responding to these developments with new and further-reaching statutory provisions and/or tighter requirements.
Against this background, we expect national and international requirements for extending risk management, as well as the monitoring and controlling tools, to be stepped up further in the coming years.

We are closely monitoring the changes in the internal and external environment so that we can react flexibly and in good time. We aim to continuously and consistently expand on the standards achieved in risk management going forwards in 2010. To this end, we have defined a demanding development programme comprising a series of measures and projects relating to our entire risk management process.

Overall, we believe that, through this development programme, W&W Group is well equipped to successfully implement the internal and external demands made of its risk management.

In a continued difficult economic and capital markets environment, we believe that the material individual risks for W&W Group are the imminent systematic risk in the financial sector, and interest rate risk in the case of an enduring period of low interest rates as well as in the event of a sharp and quick rise in interest rates.

Features of the internal control and risk management system pursuant to Section 315 (2) and (5) of the German Commercial Code

Functions and organisation of the accounting-related internal control and risk management system.

The internal control and risk management system in relation to the Group accounting-related process comprises the principles, proceedings and measures implemented by the Management Board in the Group, which are focused on the organisational implementation of decisions made by the Management Board:

- to secure the effectiveness and profitability of the business operations (this also includes protecting the assets, including the prevention and detection of any loss of assets),
- to ensure the regularity and reliability of the internal and external financial accounting (IFRS),
- and to comply with the regulatory provisions that are significant to the Group.

The Management Board assumes overall responsibility for the internal control and risk management system in relation to the Group accounting-related process and for the preparation of the Consolidated Financial Statements and the Group Management Report. The Management Board has entrusted the Group Risk Management and Group Accounting departments in particular, which report to W&W AG's Finance division, as well as Group Audit, which reports to the Chairman of the Management Board, with responsibility for the internal control and risk management system.

The fully-consolidated companies are incorporated through a clearly-defined management and reporting organisation. The IFRS Consolidated Financial Statements and the Group Management Report are prepared in particular by the Group Accounting department, and largely comprise fundamental issues, accounting/reporting, Group accounting and taxes. The Group Risk Management department is responsible for the Group-wide risk management system, as well as for the risk report (cf. the Risk Report on page 37).

As a component of the internal control systems, Group Audit reviews the effectiveness and suitability of the risk management and the internal control system, in accordance with the regulations of the Minimum Requirements for Risk Management (MaRisk), in a risk-oriented and process-independent manner. In order to perform its duties, Group Audit has full and unrestricted information and intervention rights to the activities, processes and IT systems of our fully-consolidated companies.

In addition to the Management and the Supervisory Board acting as a committee with regard to the Group accounting-related process, the Supervisory Board and above all the Audit Committee also engage in their own audit activities. The Supervisory Board has a direct right to information from the Group Audit, incorporating the Management Board.

Furthermore, the Group auditor reviews Group accounting in a process-independent manner. Its audit activities includes in particular the audit of the reporting package of the fully-consolidated companies and investment funds. The duties of the Group auditor also include assessing the effectiveness of the internal control system within the scope of and for the purpose of auditing the consolidated financial statements.
The audit report of the Group auditor is submitted to the Supervisory Board.

Essential characteristics of the accounting-related internal control and risk management system.

With regard to the Group accounting process with the fully-consolidated companies, we take into consideration such features of the internal control and risk management system, which could materially influence the conformity of the Consolidated Financial Statements and Group Management Report to the rules and regulations. The key features are:

- Using a web-based software tool to reproduce and document internal controls, monitoring measures and effectiveness tests on the basis of the Group accounting process in the Group Accounting department. The particular issue relates to the topicality of the process documentation, so that changes to the control and the monitoring measures – as well as to the effectiveness tests – are taken directly into consideration.
- Using a Group-wide, web-based scheduling control to ensure the clear allocation of duties and on-schedule task processing in the preparation and publication of the consolidated financial statements and Group Management Report, such as for example, coordinating internal balances, capital consolidation, monitoring reporting deadlines and report quality in relation to the data of the fully-consolidated companies.
- The provision of adequate policy for establishing guidelines (comprising Group-wide valid risk management standards and accounting standards) that can be adjusted if necessary. Securing in particular the topicality of the accounting standards (IFRS/IFRIC) to be used, and any legal requirements over and above this, by sending an informative mail and updated Group accounting guidelines to the fully-consolidated companies, as well as by making an immediate announcement on the intranet.
- Measures to ensure appropriate quantitative and qualitative personnel cover in the Group in line with the Group accounting process, such as for example internal and external training.
- The unambiguous allocation of functions and tasks in all areas of the Group accounting process; maintaining a clear distinction between the areas of responsibility and the inconsistent activities, such as instructing a payment and booking a payment, or coordinating receivables and liabilities throughout the Group through confirmation of account balances between the fully-consolidated companies with organisational responsibility. Furthermore, provisions are applied throughout the Group to coordinate internal Group issues for elimination purposes;
- Application of generally accepted measurement methods. The methods used and the underlying parameters are controlled regularly and adjusted where necessary (please refer to the Notes to the Consolidated Financial Statements from page 87 for more details).
- Measures for identification and analysis, as well as for avoiding and reducing accounting-related risks, especially in relation to the recognition and measurement of assets and liabilities;
- Implementing current approval processes between main and subsidiary ledgers;
- Using a differentiated access privilege system for the Group accounting-related system, which protects against unauthorised access;

- Applying the principle of dual control to all processes that are relevant to Group accounting;
- Implementing internal programmes and manual plausibility checks within the framework of the entire Group accounting process.

Significant accounting and consolidation processes

The recording and documentation of transactions and other circumstances at the fully-consolidated companies is largely carried out through local accounting systems (3-category accounting), largely SAP systems, taking into account the accounting standards that are applied throughout the Group. To prepare the consolidated financial statements, the information contained in the local accounting systems on transactions and other circumstances at the fully-consolidated companies are aggregated to Group data. W&W Asset Management GmbH, Ludwigsburg is charged with the central management of investment and their transfer to Group data for some of the fully-consolidated companies.

This Group data is enhanced by additional information on standardised reporting packages to the level of the fully-consolidated company in question, and subsequently validated – manually and automated. The relevant fully-consolidated companies are responsible for the completeness and accuracy of the standardised reporting packages.

The external auditor of the relevant fully-consolidated company also audits the standardised reporting packages. Finally, the standardised reporting packages are recorded centrally in SAP EC-CS by the Group Accounting department and are verified. All consolidation steps involved in preparing the consolidated financial statements, such as the capital consolidation, debt consolidation, income and expenditure consolidation or the elimination of the interim result are initially conducted by means of test runs in SAP EC-CS by the Group Accounting department, and then documented.

The individual consolidation steps include system-imminent plausibility checks and validations. The overall quantitative information of the individual components of the consolidated financial statements, including the quantitative condensed notes, are largely generated by SAP EC-CS. The individual consolidation steps are audited by the Group auditor.

The transactions and other circumstances of the fully-consolidated investment funds are recorded and documented by the relevant external capital investment company. The relevant external capital investment company, or W&W Asset Management GmbH, Ludwigsburg, prepare the Group data for the fully-consolidated investment funds, which are subsequently processed into standardised reporting packages and then checked for plausibility. The auditor also checks these standardised reporting packages in a process-independent manner.

Report on expected developments

Expected economic environment

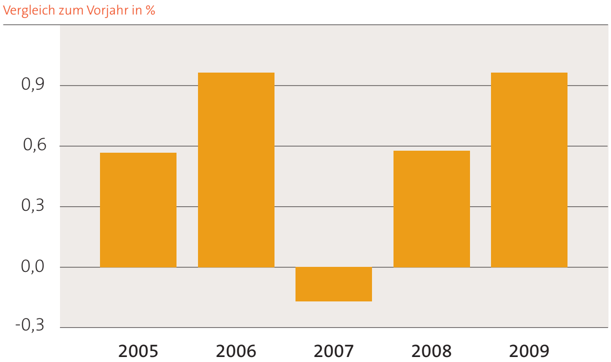
The economic environment as a whole

The economic research institutes are cautiously optimistic on the economic outlook for 2010. Higher growth rates are expected for the German economy in the first half-year, which also benefit from weak figures in the previous year. The continued rise in exports should initially generate a positive momentum – especially in trading with the Asian emerging markets. Inventories should also provide for further recovery. These were scaled back considerably by companies during the recession, and are now being replenished. Additionally, the economic support programmes agreed by the politicians are impacting on public investment. The economic momentum should ease in the second half of the year. We are forecasting an overall growth rate of 1.25 % for 2010.

Unemployment is expected to rise sharply, as the labour market reacts to economic development with a certain time lag. As a consequence, the real disposable income of private households will tend to stagnate. Continuous global economic recovery is expected for 2011, whereby Germany should benefit from rising exports. Economic growth is likely to exceed the 2010 forecasts by 25 to 50 basis points.

Real verfügbare Einkommen in Deutschland

Vergleich zum Vorjahr in %



Quelle: OECD

Capital markets

In view of the stabilising banking system, the positive sentiment on capital markets and the improved economy, we believe the ECB will gradually reduce the provision of liquidity for the financial system in the course of 2010. The first moderate key rate hikes could follow before the end of the year. This will lead to a limited rise in yields on the bond markets.

Although the economic environment will continue to stabilise in the course of 2010 and companies should post earnings growth, the upside potential on European equity markets is limited. Prices as at 31 December 2009 already reflected the improved fundamentals. The more restrictive policy the central banks are likely to adopt will tend to burden equity markets in 2010. The cautious medium-term growth prospects as a consequence of the economic and financial crisis, and the definite hesitant stance of investors, limit the outlook for a significant rise in equity prices.

For the time being, interest rates are expected to rise further in 2011. However, below-average growth in industrial nations, moderate inflation and cautious, gradual streamlining of monetary policy by the central banks could limit the increase in interest rates. The likelihood of volatile development on equity markets in 2011 will reduce the potential for sustained price increases.

Financial position, and profit and loss of the W&W Group

The main objective of the "W&W 2009" programme launched in 2006 was to achieve a return on equity after taxes (ROE) of 9%. At 9.1%, we even surpassed our goal slightly. Other successes of the programme are the further acquisition of market share, enhanced efficiency and the significant strengthening of the risk management. Ultimately, "W&W 2009" enabled us to hold our ground during the financial crisis and exploit our opportunities as "THE expert for savings, investment and risk protection" on the market.

"W&W 2009" created the requirements for the next measures that we now want to tackle actively. The next step is called "W&W 2012". It is built on "W&W 2009", whereby we will stabilise the successes achieved and make improvements where there are still shortfalls. We must generate the financial strength required for these necessary future investments. We will invest in the following, in particular:

- in the planned growth of the business, to be "THE expert for savings, investment and risk protection",
- in expanding a profitable, high-quality portfolio,
- in further consolidating and renewing our IT services,
- in achieving a strongly competitive cost structure and service efficiency,
- in the value-oriented management of W&W Group,
- in the abilities and further qualification of our executives and staff, within the scope of new career concepts,
- in change management,
- and in fulfilling the requirements of government regulation.

The growth planned within this framework is defined by further strengthening of our Home Loan Savings and Property/Casualty Insurance product areas, combined with a focused venture into the growing life/annuity insurance business as well as offering products ranging from bank deposits to fund products.

We secure our customer service operations by means of multiple distribution channels. We target our customers via six distribution channels. Our two well-known mobile sales forces, with their tremendous potential, remain at the heart of our distribution activities. We plan to invest in these mobile sales forces, and to set up and expand additional distribution channels such as brokers, banks, other financial service providers and direct activities.

On the basis of our retirement provision advisory service, we want to offer clients our tailor-made products and product combinations from both business divisions, and set new benchmarks with the unique retirement provision services that are only offered by "THE expert for savings, investment and risk protection".

We aim to generate sustainable annual Group net income of around € 250 million after taxes as of 2012.

The global financial and economic crisis leads to considerably more uncertainties in relation to forecasting. Deviations from the forecasted economic and capital market developments can impact on W&W Group.

Our solid business model provides us with a solid and diversified liquidity base. Our liquidity management is geared towards being able to meet all our financial commitments at all times and on a sustained basis. This requirement is also fulfilled through liquidity planning. The liquidity situation is described in detail in the Risk Report, in the "Liquidity Risks" section on page 46.

Our liquidity planning continues to show an appropriate liquidity situation for 2010 and 2011.

Segment performance

Home Loan and Savings Bank

The market environment for property financing remains difficult. The deterioration in the labour market and income prospects is likely to lead to an increasingly cautious stance among consumers, who will tend to postpone investment decisions. Furthermore, the high competitive pace and persistent margin pressure represent notable challenges.

We continue to see growth opportunities in the attractive market of private retirement provision through the incorporation of home loan savings and home loan financing within the scope of the Riester subsidies. The coming into force of the Citizens Relief Act also generates additional market opportunities, which we want to consistently exploit. The booming market for renovations and modernisation also offers further growth potential. In the Banking division, we expect stronger demand for solid and secure investment products, as well as rising demand for simple, standardised and transparent products.
Wüstenrot offers a broad range of attractive home loan savings, home loan finance and banking products, to meet these market developments and the underlying customer requirements.

We aim to further increase the volume of new home loan savings business at Wüstenrot Bausparkasse AG in 2010. We expect positive effects from continuously enhanced cross-selling, the Riester home loan savings, and from the new distribution cooperation with HypoVereinsbank and the ERGO insurance group.

In relation to property finance, we want to offer our customers the optimum financing products that are supported by or are independent of home loan savings, in a cooperation between Wüstenrot Bank AG Pfandbriefbank and Wüstenrot Bausparkasse AG. We want to increase the volume of new business here slightly over the previous year.

In the Banking division, we achieved growth in customer deposits in 2009 with our product bundle comprising a free-of-charge current account and attractive cash and term deposit accounts. We want to expand this further in 2010. The new deposit products and the modified online presence should generate growth again in 2010.

We expect the financial result of the Home Loan and Savings Bank division to increase slightly in 2010. The persistent burden of bonus expense for earlier rate generations is offset by improvements achieved by gradually shifting to rates with lower underlying rates of interest. Progress has been made from the growing volume of deposits, and hence the bank's optimised refinancing structure.

Based on our risk structure, we do not expect any serious changes to the allowance for credit losses at the savings bank as well as at the Bank, despite the ongoing very difficult economic environment. The significantly improved processes and structures for assessing and managing risk permit us to identify and limit risks at an early stage.

We expect additional burdens in administrative expenses in 2010, largely in association with IT investments and projects for "W&W 2012".
All in all, the segment result for 2010 - also owing to the planned investments for "W&W 2012" - will not match last year's level. We expect the 2011 result to reach 2010's levels.

In addition to unchanged fierce competition, risks also arise from any deviating development in interest rate levels. Weaker economic development can also trigger risks to our business development.

Life and Health Insurance

We believe that the demand for private retirement provision will remain high in 2010. This is supported, amongst other things, by demographic developments and the rise in the number of persons taking responsibility for their own retirement provisions. Consumers prefer low-risk types of investment as a consequence of the financial crisis. Consumers are therefore expected to focus on the life insurance products in the years ahead, to ensure secure, transparent and long-term, stable private retirement provision. Given that economic development is reducing the financial scope for independent retirement provision, products provided in the future must increasingly facilitate comprehensive provision – and at the same time offer sufficient flexibility to adjust to the different life and employment phases.

We expect the volume of our new life insurance business to increase in 2010 - assuming constant single-premium business. We will also better support our distribution structures and intensify cross-selling within the Group. On the other hand, we will continue to pursue our successful product policy – as with the much-awarded "Genius PrivatRente" product innovation we introduced in 2009. We will also focus on meeting the full requirements of our customers in the future.

Our investment policy is defined by consistent risk orientation, not least due to the uncertain situation that continues to prevail on financial markets. Efficient, quick-reacting risk management offers us the opportunity to achieve a stable financial result that is in line with the market and will be influenced less by external factors. The reserve that was significantly improved last year should be strengthened again.

The investments in the "W&W 2012" modernisation programme will lead to a short-term rise in administrative expenses.

Private health insurance still hinges to a large extent on the statutory environment. The new civil coalition is a step in the right direction. The coalition contract also has concrete plans in place, for example to abolish the three-year waiting period, to limit the offer of optional and additional rates offers by the state health insurance schemes, or by buying supplementary funded nursing care insurance.

Against this background, we are cautiously optimistic about the growth potential for Württembergische Krankenversicherung AG in private full-value insurance. We see significant potential in supplementary insurance, especially in nursing care insurance.

All in all, we expect the segment result for Life and Health Insurance to rise in 2010 and 2011.

The outlined development bears the risk of negative development on capital markets or significant counterparty risk (please refer to the chapter on "Counterparty risks" on page 41 of the Risk Report). Weakening economic development would jeopardise our ability to reach our new business targets. Economic risks arising from legislative changes could be at the expense of private healthcare insurance.

Property/Casualty Insurance

Falling portfolio stability and a further increase in price sensitivity is expected in the property/casualty insurance sector. The General Association of the German Insurance Industry (Gesamtverband der Deutschen Versicherungswirtschaft e. V. (GDV) assumes that premium income in 2010 will be down 0.5% on the previous year. Also against the background of the financial and economic crisis, private households, who are seeing hardly any rise in disposable income, are once again reviewing expenditure for insurance cover – or are adopting a cautious stance in relation to new cover. Competition is expected to lead to another reduction in motor insurance premiums.

Despite the enduring difficult market environment , we expect the growth in new business in 2009 to continue into 2010. In order to reach this goal, we will expand the Württembergische exclusive sales force, make further progress with the strategic distribution channel of the insurance broker, and sensitise the Wüstenrot mobile sales force even more for cross-selling in the property and casualty insurance sectors. We will continue to optimise our product range through further product innovations such as in third-party liability, legal expenses or motor insurance.

In addition to growth, another core element of the "W&W 2012" programme is to enhance efficiency and profitability. The planned transfer of our insurance portfolio to a standardised administrative system as well as bundling central services in W&W Service GmbH should help to significantly reduce costs. However, these face high initial investments, for example in our IT systems. We want to increase the efficiency of our organisational branch offices in distribution.

On account of the planned investments within the scope of "W&W 2012", we expect the segment result for 2010 to come in below the previous year. The segment result for 2011 should exceed that of 2010.

Risks could arise if expectations differ from actual developments on capital markets, with the corresponding effects on our investments. Risks could also emerge from price competition, which remains intensive. Our projections have also assumed normal claim development. Unusual claim developments could burden results.

All other segments

The companies incorporated in this segment are outlined on page 34. The key developments for the segment result are outlined below.

The investment sector expects the positive trend for fund sales that started in 2009 to continue, due to the slight increase expected in interest rates and the anticipated moderate economic growth. Other rationale for fund sales come from the tax benefits from the Citizens Relief Tax that came into effect in January 2010, still-low interest rates on cash and term deposits and high sums maturing in the life insurance business. Against this background, we expect our investment companies to increase gross fund sales in 2010 and 2011, as well as a further increase in the volume of funds under management. The latter should have a positive impact on net commission income. The investment companies' earnings are threatened by deteriorating economic and capital market developments, and the associated decline in the volume of funds under management.

While the home savings market in the Czech Republic benefits at least from the change in investment preferences of consumers towards safer and calculable financial products, the crisis means that the overall market for home loan financing will remain difficult. Following the significant rise in new business at Wüstenrot stavební spořitelna a.s. in 2009, we expect new home loan and savings business for 2010 to remain at last year's level. The restructuring measures we conducted last year in distribution will support the prospects for new business.

The slowdown in the Czech mortgage market since 2008 is likely to continue in 2010 too. Wüstenrot hypoteční banka a.s. succeeded in maintaining new business levels in 2009, despite this declining market environment. This is also targeted at least for the years ahead.
Private retirement provisions remains an attractive growth market in the Czech Republic too. Demographic development and poor state provisions placed increasing demand on additional individual private retirement provision. As a result of the financial crisis, the demand for products with guaranteed benefits increased on the one hand, while the financial scope for individual private retirement provision fell on the other. Owing to the distribution measures implemented and the planned gradual adjustment of the rates to market requirements, growth in new business is expected at Wüstenrot životní pojišt'ovna a.s.

We therefore expect the Czech companies to post higher results in 2010 over 2009, and forecast a stable result for 2011.

Earnings in the Czech Republic are subject to risk from the changes to the state subsidies for home loan savings. In addition, the Czech mortgage bank harbours risks from limited refinancing opportunities and the associated funding costs.

The income situation of W&W AG crucially depends on the dividends and profit transfers of the subsidiaries. Their earnings developments are detailed in the information provided for the respective segments. Equity investments are eliminated from the consolidated financial statements within the scope of the consolidation.

W&W AG also generates contributions to results from its reinsurance activities. The external reinsurance business comprises settlement. New business is no longer underwritten. However, business that is still underwritten is generated by internal reinsurance business, which is consolidated within the scope of the overall Group. Assuming ordinary claim development in 2010 and 2011, we continue to forecast a positive actuarial result, to which business in the process of being underwritten also contributes.

Overall view

The "W&W 2009" programme, launched in 2006 in the interests of higher growth, efficiency and profitability, was successfully concluded. At 9.1%, we even slightly exceeded our core objective of achieving a return on equity after taxes of 9%. The successful implementation of "W&W 2009" enabled us to acquire further market share, so that we could start to enhance efficiency and significantly strengthen the risk management. Ultimately, we succeed in holding our ground during the financial crisis and exploiting some of the advantages presented to us. We have thus built the foundations for our next strategic step "W&W 2012".

"W&W 2012" is designed to stabilise the Group over the next three years, by stabilising improvements and making improvements where there are still shortfalls.

The market for private retirement provision remains promising due to demographic developments and the rise in the number of persons taking responsibility for their own retirement provisions. Consumers also prefer secure investment and provision products as a consequence of the financial crisis. W&W Group offers an attractive and comprehensive product portfolio that is fully tailored to meet the needs of our clients, and corresponds ideally to the requirements. Further product innovations should ensure this in the future too. We also want to expand our distribution power. This gives rise to growth prospects that we want to utilise in 2010 and 2011 in the Home Loan Savings and Banking divisions, in Life Insurance as well as in relation to Property/Casualty Insurance products.

We aim to achieve a sustainable result of € 250 million after taxes as of 2012. For this purpose, we will invest an additional amount of roughly € 280 million in the next three years. The investments will lead to lower results in 2012 and 2011; however, the figures should not fall below of € 140m and € 180m in 2010 and 2011 respectively.

Cautionary forward-looking statement

This Annual Report, and especially the Outlook, contain forward-looking statements and information.

These forward-looking statements represent estimates based on all of the information available at the current time. They can involve known or unknown risks, uncertain and unknown factors, but also opportunities. The number of different factors that influence the business activity of the W&W Group could mean that the actual results differ from current expectations.

However, the company cannot therefore accept liability for the forward-looking statements. There is no obligation to adjust forward-looking statements to actual events.

Consolidated Financial Statements

Consolidated statement of financial position

Assets

€ 000's	Note #	31 Dec 2009	31 Dec 2008	1 Jan 2008
A. Cash reserve	1[1]	110,322	146,484	182,333
B. Non-current assets held for sale and disposal groups	2	8,997	14,890	89,505
C. Financial assets at fair value through profit or loss	3	1,966,968	1,525,188	1,706,279
D. Available-for-sale financial assets	4	16,888,671	12,733,841	13,029,552
E. Receivables	5	45,903,234	45,564,984	48,845,167
I. Loans and advances to banks		15,103,954	16,684,549	19,097,928
II. Receivables from reinsurance business		103,799	103,732	183,355
III. Loans and advances to customers		30,624,338	28,631,462[2]	29,312,744[2]
IV. Portfolio hedge adjustment		– 11,772	—	—
V. Other receivables		82,915	145,241	251,140
F. Allowance for credit losses	6	– 240,813	– 246,595	– 266,346
G. Positive market value of hedges	7	239,523	10,724	19,099
H. Investments accounted for using the equity method	8	141,064	130,173	192,570
I. Investment property	9	1,262,590	1,296,792	1,227,801
J. Reinsurers' share of technical provisions	10	1,818,778	1,898,407	1,988,978
K. Other assets		1,439,330	1,373,267	1,100,024
I. Intangible assets	11	218,592	234,108	203,632
II. Property, plant and equipment, and inventories	12	349,279	360,074	353,487
III. Current tax assets	13	102,747	136,944	131,368
IV. Deferred tax assets	14	646,664	567,043[2]	344,970[2]
V. Miscellaneous assets		122,048	75,098	66,567
Total assets		69,538,664	64,448,155	68,114,962

1 See numbered notes to the consolidated financial statements from page 117.
2 Previous year's figure adjusted due to amendment to IAS 18.

Further information relating to several items of the statement of financial position are summarised in the following notes

- 40 – 46 Notes to financial instruments;
- 47 – 51 Disclosures on risks arising from financial instruments and insurance contracts;
- 55 et seq. Other disclosures

Equity and liabilities

€ 000's	Note #	31 Dec 2009	31 Dec 2008	1 Jan 2008
A. Financial liabilities at fair value through profit or loss	15	**496,451**	**507,002**	**227,690**
B. Liabilities	16	**33,850,121**	**30,195,743**	**32,807,055**
I. Certificated liabilities		1,293,492	2,043,322	3,315,831
II. Liabilities to banks		6,740,072	5,210,199	5,542,903
III. Liabilities from reinsurance business		1,592,859	1,602,442	1,710,444
IV. Liabilities to customers		23,769,784	20,865,770	21,789,959
V. Other liabilities		453,914	474,010	447,918
C. Negative market value of hedges	17	**378,892**	**141,348**	**85,833**
D. Technical provisions	18	**29,123,203**	**28,477,505**	**29,719,736**
E. Other provisions	19	**1,772,143**	**1,589,852**	**1,607,470**
F. Other liabilities		**839,844**	**730,872**	**678,474**
I. Current tax liabilities	20	339,646	243,009	301,623
II. Deferred tax liabilities	21	482,674	475,093[1]	333,610[1]
III. Miscellaneous liabilities	22	17,524	12,770	43,241
G. Subordinated capital	23	**430,686**	**468,198**	**507,455**
H. Equity	24	**2,647,324**	**2,337,635**	**2,481,249**
I. Share in paid-in capital attributable to shareholders of W&W AG		1,460,195	1,374,105	1,374,105
II. Share in retained earnings attributable to shareholders of W&W AG		1,115,485	906,536[1]	1,032,792[1]
III. Non-controlling interests		71,644	56,994	74,352
Total equity and liabilities		**69,538,664**	**64,448,155**	**68,114,962**

1 Previous year's figure adjusted due to amendment to IAS 18.

Further information relating to several items of the statement of financial position are summarised in the following notes

- 40 – 46 Notes to financial instruments;
- 47 – 51 Disclosures on risks arising from financial instruments and insurance contracts;
- 55 et seq. Other disclosures

Consolidated statement of comprehensive income

Consolidated income statement

€ 000's	Note #	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Income from available-for-sale financial assets		844,697	997,299[1]
Expenses for available-for-sale financial assets		415,957	1,694,135[1]
1. Net income from/net expense for available-for-sale financial assets	25	428,740	– 696,836
Income from investments accounted for using the equity method		1,736	1,861
Expenses for investments accounted for using the equity method		1,984	17,573
2. Net expense for investments accounted for using the equity method	26	– 248	– 15,712
Income from financial assets and liabilities at fair value through profit or loss		1,578,462	2,198,619[1]
Expenses for financial assets and liabilities at fair value through profit or loss		1,414,592	1,880,716[1]
3. Net income from financial assets and liabilities at fair value through profit or loss	27	163,870	317,903
Income from hedges		132,059	52,681
Expenses for hedges		132,294	46,486
4. Hedge result	28	– 235	6,195
Income from receivables, liabilities and subordinated capital		2,112,859	2,321,491[1,2]
Expenses for receivables, liabilities and subordinated capital		1,065,232	1,418,432[1]
5. Net income from receivables, liabilities and subordinated capital	29	1,047,627	903,059
Income from allowances for credit losses		47,891	67,939
Expenses for allowances for credit losses		173,699	120,422
6. Net expense for allowances for credit losses	30	125,808	52,483
7. Net financial result		**1,513,946**	**462,126**
Income from investment property		87,636	91,457
Expenses for investment property		64,605	81,752
8. Net income from investment property	31	**23,031**	**9,705**
Fee and commission income		202,006	203,589[4]
Fee and commission expenses		549,598	581,887[2,4]
9. Net fee and commission result	32	**– 347,592**	**– 378,298**
Premiums/contributions earned (gross)		3,936,041	3,880,760
Premiums ceded to reinsurers		– 168,546	– 196,389
10. Premiums/contributions earned (net)	33	**3,767,495**	**3,684,371**
Insurance benefits (gross)		3,855,217	2,991,558
Claim recoveries from reinsurers		– 127,352	– 199,637
11. Insurance benefits (net)	34	**3,727,865**	**2,791,921**
Amount carried forward		**1,229,015**	**985,983**

€ 000's	Note #	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Amount brought forward		**1,229,015**	**985,983**
Personnel expenses		585,157	573,421[2]
Other administrative expenses		401,370	380,803
Amortisation, depreciation and impairment		55,133	55,112
12. General administrative expenses	35	**1,041,660**	**1,009,336**
13. Measurement gain/loss for non-current assets and disposal groups classified as held for sale	36	**985**	**– 1,740**
Other income		288,316	296,707[1]
Other expenses		184,700	171,282[1,3]
14. Net other income/expense	37	**103,616**	**125,425**
15. Earnings before income taxes from continued operations		**291,956**	**100,332**
16. Taxes on income	38	**70,264**	**33,264[2,3]**
17. Consolidated net income		**221,692**	**67,068**
Result attributable to shareholders of W&W AG		212,317	59,702
Result attributable to non-controlling interests		9,375	7,366
18. Earnings per share in €[5]	39	**2.40**	**0.69[2]**
of which attributable to continued operations		2.40	0.69

1 Previous year's figure adjusted due to a change in presentation of income and expenses from currency translation.
2 Previous year's figure adjusted due to amendment to IAS 18.
3 Previous year's figure adjusted due to a change in presentation of expenses for other taxes.
4 Previous year's figure adjusted in accordance with IAS 8.42.
5 Basic earnings per share correspond to diluted earnings per share.

Further information relating to several items of the statement of financial position are summarised in the following notes

- 40 – 46 Notes to financial instruments;
- 47 – 51 Disclosures on risks arising from financial instruments and insurance contracts;
- 55 et seq. Other disclosures

Condensed consolidated statement of comprehensive income

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Consolidated net income	221,692	67,068
Recognised in equity	67,128	– 478,650
Reclassified to the income statement	39,534	316,408
Measurement gains/losses from available-for-sale financial assets	106,662	– 162,242
Measurement gains/losses from investments accounted for using the equity method	7,594	– 2,389
Recognised in equity	– 36,804	– 16,589
Reclassified to the income statement	3,438	– 1,492
Measurement gains/losses from cash flow hedges	– 33,366	– 18,081
Currency translation differences of independent foreign operations	994	– 294
Actuarial gains and losses from defined benefit plans	– 37,810	17,060
Other comprehensive income, net of tax	44,074	– 165,946
Total comprehensive income for the period	**265,766**	**– 98,878**
Attributable to shareholders of W&W AG	244,779	– 100,691
Attributable to non-controlling interests	20,987	1,813

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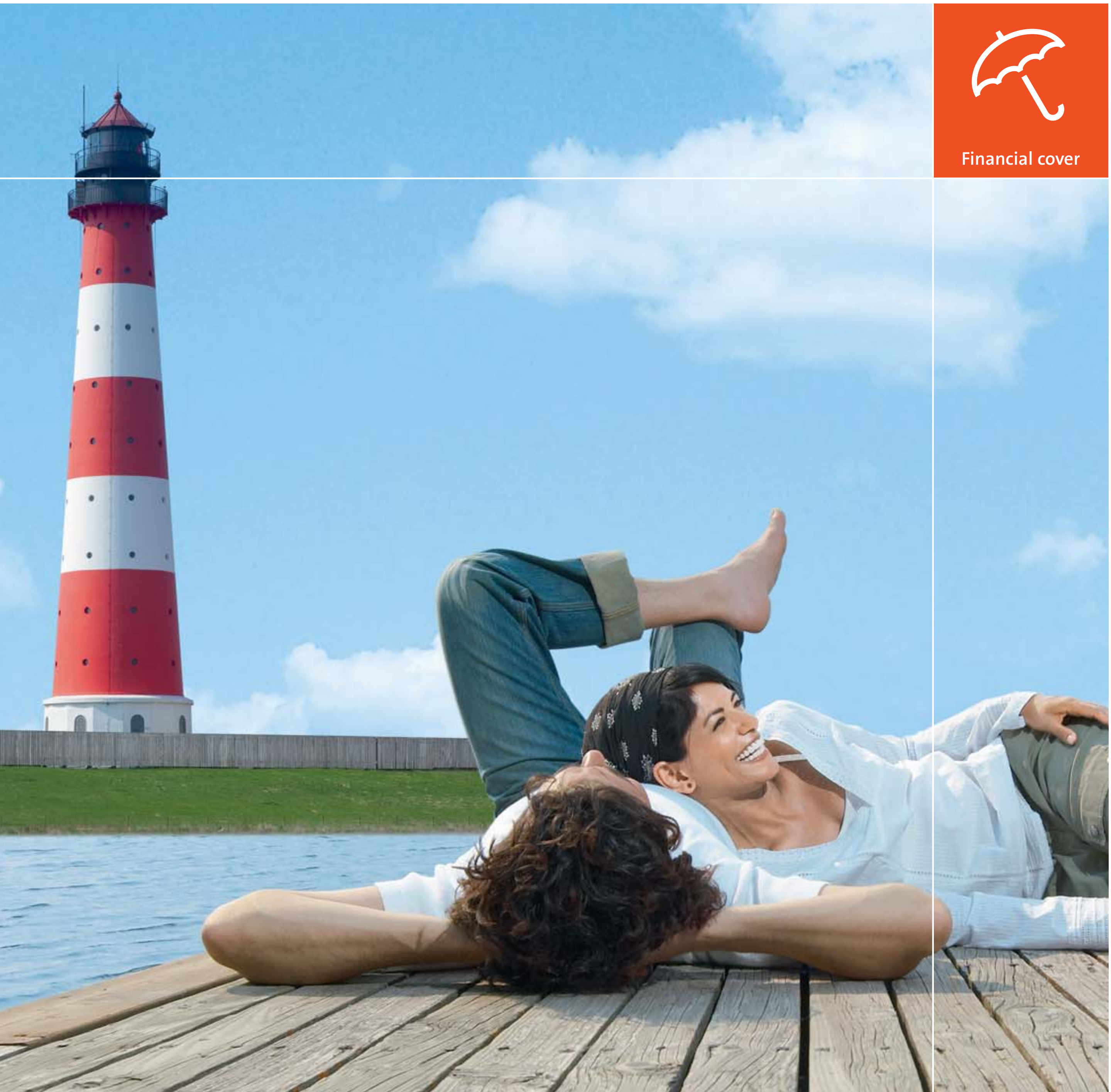

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Consolidated statement of changes in equity

	Attributable to shareholders of W&W AG		
	Subscribed capital	Capital reserve	Retained earnings
€ 000's			
Equity as at 1 Jan 2009	451,001	923,104	1,093,688
Retrospective adjustment due to IAS 8	—	—	– 10,786
Equity (adjusted) as at 1 Jan 2009	451,001	923,104	1,082,902
Changes in the scope of consolidation	—	—	—
Consolidated net income	—	—	212,317
Measurement gains/losses			
from available-for-sale financial assets	—	—	—
from investments accounted for using the equity method	—	—	—
from cash flow hedges	—	—	—
Currency translation differences of independent foreign operations	—	—	—
Actuarial gains and losses from defined benefit plans	—	—	—
Total comprehensive income for the period	—	—	212,317
Dividends paid to shareholders	—	—	– 43,122
Capital increase	30,067	56,023	—
Other	—	—	7,294
Equity as at 31 Dec 2009	481,068	979,127	1,259,391

							Non-controlling interests	Total equity
			Revaluation reserve	Reserve from currency translation	Reserve for pension obligations	Total		
	from available-for-sale financial assets	from investments accounted for using the equity method	from cash flow hedges					
	– 131,950	19,197	– 25,165	11,886	– 50,334	2,291,427	56,994	2,348,421
	—	—	—	—	—	– 10,786	—	– 10,786
	– 131,950	19,197	– 25,165	11,886	– 50,334	2,280,641	56,994	2,337,635
	—	– 2	—	—	—	– 2	—	– 2
	—	—	—	—	—	212,317	9,375	221,692
	95,152	—	—	—	—	95,152	11,510	106,662
	—	7,438	—	—	—	7,438	156	7,594
	—	—	– 33,366	—	—	– 33,366	—	– 33,366
	—	—	—	745	—	745	249	994
	—	—	—	—	– 37,507	– 37,507	– 303	– 37,810
	95,152	7,438	– 33,366	745	– 37,507	244,779	20,987	265,766
	—	—	—	—	—	– 43,122	– 3,409	– 46,531
	—	—	—	—	—	86,090	—	86,090
	—	—	—	—	—	7,294	– 2,928	4,366
	– 36,798	26,633	– 58,531	12,631	– 87,841	2,575,680	71,644	2,647,324

	Attributable to shareholders of W&W AG		
	Subscribed capital	Capital reserve	Retained earnings
€ 000's			
Equity as at 1 Jan 2008	451,001	923,104	1,060,471
Retrospective adjustment due to IAS 8	–	–	– 12,312
Equity (adjusted) as at 1 Jan 2008	451,001	923,104	1,048,159
Changes in the scope of consolidation	–	–	7,375
Consolidated net income	–	–	59,702
Measurement gains/losses			
from available-for-sale financial assets	–	–	–
from investments accounted for using the equity method	–	–	–
from cash flow hedges	–	–	–
Currency translation differences of independent foreign operations	–	–	–
Actuarial gains and losses from defined benefit plans	–	–	–
Total comprehensive income for the period	–	–	59,702
Dividends paid to shareholders	–	–	– 43,122
Other	–	–	10,788
Equity as at 31 Dec 2008	451,001	923,104	1,082,902

	Revaluation reserve			Reserve from currency translation	Reserve for pension obligations	Total	Non-controlling interests	Total equity
	from available-for-sale financial assets	from investments accounted for using the equity method	from cash flow hedges					
	24,091	21,403	– 6,821	12,165	– 66,205	2,419,209	74,352	2,493,561
	—	—	—	—	—	– 12,312	—	– 12,312
	24,091	21,403	– 6,821	12,165	– 66,205	2,406,897	74,352	2,481,249
	50	129	—	–779	– 6	6,769	2,327	9,096
	—	—	—	—	—	59,702	7,366	67,068
	– 156,091	—	—	—	—	– 156,091	– 6,151	– 162,242
	—	– 2,335	—	—	—	– 2,335	– 54	– 2,389
	—	—	– 18,344	—	—	– 18,344	263	– 18,081
	—	—	—	500	—	500	– 794	– 294
	—	—	—	—	15,877	15,877	1,183	17,060
	– 156,091	– 2,335	– 18,344	500	15,877	– 100,691	1,813	– 98,878
	—	—	—	—	—	– 43,122	– 5,760	– 48,882
	—	—	—	—	—	10,788	– 15,738	– 4,950
	– 131,950	19,197	– 25,165	11,886	– 50,334	2,280,641	56,994	2,337,635

Consolidated statement of cash flows

The consolidated statement of cash flows shows the changes in cash and cash equivalents in the W&W Group during the year under review. For this purpose, three types of cash flows are determined: cash flows from operating activities, investing activities and financing activities.

The consolidated statement of cash flows from operating activities are determined using the indirect method. The item "Other adjustments" includes the reclassification of cash flows from interest and dividends received as well as from interest and taxes paid in the year under review.

In the year under review, cash and cash equivalents consist of the item "Cash reserve" included in the statement of financial position in the amount of € 110.3 million (2008: € 146.5 million) as well as deposits at banks and savings banks payable on demand, which are included in loans and advances to banks, totalling € 581.5 million (2008: € 822.9 million) (see Note 1 and Note 5). The cash reserve consists of cash on hand, balances with central banks, balances in foreign postal giro accounts as well as public-sector debt instruments with an original term to maturity of up to three months.

Restricted cash and cash equivalents amount to € 94.3 million (2008: € 69.3 million). The restriction is attributable to minimum reserve requirements of the European Central Bank and the Czech Central Bank.

The cash flows from operating activities are mainly characterised by the increase of liabilities to banks and customers as well as the increase of loans and advances to customers. The cash flows from investing activities saw an increase in payments for investment activities compared to the previous year, while the reduced cash receipts from disposals of financial assets caused the net balance of cash flows from investing activities to remain negative. The capital action undertaken during the year under review resulted in an increase of net cash flows from financing activities. In aggregate, cash and cash equivalents as at 31 December 2009 amounted to € 691.9 million, thus below the previous year's level of € 969.4 million. This decline was attributable to increased investments.

The purchase price for VVB totalled € 79.0 million, representing a disposal of cash and cash equivalents by that amount. Cash and cash equivalents acquired amounted to € 24.4 million. The price for the sale of the interests held in Baden-Württembergische Investmentgesellschaft mbH (previously accounted for using the equity method) was € 4.5 million. An payment of € 185 thousand was made for the acquisition of the business operations of "Depotverwaltung W&W". Cash and cash equivalents acquired amounted to € 2.4 million.

Consolidated statement of cash flows

€ 000's	2009	2008
Consolidated net income (less non-controlling interests)	212,317	59,702[1]
Non-cash items included in consolidated net income and reconciliation to net cash flows from operating activities:		
Net income from/net expense for investments accounted for using the equity method	248	15,712
Result attributable to non-controlling interests	9,375	7,366
Amortisation, depreciation, impairment losses and reversals of impairment losses of intangible assets and property, plant and equipment	55,133	52,837
Amortisation, impairment losses and reversals of impairment losses of receivables and financial assets	312,711	1,024,397
Increase/decrease in technical provisions	283,838	– 826,799
Increase/decrease in other provisions	21,416	– 1,511
Changes in deferred tax assets and liabilities	– 81,869	– 18,560[1]
Net gain/loss from the disposal of intangible assets and property, plant and equipment	– 1,103	740
Net gain/loss from the disposal of financial assets	– 32,380	354,039
Other non-cash expenses/income	– 6,302	– 20,798[1]
Other adjustments	– 1,468,500	– 1,330,483
Subtotal	**– 695,116**	**– 683,358**[1]
Changes in assets and liabilities from operating activities:		
Increase/decrease in loans and advances to banks	2,402,750	2,617,890
Increase/decrease in loans and advances to customers	– 1,067,553	1,026,271[1]
Increase/decrease in deposits retained by reinsurers on assumed reinsurance and accounts receivable from reinsurance business	3,284	79,622
Increase/decrease in other assets	– 143,682	208,531
Financial assets and liabilities at fair value through profit or loss	– 171,963	392,734
Increase/decrease in liabilities to banks	1,529,222	– 332,704
Increase/decrease in liabilities to customers	1,016,292	– 926,994
Increase/decrease in certificated liabilities	– 749,830	– 1,272,509
Increase/decrease in deposits retained by W&W on ceded business and accounts payable from reinsurance business	– 16,495	– 108,003
Increase/decrease in other liabilities	– 10,002	– 99,246
Interest received	2,949,445	3,124,140
Dividends received	47,186	212,047
Interest paid	– 1,481,925	– 1,859,948
Cash payments/refunds of income taxes	– 21,373	– 118,227
I. Net cash flows from operating activities	**3,590,240**	**2,260,246**

1 Previous year's figure adjusted due to amendment to IAS 18.

Statement of cash flows (continued)

€ 000's	2009	2008
Cash receipts from the disposal of intangible assets and property, plant and equipment	17,598	361
Cash payments to acquire intangible assets and property, plant and equipment	– 55,582	– 43,965
Cash receipts from the disposal of financial assets	9,108,842	10,369,258
Cash payments to acquire financial assets	– 12,859,188	– 12,414,240
Cash receipts from the disposal of consolidated companies and other business units	—	—
Cash and cash equivalents disposed on the sale of consolidated companies	—	—
Cash payments to acquire consolidated companies and other business units	– 79,185	– 1,099
Cash and cash equivalents acquired on the purchase of consolidated companies	26,761	3,517
Cash receipts from the disposal of investments accounted for using the equity method	4,500	3,970
Cash payments to acquire investments accounted for using the equity method	—	—
II. Cash flows from investing activities	– 3,836,254	– 2,082,198
Cash receipts from capital increases	86,089	—
Dividend payments to owners	– 43,122	– 43,122
Dividend payments to other shareholders	– 3,409	– 5,760
Changes from subordinated capital	– 46,242	– 39,256
Interest payments on subordinated capital	– 24,834	– 27,529
III. Net cash flows from financing activities	**– 31,518**	**– 115,667**
Cash and cash equivalents as at 1 Jan	969,403	906,240
Net change in cash and cash equivalents (I.+II.+III.)	– 277,532	62,381
Effects of exchange rate changes on cash and cash equivalents	– 7	782
Cash and cash equivalents at 31 Dec	691,864	969,403
Components of cash and cash equivalents:		
Cash reserve	110,322	146,484
Balances with banks and savings banks payable on demand	581,542	822,919
Cash and cash equivalents at the end of the financial year	691,864	969,403

Notes to the consolidated financial statements

General notes

The Management Board of Wüstenrot & Württembergische AG authorised the consolidated financial statements for publication on 5 March 2010. The consolidated financial statements will be submitted for approval by the shareholders at the Annual General Meeting on 10 June 2010.

Basis of the consolidated financial statements

Financial reporting standards

International Financial Reporting Standards (IFRS) and interpretations (IFRIC) applied
The consolidated financial statements of W&W AG were prepared in accordance with IFRS, as adopted by the European Union, pursuant to Section 315a (1) of the German Commercial Code (HGB, Handelsgesetzbuch) in conjunction with Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament, and of the Council of 19 July 2002 on the application of international accounting standards.

All standards and interpretations that had been issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission for application in the EU as at the date of preparation of these consolidated financial statements have been complied with, to the extent required to be applied by and relevant for the W&W Group. The consolidated financial statements of W&W AG meet all requirements of IFRS.

Our consolidated financial statements consist of:

- the consolidated statement of financial position,
- the consolidated statement of comprehensive income,
- the consolidated statement of changes in equity,
- the consolidated statement of cash flows and
- the notes to the consolidated financial statements.

We also prepared a group management report.

International Financial Reporting Standards (IFRS) applied for the first time in the year under review
Starting in the financial year 2009, the W&W Group applied the following standards for the first time as required.

- IAS 1 (rev. 2007) Presentation of Financial Statements,
- IAS 32 (rev. 2008) Financial Instruments: Presentation and IAS 1 (rev. 2008) Presentation of Financial Statements,
- IFRS 7 (rev. 2009) Financial Instruments: Disclosures,
- IFRS 8 (2006) Operating Segments,

- Improvements to IFRSs (May 2008) within the framework of the IASB's annual improvements project

IAS 1 (rev. 2007) Presentation of Financial Statements: The first-time application of IAS 1 requires W&W to present a statement of comprehensive income as part of the financial statements starting in the financial year 2009. The statement of comprehensive income is a reconciliation from the result after taxes to total comprehensive income for the period, which includes non-owner changes in equity. The W&W Group made use of the election to present the statement of comprehensive income in two separate statements. The titles of the previous components of the financial statements remain unchanged. Income tax effects, as well as adjustments resulting from reclassifications in relation to the individual components of the non-owner changes in equity, have to be disclosed. In addition, the statement of changes in equity is now shown as a separate component of the financial statements. The amendments to IAS 1 only related to the presentation of financial statements and had no effect on the financial position and performance of the W&W Group.

IAS 32 (rev. 2008) Financial Instruments: Presentation and IAS 1 (rev. 2008) Presentation of Financial Statements: The changes mainly referred to the distinction between equity and liabilities. In accordance with the amendment to IAS 32, cancellable financial instruments, in particular, (currently defined as financial liabilities) may be classified as equity provided certain criteria are met. The changes did not have an impact on the financial position and financial performance of the W&W Group.

IFRS 7 (rev. 2009) Financial Instruments: Disclosures: The amendments to IFRS 7 require additional disclosures with respect to the determination of fair value and to liquidity risk. In particular, entities have to present in a three-stage hierarchy to what extent the fair values of financial instruments are determined on the basis of quoted market prices or using inputs not based on observable market prices. The first-time application of these amendments required additional disclosures in the consolidated financial statements of W&W, but had no effects on the financial position and performance of the W&W Group.

IFRS 8 (2006) Operating Segments: IFRS 8 replaces the previously applicable IAS 14 Segment Reporting and is based on the management approach. Accordingly, the main factors for segmentation and segment-related disclosures is information used by the management in deciding how to allocate resources and in assessing the performance of the divisions. In accordance with the transitional requirements, the previous year's figures included in segment reporting were also determined pursuant to IFRS 8. The amendments to IFRS 8 only related to the presentation of financial statements and had no effects on the financial position and performance of the W&W Group.

Improvements to IFRSs (May 2008): The IASB issued a number of minor changes to various existing standards within the framework of the its annual improvements project. The major portion of the changes is required to be applied for reporting periods beginning on or after 1 January 2009. The major changes required to be made within the W&W Group resulted from the amendment to the appendix of IAS 18. The effects of this amendment on the consolidated financial statements of W&W are described in the section "Changes in accounting policies". The remaining amendments to standards within the framework of the Annual Improvements Project 2008 had no material effects on the financial position and performance of the W&W Group.

The following standards, which were required to be applied for the first time in the financial year 2009, were not relevant for the consolidated financial statements of W&W:

- IFRS 1 (rev. 2008) First-time Adoption of International Financial Reporting Standards and related amendments to IAS 27 (rev. 2008) Consolidated and Separate Financial Statements
- IFRS 2 (rev. 2008) Share-based Payments
- IAS 23 (rev. 2008) Borrowing Costs

Published International Financial Reporting Standards (IFRS) not yet required to be applied

The following list only includes those International Financial Reporting Standards which could be relevant for the W&W Group. In addition, the IASB has published further IFRSs which are not relevant for the W&W Group, as there are no transactions within the Group that may fall under the scope of application of these regulations. The standards concerned are: IAS 32 Financial Instruments: Presentation, IFRS 1 First time Adoption of International Financial Reporting Standards and IFRS 2 Share-based Payments. We did not opt for voluntary application of published IFRSs which are not yet required to be applied.

IAS 24 (rev. 2009) Related Party Disclosures: The revised version of IAS 24 was published on 4 November 2009. The amendments result in a simplification of the reporting obligations of government-related entities. In addition, the definition of related parties was revised. The revised standard is required to be applied for financial years beginning on or after 1 January 2011. The effects of the first-time application on future consolidated financial statements of W&W is currently reviewed.

IAS 39 (rev. 2008) Financial Instruments: Recognition and Measurement – Eligible Hedged Items: In July 2008, the IASB published amendments to IAS 39 with respect to eligible hedged items included in hedging relationships. The amendment clarifies under which circumstances an entity can designate inflation as the hedged item, and governs the use of options to hedge one-sided risks. The clarifying changes stipulate that only cash flow or fair value changes of a hedged item above or below a particular price or another variable can be classified and presented as a hedging instrument. The changes to IAS 39 are effective for financial years beginning on or after 1 July 2009 and are required to be applied retrospectively. The changes are expected to have no impact on the financial position and financial performance of the W&W Group.

IFRS 3 (rev. 2008) Business Combinations and IAS IAS 27 (rev. 2008) Consolidated and Separate Financial Statements: In January 2008, the IASB published the revised standards IFRS 3 and IAS 27. The major changes to IFRS 3 primarily relate to the accounting for non-controlling interests, the recognition of business combinations achieved in stages (or step-acquisitions) as well as the accounting method used for contingent consideration and acquisition-related costs.

The revision of IAS 27 resulted in a change of provisions for the accounting for transactions with non-controlling shareholders of a Group and transactions resulting in a loss of control in a subsidiary. In future, effects of a disposal of shares that do not result in a loss of control will be accounted for as equity transactions (i.e. transactions with owner in their capacity as owners). In contrast, the effects from the disposal of shares that result in the loss of control have to be recognised in profit or loss.

The amended standards are largely required to be applied for financial years beginning on or after 1 July 2009. The effects on the financial position and performance of the W&W Group will depend primarily on the type and extent of future transactions.

Improvements to IFRSs (April 2009) within the framework of the IASB's annual improvements project: In April 2009, the IASB published amendments to existing IFRSs within the framework of its annual improvements project. The changes are required to be applied for financial years beginning on or after 1 January 2010, unless stated otherwise in the relevant standard. The amendments have yet to be endorsed by the EU. The W&W Group does not expect the application of these amendments to have a material impact on its financial position and performance.

IFRS 9 (2009) Financial Instruments: The IASB published IFRS 9 Financial Instruments in November 2009 as the first part of a three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes new rules for the classification and the measurement of financial instruments, and only applies to financial assets for the time being. Accordingly, financial instruments are divided into two classification categories: financial instruments measured at at amortised cost and financial instruments measured at fair value. The classification is made on the basis of the business model used by the entity to manage its financial assets and the contractual cash flow characteristics of the financial asset concerned. Items have to be reclassified between the fair value category and the amortised cost category when the business model used by the entity to manage its financial assets changes. The previous cost exemption for unquoted equity instruments for which the fair value cannot be determined reliably is deleted. Upon the initial recognition of equity instruments that are not held for trading, the standard provides for an irrevocable election to present changes in the fair value in other comprehensive income. Any impairment losses, and gains or losses from subsequent disposal, must not be recognised in profit or loss. Dividends received on such equity instruments are recognised in the income statement.
There is another irrevocable election to designate financial assets as measured at fair value through profit or loss, if doing so eliminates or significantly reduces accounting mismatches. In connection with the first-time application of this standard, this fair value option also applies to financial liabilities, irrespective of the fact that financial liabilities are excluded from the scope of this IFRS. There is no separation of host contract and embedded derivative for accounting purposes, as stipulated in IAS 39. The classification has to refer to the entire structured (hybrid) instrument.
The new standard is required to be applied for financial years beginning on or after 1 January 2013. The W&W Group is currently reviewing any possible effects on our financial position and performance.

Presentation of financial statements

The consolidated financial statements are prepared in euros. The amounts in the financial statements are presented in € thousand. For the sake of transparency, amounts included in the notes to the consolidated financial statements are stated in € million or € billion. Rounding differences may occur compared to the unrounded amounts reported in the financial statements.

Changes in accounting policies

In order to improve transparency and (above all) comparability of financial reporting, we have made the following changes in terms of presentation of items in the statement of comprehensive income and the consolidated income statement:

The result from other taxes is no longer shown in the item "Taxes", but in "Net other income/expense". The item "Taxes", which now only includes taxes on income, was renamed accordingly "Taxes on income".

Furthermore, foreign currency gains or losses from financial instruments are excluded from "Net other income/expense" and are now reported in the relevant items of the net financial result. The aim of this change of presentation is to report foreign currency gains or losses more appropriately on the basis of their origin. This improves the meaningfulness of the financial statements as this line item may also include the contributions from corresponding hedging instruments from economic hedging relationships.

Comparative information was adjusted accordingly to reflect these changes in presentation. These reclassifications did not result in a change of our consolidated net income.

Within the framework of the annual improvements project 2008, the wording of the appendix to IAS 18 was adjusted to the definition of transaction costs included in IAS 39. Accordingly, borrowing costs may only be capitalised to the extent that they meet the definition. The changes in the appendix of IAS 18 were applied retrospectively, in accordance with IAS 8. Accordingly, the capitalised direct costs of borrowing existing as at 31 December 2008 were offset against retained earnings, taking into account deferred taxes: the opening statement of financial position as at 1 January 2008, and the figures for the comparative period, were adjusted by the effects resulting from the changed standard. Therefore, the disclosures to earnings per share also have been changed.

The changes in accounting policies have the following effects on the consolidated statement of financial position and the consolidated income statement for the financial year 2008:

Adjustments made to assets reported in the consolidated statement of financial position

€ 000's	31 Dec 2008 before restatement	Changed capitalisation of transaction costs	31 Dec 2008 restated	1 Jan 2008 before restatement	Changed capitalisation of transaction costs	1 Jan 2008 restated
E. Receivables	45,580,411	– 15,427	45,564,984	48,862,777	– 17,610	48,845,167
I. Loans and advances to banks	16,684,549	—	16,684,549	19,097,928	—	19,097,928
II. Receivables from reinsurance business	103,732	—	103,732	183,355	—	183,355
III. Loans and advances to customers	28,646,889	– 15,427	28,631,462	29,330,354	– 17,610	29,312,744
V. Other receivables	145,241	—	145,241	251,140	—	251,140
K. Other assets	1,372,073	1,194	1,373,267	1,098,828	1,196	1,100,024
I. Intangible assets	234,108	—	234,108	203,632	—	203,632
II. Property, plant and equipment, and inventories	360,074	—	360,074	353,487	—	353,487
III. Current tax assets	136,944	—	136,944	131,368	—	131,368
IV. Deferred tax assets	565,849	1,194	567,043	343,774	1,196	344,970
V. Miscellaneous assets	75,098	—	75,098	66,567	—	66,567
Total assets	**64,462,388**	**– 14,233**	**64,448,155**	**68,131,376**	**– 16,414**	**68,114,962**

Adjustments made to liabilities reported in the consolidated statement of financial position

€ 000's	31 Dec 2008 before restatement	Changed capitalisation of transaction costs	31 Dec 2008 restated	1 Jan 2008 before restatement	Changed capitalisation of transaction costs	31 Jan 2008 restated
G Other liabilities	734,318	– 3,446	730,872	682,576	– 4,102	678,474
I. Current tax liabilities	243,009	—	243,009	301,623	—	301,623
II. Deferred tax liabilities	478,539	– 3,446	475,093	337,712	– 4,102	333,610
III. Miscellaneous liabilities	12,770	—	12,770	43,241	—	43,241
I. Equity	2,348,421	– 10,786	2,337,635	2,493,561	– 12,312	2,481,249
I. Share in paid-in capital attributable to shareholders of W&W AG	1,374,105	—	1,374,105	1,374,105	—	1,374,105
II. Share in retained earnings attributable to shareholders of W&W AG	917,322	– 10,786	906,536	1,045,104	– 12,312	1,032,792
III. Non-controlling interests	56,994	—	56,994	74,352	—	74,352
Total equity and liabilities	**64,462,388**	**– 14,233**	**64,448,155**	**68,131,376**	**– 16,414**	**68,114,962**

Adjustments made to the consolidated income statement 2008

€ 000's	1 Jan 2008 to 31 Dec 2008 before restatement	Changed presentation of other taxes	Changed presentation of foreign currency gains or losses of financial instruments	Changed capitalisation of transaction costs	1 Jan 2008 to 31 Dec 2008 restated
Income from available-for-sale financial assets	900,389	—	96,910	—	997,299
Expenses for available-for-sale financial assets	1,589,839	—	104,296	—	1,694,135
1. Net income from available-for-sale financial assets	– 689,450	—	– 7,386	—	– 696,836
Income from financial assets and liabilities at fair value through profit or loss	1,997,946	—	200,673	—	2,198,619
Expenses for financial assets and liabilities at fair value through profit or loss	1,679,444	—	201,272	—	1,880,716
3. Net income from financial assets and liabilities at fair value through profit or loss	318,502	—	– 599	—	317,903
Income from receivables, liabilities and subordinated capital	2,265,081	—	50,786	5,624	2,321,491
Expenses for receivables, liabilities and subordinated capital	1,354,084	—	64,348	—	1,418,432
5. Net income from receivables, liabilities and subordinated capital	910,997	—	– 13,560	5,622	903,059
7. Net financial result	**478,049**	—	**– 21,547**	**5,622**	**462,126**
Fee and commission income	245,772	—	—	—	245,772
Fee and commission expenses	622,296	—	—	1,774	624,070
9. Net fee and commission result	**– 376,524**	—	—	**– 1,774**	**– 378,298**
Personnel expenses	571,755	—	—	1,666	573,421
Other administrative expenses	380,803	—	—	—	380,803
Amortisation, depreciation and impairment	55,112	—	—	—	55,112
12. General administrative expenses	**1,007,670**	—	—	**1,666**	**1,009,336**
Other income	645,078	—	– 348,371	—	296,707
Other expenses	536,485	4,715	– 369,918	—	171,282
14. Net other income/expense	**108,593**	**– 4,715**	**21,547**	—	**125,425**
15. Earnings before income taxes from continued operations	**102,863**	**– 4,715**	—	**2,184**	**100,332**
16. Taxes on income	**37,321**	**– 4,715**	—	**658**	**33,264**
18. Consolidated net income	**65,542**	—	—	**1,526**	**67,068**
19. Earnings per share in €	**0.67**	—	—	—	**0.69**

Consolidation

Scope of consolidation

The consolidated financial statements comprise the financial statements of Wüstenrot & Württembergische AG and of all material subsidiaries, mutual and special funds as well as material associates.

A full list of shareholdings of the W&W Group is published in the electronic Federal Gazette (elektronischer Bundesanzeiger). The list of companies included in the consolidated financial statements can be found on pages 217 et seq.

	Germany	Other countries	Mutual and special funds	Total
Subsidiaries				
Included as at 31 December 2008	18	6	29	53
Included as at 31 December 2009	18	7	23	48
Investments in associates accounted for using the equity method				
Included as at 31 December 2008	6	2	—	8
Included as at 31 December 2009	5	2	—	7

Changes to the scope of consolidation

The following companies, which were newly founded in the financial year 2009, were included for the first time in the scope of consolidation: W&W Europe Life Ltd., (Ireland), City-Immobilien GmbH, Stuttgart, and the special fund BWInvest-WVCorp Bonds Fonds, Stuttgart.

Following its disposal, Baden-Württembergische Investmentgesellschaft mbH, Stuttgart, which had been included using the equity method up until 2008, was excluded from the scope of consolidation. Wüstenrot GmbH & Co. Grundstücks-KG, Ludwigsburg, was also excluded from the scope of consolidation due to its merger by way of accrual (Anwachsung).

Victoria Bauspar AG, Munich, was merged with Wüstenrot Bausparkasse AG, Ludwigsburg, by way of a merger agreement dated 28 August 2009. As a result, the company is no longer included in the scope of consolidation.

The following special funds have also been excluded from the scope of consolidation, since they were dissolved or transferred to other fully-consolidated special funds:

- BWInvest-KF 1, Stuttgart
- BWInvest-WAKAM, Stuttgart
- TRIO-Universal-Fonds, Frankfurt
- UIN-Fonds Nr. 600, Frankfurt
- BWK-Fonds 97, Stuttgart

- BWK-Fonds 98, Stuttgart

Due to new issues of fund units in the W&W Euro-Corporate Bond fund to external investors, the share of ownership of the W&W Group in the fund decreased. As a result, the mutual fund was deconsolidated.

In addition, the following special funds were renamed:

- AROS-Universal-Fonds I in LBBW AM-AROS, Stuttgart
- WSV-Universal-Fonds in LBBW AM-WSV, Stuttgart

Disclosure

Wüstenrot & Württembergische AG will publish its consolidated financial statements for 2009 in the electronic Federal Gazette pursuant to Section 264b No. 3 of the HGB.

Consolidation methods

The consolidated financial statements are prepared using uniform accounting policies that were applied consistently throughout the Group.

Business combinations are accounted for under the purchase method. This involves measurement of the assets, liabilities and contingent liabilities of the acquired company at fair value at the acquisition date or at the date of obtaining control, and a comparison with the costs of acquisition (purchase price allocation).

Any remaining excess is carried as goodwill under intangible assets. Any negative difference from the purchase price allocation is recognised in the income statement for the period in which it occurs.

The carrying amount of goodwill is reviewed for impairment at least annually (impairment test). If there are indications of a potential impairment, the impairment test is also performed more frequently. An impairment loss is recognised if the test shows that goodwill is impaired.

Interests of non-controlling shareholders in the fair values of assets, liabilities and contingent liabilities are reported in equity in the item "Non-controlling interests". The shares of non-controlling shareholders in the profits and losses of the companies included in the consolidated financial statements are reported in the income statement in the item "Result attributable to non-controlling interests".

Differences from the accounting for business combinations with respect to companies fully consolidated as at 1 January 2004 under HGB were offset in equity against retained earnings. Intra-group receivables and liabilities as well as expenses and income, and profits or losses resulting from intra-group transactions, are eliminated during consolidation.

All material associates are included in the consolidated financial statements using the equity method. If accounting policies used at a company which is accounted for using the equity method differ from those applicable for the entire Group, adjustments are made to the IFRS accounting policies used in the Group.

Investments in subsidiaries that are not included in the consolidated financial statements by way of full consolidation due to their minor significance are reported in the item "Available-for-sale financial assets".

Reporting date

The financial statements of the parent company, the consolidated subsidiaries and the associates are prepared as at 31 December 2009, except for W&W Asset Management AG, Luxembourg (in liquidation), whose financial statements are prepared as at 30 November 2009. Interim financial statements were not prepared for reasons of materiality.

Currency translation

The functional currency and reporting currency of W&W AG is the euro.

Transactions in foreign currencies are translated at the exchange rate applicable at the date of transaction. Monetary assets and liabilities denominated in a currency other than the functional currency of the relevant Group companies are translated into the functional currency using the reference rate of the European Central Bank (ECB) applicable at the balance sheet date. Non-monetary items carried at fair value are also translated into the functional currency using the reference rate of the ECB applicable at the balance sheet date. Other non-monetary assets and liabilities are measured at the rate applicable on the transaction date (historical exchange rate).

Currency translation differences related to equity instruments held in a foreign currency and classified as available-for-sale financial assets are recognised directly in equity. Other currency translation differences are recognised in the income statement.

Subsidiaries' assets and liabilities included in the consolidated financial statements, where the relevant subsidiaries' functional currency is not the euro, are translated based on the modified closing rate method using the ECB's reference rate at the balance sheet date. Expenses and income of foreign subsidiaries whose functional currency is not the euro are translated using annual average exchange rates.

Currency translation differences are recognised directly in equity. Subsequently, these currency translation differences are transferred to the income statement for the period in which the subsidiary concerned is disposed of. The exchange rates for material currencies changed as follows:

Currency

	Closing rate	Annual average rate	Closing rate	Annual average rate
	2009	2009	2008	2008
USD	1.4406	1.3960	1.3917	1.4726
CZK	26.4730	26.5248	26.8750	25.1610
SKK	—[1]	—[1]	30.1260	31.3142
HRK	7.3000	7.3453	7.3555	7.2301
GBP	0.8881	0.8948	0.9525	0.7972
DKK	7.4418	7.4464	7.4506	7.4560

1 The functional currency was changed to euro as at 31 December 2008.

Business Combinations

Effective 8 July 2009, Wüstenrot Bausparkasse AG, Ludwigsburg, acquired 100% of the voting shares in Vereinsbank Victoria Bauspar AG (VVB). VVB, with its registered offices in Munich, is a private-sector home loan and savings institution and was merged into Wüstenrot Bausparkasse AG by way of a merger agreement dated 28 August 2009. The purchase of VVB involves a multi-year sales cooperation with HypoVereinsbank and companies of the ERGO Insurance Group. This cooperation represents the platform for further growth and serves to further strengthen the market position of Wüstenrot Bausparkasse AG.

The acquisition costs consist of the purchase price paid in cash, in the amount of € 79.0 million, and directly attributable costs of € 0.2 million. The following assets, liabilities and contingent liabilities were acquired/assumed within the framework of the business combination:

Assets

€ 000's	IFRS carrying amount 8 July 2009	Fair value 8 July 2009
Cash reserve	6	6
Available-for-sale financial assets	143,126	143,126
Receivables	1,973,697	1,993,325
Other assets	8,977	31,659
Total assets	**2,125,806**	**2,168,116**

Liabilities

€ 000's	IFRS carrying amount 8 July 2009	Fair value 8 July 2009
Liabilities	1,889,583	1,889,583
Other provisions	125,691	159,699
Provisions for pensions and other long-term employee benefits	35,313	35,313
Other provisions	90,379	124,387
of which: Contingent liabilities	—	23,429
of which: Existing contracts with customers	—	10,579
Other liabilities	3,808	13,867
Subordinated capital	10,321	8,730
Equity	96,403	96,237
Total equity and liabilities	**2,125,806**	**2,168,116**

The amount of cash and cash equivalents belonging to the acquired company comprises the item "Cash funds" included in the statement of financial position in the amount of € 6 thousand as well as deposits at banks payable on demand, which are included in loans and advances to banks, in the amount of € 24.4 million.

In the half-yearly financial report as at 30 June 2009, we described the provisional effects expected in relation to the purchase of VVB. Within the framework of the final first-time consolidation as at 8 July 2009, the following adjustments had to be taken into account resulting in some deviations between the figures shown above and the amounts presented in the half-yearly financial report.

The identification of the assets acquired, and liabilities and contingent liabilities assumed, together with the adjusted measurement, now results in an excess over the cost of acquisition in the amount of € 17.0 million. Thus, the expected negative goodwill (badwill) of € 10.9 million reported in the half-yearly financial report increased by € 6.1 million. The negative goodwill mainly corresponds to expenses for migrations in the IT sector and restructuring costs which may not be capitalised within the scope of purchase price allocation in accordance with IFRS 3.41(b). The negative goodwill was recorded as income in net other income/expense.

After first-time consolidation of VVB, court decisions in favour of the defending home loan and savings banks were issued during the third and fourth quarters 2009. Therefore, the amount of contingent liabilities in connection with pending claims related to consumer protection (due to the collection of loan and acquisition fees in the amount of € 14.1 million) had to be adjusted through corresponding entries in the income statement.

VVB generated a net profit in the period from 1 January to 30 June 2009 in the amount of € 1.3 million after taxes in accordance with the German Commercial Code (HGB). Following the transfer of control, VVB was merged into Wüstenrot Bausparkasse AG during the third quarter of 2009. As a result, the entire bookkeeping was integrated in the corresponding processes of Wüstenrot Bausparkasse AG. Therefore, it is not possible to provide information on the profit or loss of the former VVB since the acquisition date, nor on the total revenue and the success of the combined company for the reporting period under the assumption of an acquisition date of 1 January 2009.

Wüstenrot Bank AG Pfandbriefbank, Ludwigsburg, acquired the business operations of Depotverwaltung W&W from Baden-Württembergische Investmentgesellschaft mbH, Stuttgart, by way of an agreement dated 18 May 2009. Depotverwaltung W&W manages securities accounts of the customers of the W&W Group. The total costs of the acquisition of the business operations amounted to € 240 thousand and was paid in cash. The acquisition costs consist of the purchase price paid in the amount of € 185 thousand, and directly attributable costs of € 55 thousand.

The main factor for the level of the purchase price is the contractual agreement, pursuant to which the transfer of assets, liabilities and contingent liabilities of the business operations is made based on the fair market value. The following classes of assets and liabilities were acquired/assumed within the framework of the acquisition of the business operations:

Assets

€ 000's	IFRS carrying amount 1 Apr 2009	Fair value 1 Apr 2009
Receivables	4,464	4,464
Other assets	4,532	4,532
Total assets	**8,996**	**8,996**

Liabilities

€ 000's	IFRS carrying amount 1 Apr 2009	Fair value 1 Apr 2009
Liabilities	8,172	8,172
Other provisions	207	224
Other liabilities	432	432
Equity	185	168
Total equity and liabilities	**8,996**	**8,996**

The amount of cash and cash equivalents belonging to the acquired company comprises balances payable on demand, which are included in loans and advances to banks, in the amount of € 24.4 million.

As the acquired loans and advances and liabilities mainly consist of current items, the carrying amounts of the assets acquired and liabilities assumed correspond to their fair values. The acquisition of the business operations results in a goodwill of € 72 thousand, being the difference between the acquisition costs and the remeasured net assets acquired. The main factor for the amount of goodwill is the transaction costs required to be recognised.

As a result of the relatively small materiality, and taking into consideration cost-benefit analyses, the goodwill was written down as at 30 June 2009 and recorded under general administrative expenses.

The consolidated income statement for the reporting period includes a profit after taxes of the business operations acquired in the amount € 71 thousand generated since the acquisition date.

If the acquisition of the business operations of Depotverwaltung W&W had been conducted as at 1 January 2009, additional fee and commission income of € 406 thousand and a profit after taxes of € 168 thousand would have been reported for the business operations alone, and fee and commission income of € 202,412 thousand and a profit of € 221,861 thousand would have been reported for the business operations and the W&W Group, both for the period from 1 January 2009 to 30 June 2009. VVB cannot be taken into account for these figures.

Accounting estimates and assumptions

Estimates and assumptions required for recognition and measurement under IFRS are made in line with the relevant standard. These estimates are updated on a continuing basis. They are based on experience and expectations with respect to future events deemed to be reasonable on the basis of the current situation. Existing uncertainties are taken into consideration appropriately for measurement. However, actual results may differ from these estimates. In case estimates were necessary to a greater extent, we provide relevant information in connection with the items concerned and in the notes of individual items.

The main estimates relate to fair values and impairment of financial instruments, allowance for credit losses, provisions for loss and loss adjustment expenses, provisions for future policy benefits, provisions for pensions and similar obligations, as well as deferred taxes.

In the year under review, a change in estimates was made in relation to the determination of impairment losses required to be recognised for securities of W&W Global Strategies Asset-Backed-Securities Fund. This change resulted in a reduction of earnings of € 3.3 million on a net basis for the full financial year.

Financial instruments as well as receivables and liabilities from insurance business

Classes

We grouped financial instruments into classes that take into account the characteristics of the financial instruments and the various types of information to be disclosed, as described in the following section. The classes of financial instruments are reflected in the structure of (and the items included in) the statement of financial position and the income statement.

(1) Cash reserve
(2) Financial assets at fair value through profit or loss
(3) Available-for-sale financial assets
- Equity investments
- Equities, shares in investment funds and other non-fixed-income securities
- Fixed-income securities and receivables
- Other

(4) Receivables
- Loans and advances to banks
- Receivables from reinsurance business
- Loans and advances to customers
- Other receivables

(5) Positive market value of hedges
(6) Financial liabilities at fair value through profit or loss
(7) Liabilities
- Certificated liabilities
- Liabilities to banks
- Liabilities from reinsurance business
- Liabilities to customers
- Other liabilities

(8) Negative market value of hedges
(9) Subordinated capital

Principles for measurement and presentation of financial instruments

All financial assets and financial liabilities, including derivative financial instruments, are recognised in the statement of financial position in accordance with IAS 39.

Additions and disposals of financial instruments are generally recognised at settlement date at the fair value, except derivative financial instruments which are measured at fair value at the inception of the contract. Financial instruments are derecognised as soon as the contractual rights and obligations from the financial instrument expire, or if the financial instrument is transferred and the criteria for derecognition are met.

Cash reserve

This item consists of cash on hand, balances with central banks, balances in foreign postal giro accounts as well as public-sector debt instruments with a term to maturity of less than three months. Items included in the cash reserve are carried at face value.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading

Financial instruments acquired with the objective of generating a profit from short-term fluctuations in prices are classified as held-for-trading financial assets. This item also includes positive market values of derivatives which are not accounted for as a hedging transaction pursuant to hedge accounting criteria.

Unrealised and realised measurement gains or losses are recognised in income in "Net income from financial assets and liabilities at fair value through profit or loss". Current income and expenses from financial instruments as well as fees and commissions from trading transactions are also reported under this item.

Financial assets designated as at fair value

Under the fair value option, structured products are reported as financial assets measured at fair value if the embedded derivative is required to be separated from the host contract.

In addition, the sub-item "Financial assets designated as at fair value" includes investments for the account and risk of life assurance policyholders that are capitalised in order to avoid accounting mismatches that would otherwise have occurred due to the fact that the changes of the carrying amount of the provisions for unit-linked life insurance contracts are recognised in the income statement.

Financial assets at fair value through profit or loss are measured at fair value. All realised and unrealised gains or losses are recognised in income in "Net income from financial assets and liabilities at fair value through profit or loss". Transaction costs are recognised directly in the income statement at the time of transaction.

Available-for-sale financial assets

This item includes all non-derivative financial instruments that cannot be allocated to one of the other categories.

The W&W Group mainly recognises investments, equities, shares in investment funds, other non-fixed-income securities, bearer bonds and other fixed-income securities in this item.

The instruments are measured at fair value. Changes in the fair value are generally recognised in the condensed consolidated statement of comprehensive income under "Measurement gains/losses from available-for-sale financial assets" and in equity under the revaluation reserve. A realisation of gains and losses in the income statement is normally made only upon disposal. Directly attributable transaction costs, redemption premiums and discounts are amortised over the term and recognised in net income from/net expense for available-for-sale financial assets, using the effective interest method.

Interest income is deferred and recognised together with the relevant item.

If there is objective evidence of impairment, the cumulative losses previously recognised directly in equity are transferred to the income statement. In case of an effective hedging relationship with a derivative financial instrument in connection with a fair value hedge, the change in the fair value attributable to the hedged risk is recognised through profit or loss in the hedge result. Reversals of impairment losses of debt instruments are recognised in the income statement, while reversals of impairment losses of equity instruments are recognised directly in equity.

Objective evidence indicating that debt instruments are impaired includes significant financial difficulties, breach of contract, and increased probability that bankruptcy proceedings will be initiated, as well as the disappearance of an active market for financial assets due to financial difficulties of the issuer.

An impairment for equity instruments has occurred also when the fair value of an equity instrument has fallen below its cost significantly, or for a longer period of time. Available-for-sale assets are deemed impaired when the fair value as at the measurement date has declined by at least 20% below cost. Impairment is also deemed to exist when the fair value has been permanently below cost for a period of twelve months.

Receivables

This item comprises all non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. In the W&W Group, this category primarily includes loans under home loan and savings contracts, building loans, promissory note loans and registered bonds.

Upon initial recognition, receivables are measured at fair value. Subsequent measurement is based on amortised cost as determined using the effective interest method. Transaction costs, redemption premiums and discounts as well as deferred fees are amortised over the term using the effective interest method and recognised in net income from receivables, liabilities and subordinated capital. Fees that are not part of the effective interest are recognised in net fee and commission income when they are received.

Interest income is deferred and recognised together with the relevant item.
Receivables from the direct insurance business, deposits retained by reinsurers on assumed reinsurance and accounts receivable from reinsurance business are carried at nominal amounts.

Any credit risks are taken into account through the recognition of specific and general valuation allowances.

The receivables from policyholders from the direct insurance business include acquisition costs reported as claims against policyholders not yet due which were determined by applying a "Zillmer adjustment" (zillmerisation).

Receivables are reviewed for impairment at each balance sheet date, or if any indicators of impairment exist. Impairment losses are recognised if necessary. Reversals of impairment losses are recognised in the income statement. The upper limit for such a reversal is the amortised cost that would have resulted had no impairment occurred. Objective evidence of impairment are those mentioned for available-for-sale financial assets.

Positive market value of hedges

This item includes positive market values of derivatives which represent hedging instruments as part of a hedging relationship pursuant to hedge accounting criteria. The instruments are measured at fair value as at the balance sheet date.

Financial liabilities at fair value through profit or loss

Financial liabilities classified as held for trading

The item "Financial liabilities classified as held for trading" includes the negative market values of derivatives which are not accounted for as hedges as part of a hedging relationship.

Unrealised and realised measurement gains or losses are recognised in income in "Net income from financial assets and liabilities at fair value through profit or loss". Current expenses and income from financial instruments as well as fees and commissions from trading transactions are also reported under this item.

Financial liabilities designated as at fair value

Under the fair value option, financial liabilities which are structured products are reported as financial liabilities measured at fair value if the embedded derivative is required to be separated from the host contract.

Financial liabilities at fair value through profit or loss are measured at fair value. All realised and unrealised gains or losses are recognised in income in "Net income from financial assets and liabilities at fair value through profit or loss". Transaction costs incurred are recognised directly in the income statement.

Liabilities

This item primarily includes liabilities to customers and banks as well as certificated liabilities.

Liabilities are carried at amortised cost. Transaction costs, redemption premiums and discounts are amortised over the term of the transaction using the effective interest method. Fees that are not taken into account in determining the effective interest are recognised in net fee and commission income when they are received. Interest income is deferred and recognised together with the relevant item.

Liabilities from the direct insurance business include liabilities to policyholders, which are premiums/contributions that were received in advance, but will become due only after the balance sheet date. The item also comprises insurance benefits that have not yet been paid, policyholders' shares in surpluses including interest accumulated, and unclaimed premium refunds. Liabilities to insurance agents and from reinsurance business are also reported in this item. These liabilities are carried at their repayment amount.

Negative market value of hedges

This item includes negative market values of derivatives which represent hedging instruments as part of a hedging relationship pursuant to hedge accounting criteria. The instruments are measured at fair value as at the balance sheet date.

Subordinated capital

Subordinated capital comprises subordinated liabilities and profit-participation rights. Items of subordinated capital are initially recognised at cost and subsequently measured at amortised cost. Interest expenses are recognised on an accrual basis together with the relevant item.

Measurement at fair value

The following procedure is used for determining the fair value of financial instruments, irrespective of the category or class to which the relevant financial instrument has been allocated and whether the fair value determined is used for measurement in the statement of financial position or for disclosures in the notes.

The classification of the financial instruments measured at fair value in the statement of financial position is based on a hierarchy which takes into account the significance of the inputs relevant for measurement.

Financial instruments that are traded in an active market are measured at the relevant quoted stock exchange or market price for identical assets or liabilities (Level 1). If there are no quotes on active markets, the fair value is derived from comparable financial instruments or determined using generally accepted valuation techniques based on directly or indirectly observable parameters on the market (e. g. interest rates, exchange rates, volatility) (Level 2). If measurement cannot be performed fully or cannot be performed at all on the basis of exchange or market prices, or using valuation techniques based on directly or indirectly observable market inputs, inputs may be used for the measurement of financial instruments that are not based on observable market data (unobservable inputs) (Level 3).

Quoted stock exchange or market prices are used for the measurement of securities – both equity and debt instruments – of the following items of the statement of financial position: financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss, available-for-sale financial assets, positive market value of hedges, and negative market value of hedges. Derivatives traded on a stock exchange or on a market are also measured using their exchange or market price.

Valuation techniques used for Levels 2 and 3 comprise generally accepted valuation models such as the present value method where the expected future cash flows are discounted using interest rates and interest rate curves valid as at the reporting date and applicable to the relevant maturity, credit risk and markets. This valuation technique is used for the measurement of securities with contractually agreed cash flows reported in the following items of the statement of financial position: financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss, and available-for-sale financial assets. In addition, this valuation technique is used for the measurement of interest rate swaps and non-option forward contracts (e.g. foreign exchange forwards) reported in the following items of the statement of financial position: financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss, positive market value of hedges, and negative market value of hedges. Financial instruments included in the items "Receivables", "Liabilities" and "Subordinated capital", the fair values of which are disclosed in the notes, are also measured using the present value method.

The fair values of options are calculated using generally accepted option pricing models (Black 76 for interest rate options, Black-Scholes for stock options) and the related generally accepted assumptions, depending on the types of options and the relevant underlyings. In particular, the value of options is determined based on the value and volatility of the underlying instrument, the agreed exercise price, reference interest rate or reference index, the risk-free interest rate as well as the remaining lifetime of the contract. The options measured using options pricing models are included in the following items of the statement of financial position: financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss, positive market value of hedges, and negative market value of hedges.

Asset-backed securities not quoted on an active market are measured using generally accepted models, i.e. the present value method, in case the financial instruments underlying the securitisation are reviewed. In this context, the specifications of the individual tranches (e.g. collateral, early repayment, expected default rate, the loss given default, interest rate curve) are taken into account. The assumptions used for measurement are verified using external sources, to the extent available.

The measurement of financial instruments takes spreads into account which include the credit and liquidity risks observable on the financial markets. Spreads are determined using a comparison of reference curves containing the corresponding risk-free interest rate curves for the money market as well as the risk-free swap curves of the relevant financial instrument. A risk premium is used for the customer lending business, which is based on the Company's own ratio for allowances for credit losses.

The fair values of cash and cash equivalents approximate their carrying amount, which is mainly a result of the short-term nature of these instruments. These financial instruments are reported in the item "Cash reserve" on the statement of financial position.

Compound financial instruments, or structured products, are measured as a whole or by aggregating the measurement results of the individual components.

Gains or losses from measurement are largely influenced by the underlying assumptions, in particular the determination of cash flows and the discount factors.

Hedge accounting

A fair value hedge is a hedge of the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment that is attributable to a particular risk and which could affect profit or loss. In the reporting period, we made designations of individual hedging relationships as well as designations of hedging relationships on a portfolio basis.

Any change in the fair value of the derivative used as a hedging instrument is recognised in the income statement. The carrying amount of the hedged item is adjusted by the measurement of gains or losses attributable to the hedged risk, with the relevant amounts from the adjustment being recognised in profit or loss. After the termination of the hedging relationship, the adjustment of the carrying amount of the hedged item is amortised over the remaining term, if appropriate. The cumulative changes in the fair value for the portfolio of financial assets attributable to the hedged risk are reported in the item "Portfolio hedge adjustment" on the asset side of the statement of financial position.

The existing fair value hedges are used to reduce interest rate risk exposure. Only interest rate swaps are designated as hedges of interest rate risk exposures resulting from a decline in value due a change in interest rates.

A cash flow hedge is used to hedge the risk of variations of future cash flows that could affect profit or loss for the period. The risk of variations of future cash flows may result from recognised assets and recognised liabilities, but also from highly probable forecast transactions. The effective portion of the fair value changes of the hedging instrument is recorded in the statement of comprehensive income in the item "Measurement gains/losses from cash flow hedges". The ineffective portion of the hedge is reported in the income statement. The effective portion of the fair value change of the hedging instrument is reported in equity in the revaluation reserve for cash flow hedges.
Cash flow hedges are used to hedge interest rate risk exposures. Only interest rate swaps are used to hedge interest rate risk exposures resulting from variations of interest rate cash flows (cash flow risk).

Structured products

Structured products are assets or liabilities that are characterised by specific terms and conditions with regard to interest, maturity or repayment. A structured product consists of a non-derivative host contract and one (or more) embedded derivatives that modify the cash flows from the host contract. The host contract and the derivative component(s) are inseparably linked. Generally, structured products are reported in the financial statements in accordance with the presentation and measurement requirements applicable for the host contract. If certain criteria as defined in IAS 39.11 are met, the host contract and the related embedded derivatives are reported separately in the financial statements, in accordance with the recognition and measurement requirements used for the individual instruments.

These criteria are:

- The structured product is not already measured at fair value through profit or loss,
- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, and
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Under the fair value option, structured products are reported as financial assets or financial liabilities measured at fair value if the embedded derivative is required to be separated from the host contract.

Impairment

The W&W Group reviews at each balance sheet date whether and to what extent financial assets are impaired or are uncollectible. Only financial assets that are not measured at fair value through profit or loss are tested for impairment. The impairment is determined using uniform principles throughout the Group. The uniform principles used for the calculation of valuation allowances are also described in the disclosures on risks arising from financial instruments and insurance contracts.

The process for the impairment review consists of two steps. During the first step, the financial assets are reviewed as to whether there is objective evidence for impairment. If there is objective evidence of impairment, the impairment losses required to be recognised in profit or loss are determined on the basis of expected future cash flows. The amount of the valuation allowance recognised for financial instruments of the "Receivables" category is measured as the difference between the carrying amount of the receivable and the present value of the expected future cash flows, taking into account any collateral. In the case of financial instruments of the "available-for-sale" category, it is measured as the difference between the fair value of the financial instruments and the carrying amount.

An impairment loss is recognised when one or more events have occurred after the initial recognition of an asset, objective evidence of impairment exists and the event(s) has/have an impact on the asset's future cash flows which can be reliably estimated. Objective evidence includes above all:

- significant financial difficulties of the obligor,
- a breach of contract,
- concessions granted to the borrower due to financial difficulty,
- increased probability that bankruptcy proceedings will be initiated,
- the disappearance of an active market for financial assets because of financial difficulties,
- verifiable data indicating a reduction of future cash flows.

Any impairment identified is taken into account through various accounting procedures. Any impairment of book-entry receivables is deducted from the carrying amount of the receivables and reported in the item "Allowance for credit losses" on the asset side of the statement of financial position. Impairment of financial assets similar to securities and financial assets that are not reported under other items of the statement of financial position (e. g. registered bonds, registered profit-participation certificates, silent partnership contributions) are directly deducted from the relevant carrying amounts.

In case an impairment is identified, specific and portfolio-based valuation allowances are recognised for book-entry receivables. Specific valuation allowances are used to cover imminent counterparty credit risks in the case that it is probable that not all interest and principal payments may be made as contractually agreed.

Portfolio-based valuation allowances are recognised for book-entry receivables for which portfolio-based valuation allowances have not been recognised. Portfolio-based valuation allowances for credit risks are intended to cover impairments in the loan portfolio that have occurred, but that are not yet known.

If further payments are not expected with a high degree of certainty, the receivable concerned is classified as uncollectible. Uncollectible receivables for which valuation allowances have already been recognised are written off against the allowance account. If no valuation allowances have been recognised for a particular uncollectible receivable, the receivable concerned is directly written off as an expense in the income statement. Recoveries on receivables previously written off are recognised as income in the income statement.

After the recognition of specific valuation allowances, the expected recoverable amount of the receivable concerned may increase, and accordingly, the related specific valuation allowances have to be fully or partially reversed in profit or loss.

With respect to impaired items reported under receivables, the interest income resulting from the changes in the present value (present value effect, interest effect or unwinding) has to be recognised, rather than recognising and amortising the actual interest payments as interest income. This interest income is presented as a reduction of the recognised valuation allowance. The actually paid interest continues to be recognised as the interest income for the portfolios with events of default that have been incurred, but have not yet been identified. Interest income from changes in present value are included in net income from receivables, liabilities and subordinated capital.

Additions to valuation allowances and direct write-offs, as well as reversals of valuation allowances and recoveries on receivables previously written off, are recognised in the allowance for credit losses in the income statement.

Other items in the statement of financial position

Non-current assets held for sale and disposal groups

An entity shall classify a non-current asset or a disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

These assets and disposal groups are shown in the item "Non-current assets held for sale and disposal groups" included in the statement of financial position, while the related liabilities are reported in the item "Liabilities directly connected with non-current assets held for sale and disposal groups".

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. If the asset's carrying amount is higher than its fair value less costs to sell, the difference is recognised in the income statement in the related period. Non-current assets classified as held for sale are no longer depreciated or amortised.

The results from the measurement of non-current assets and disposal groups classified as held for sale are presented in the relevant item of the income statement. The post-tax profits or losses of discontinued operations are reported in the income statement in the item "Earnings after taxes from discontinued operations".

Investments accounted for using the equity method

Investments in associates are recorded at cost in the consolidated statement of financial position at the date of acquisition. In subsequent years, the carrying amount as measured by applying the equity method is adjusted by taking into account the pro-rata changes in equity of the company concerned. The pro-rata share in net profit of the company concerned is recognised in the income statement in net income from/net expense for investments accounted for using the equity method.

If there are indications of an impairment of the interests held in a company accounted for using the equity method, an impairment test is performed and, if necessary, an impairment loss is recognised. Impairment losses are reversed if the reasons for an earlier write-down for impairment no longer apply. Impairment losses – and reversals of impairment losses – are recognised in net income from/net expense for investments accounted for using the equity method.

Gains or losses from the disposal of investments accounted for using the equity method are also shown in net income from/net expense for investments accounted for using the equity method.

Investment property

Investment properties include land and buildings held to earn rentals or for capital appreciation.

Initial measurement of investment property is based on its cost, taking into account transaction costs. Recognition and measurement upon acquisition and subsequently is made in accordance with the cost model, as described under the item "Property, plant and equipment, and inventories".

The fair values of individual properties reported in the notes to the consolidated financial statements are determined using the discounted cash flow (DCF) method. Under the DCF method, income (rents, other revenues) and expenses (maintenance, unallocable management costs, costs for vacancies, costs for reletting) expected during a ten-year planning period, as well as the expected sales proceeds received in the final planning year, are discounted to the present value.

Income and expenses are assessed individually, i. e. any commercial rental agreement and any construction project is subject to an individual planning. Similarly, vacancy periods, brokerage fees, etc. for commercial real estate are recorded separately for each unit. In case of residential property, market-based assumptions are utilised in relation to the change of average rents for all residential units during the planning period; here, individual planning is dispensed with due to the similarity of the residential units.

The internal interest rate used is equivalent to a risk-free investment plus a risk premium. Depending on the relevant risk class, the risk premium for properties ranges from 100 basis points (e.g. for residential properties in prime locations) to 250 basis points (e.g. for office properties without obvious advantages/strengths). This results in an interest rate ranging between 5.00% and 6.50%. The valuations are performed by administrative and technical staff members (portfolio managers, controllers, architects and engineers) of the Group's property business. The valuations take into account management assumptions. The fair value of properties managed by third parties is determined by external valuers.

The impairment test for investment property is based on a cash flow analysis. The goal of this impairment test is to determine, at each balance sheet date, whether there are indicators of impairment. If impairment exists, the expected recoverable amount is determined on the basis of the above-mentioned discounted cash flow analysis. If the recoverable amount is below amortised cost, a write-down for impairment to such recoverable amount is recognised.

So-called qualifying assets that necessarily take a substantial period of time to prepare for intended use or sale did not exist within the W&W Group in the year under review. A substantial period exists based on a rebuttable assumption when the purchase, the construction or the production is expected to take more than one year.

Reinsurers' share of technical provisions

The share of reinsurers in technical provisions is carried as an asset.

All reinsurance contracts concluded by W&W Group companies transfer a significant insurance risk, i. e. they are insurance contracts within the meaning of IFRS 4. The share of reinsurers in technical provisions is determined in line with the contractual terms and conditions based on the gross amount of technical provisions (see also the explanations regarding the corresponding liability items).

Intangible assets

Intangible assets comprise goodwill and other intangible assets. Other intangible assets primarily include computer software and the present value of future profits (PVFP) of acquired insurance portfolios.

Goodwill is defined as the excess over the cost of a business combination of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill has an indefinite useful life, and is recognised at cost less any accumulated impairment losses. Impairment losses result from an impairment test which is performed at least annually on the basis of cash-generating units. The cash-generating unit for Württembergische Lebensversicherung AG corresponds to the legal entity.

Within the scope of the impairment test, the recoverable amount of the relevant cash-generating unit is compared with its carrying amount (including goodwill). The recoverable amount of a cash-generating unit is defined as the greater of the fair value less costs to sell and the value in use. As in the previous year, the W&W Group used the fair value less costs to sell as at the reporting date as the recoverable amount. The fair value less costs to sell was determined on the basis of the stock exchange price, taking into account estimated costs to sell.

In the W&W Group, the carrying amount is the subsidiary's equity reported under IFRS. If the carrying amount (including goodwill) exceeds the recoverable amount, a corresponding impairment loss is recognised for goodwill. Impairment losses may not be reversed. The portion of the write-down for impairment attributable to goodwill is recognised in the consolidated income statement.

Other acquired intangible assets with a definite useful life are measured at amortised cost and amortised on a straight-line basis over the expected useful life. Internally generated intangible assets that are likely to provide a future economic benefit for the Group, and that can be reliably measured, are capitalised at cost and amortised on a straight-line basis over their expected useful life. The cost includes all costs that are directly attributable to the production of the assets, and reasonable portions of production-related overheads.

Internally generated or acquired software is generally amortised on a straight-line basis over a useful life of three to eight years. Other intangible assets are tested for impairment annually as at the balance sheet date, or whenever there are indications of impairment. In case of impairment, a write-down for impairment to the recoverable amount is recognised.

The carrying amount of acquired life insurance contracts is the present value of the expected net cash flows from the acquired insurance contracts (PVFP - present value of future profits) at the date of acquisition. This amount represents the present value of the expected profits from the acquired portfolio without taking into account new business or tax effects. The PVFP is amortised on a straight-line basis. It is tested for impairment at each balance sheet date, and an impairment loss is recognised in case an impairment exists.

Amortisation and impairment losses of intangible assets are included in general administrative expenses.

Property, plant and equipment, and inventories

The item "Property, plant and equipment, and inventories" includes owner-occupied property, leased assets, operating and office equipment, inventories and other plant. Owner-occupied property represents land and buildings used by Group companies.

Items of property, plant and equipment are carried at cost, taking into account transaction costs (cost model). External, court-appointed appraisers are engaged to support the measurement process.

The costs of purchase include consideration to be given to acquire an asset and to bring such asset to the condition necessary for it to be capable of operating in the manner intended by management, non-deductible value added tax as well as other levies in connection with the purchase, less any trade discounts and rebates.

The costs of production are determined on the basis of individual unit costs as well as directly allocable overheads. The amount of the costs of production is determined on the basis of the costs to be incurred until completion (production-related full costs).

Subsequent measurement is based on cost less any accumulated depreciation and any accumulated impairment (cost model).

Each part of a property with a cost that is significant in relation to the total cost of the property is depreciated separately. Two such examples are the components "structural work" and "interior fittings/technology".

The individual useful life for the components "structural work" and "interior fittings/ technology" is determined by architects and engineers of the W&W Group's property business and can extend up to 80 years for the structural work component for residential properties and up to 40 years for commercial properties. The maximum useful life for interior fittings/ technology is assumed to be 25 years.

Depreciation of both components is made on a straight-line basis over the relevant expected useful lives.

Impairment losses are recognised in case of a permanent impairment, in which case the carrying amount is written down to the asset's recoverable amount (the higher amount of net selling price and value in use). The value in use is determined as the present value of estimated cash flows from the continuing use of the asset and its subsequent disposal. The discount rates take into account the risks and the interest claims associated with the asset. They are adjusted at each balance sheet date to reflect current conditions. The value in use of items of property, plant and equipment is calculated as the present value of the cash flow surpluses generated from the relevant asset. There is an obligation to redetermine the recoverable amount only upon the occurrence of particular events which indicate that an impairment has occurred as at the balance sheet date. Assumptions of the management are taken into account for the determination of the recoverable amount.

Operating and office equipment is measured at amortised cost. The assets are depreciated on a straight-line basis over an expected useful life of up to 23 years. Purchased IT equipment is depreciated on a straight-line basis over an expected useful life of up to eight years. In addition, write-downs are recognised in case of impairment.

The useful life is largely deemed to be unlimited if items of operating and office equipment are works of art. Impairment losses are recognised in case of a permanent impairment, in which case the carrying amount is written down to the asset's recoverable amount.

The economic useful life is reviewed within the context of preparing financial statements. Adjustments required are recognised as corrections of the depreciation over the remaining useful life of the asset.

Depreciation and impairment losses of owner-occupied property, leased assets and operating and office equipment as well as other plant are included in general administrative expenses.

Income from owner-occupied property, leased assets and operating and office equipment as well as other plant is shown as other income.

Inventories are measured at cost or the lower net realisable value. Cost includes all costs of purchase. The costs of conversion include all costs that are directly attributable to the production of the inventories as well as reasonable portions of production-related overheads. The net realisable value corresponds to the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories that are not interchangeable and segregated for specific projects are assigned by using specific identification of their individual costs. The cost of interchangeable inventories are determined using either the First-In-First-Out method (FIFO) or the weighted average cost method.

Leases

Under finance leases, all material risks and rewards of leased assets are transferred to the lessee. In contrast, all material risks and rewards of leased assets are retained by the lessor under operating leases.

The lease payments from operating leases were amortised on a straight-line basis over the lease term and recognised in general administrative expenses.

In case of a finance lease, the leased asset is capitalised and a liability is reported in the corresponding amount. The capitalised leased assets are depreciated in accordance with the same principles used for other similar assets that are owned by the W&W Group. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability, with borrowing costs being reported in general administrative expenses. Similar to items of property, plant and equipment, leased assets have to be tested for impairment at each balance sheet date.

Current tax assets, deferred tax assets, current tax liabilities and deferred tax liabilities

Current tax assets and liabilities are recognised at the amount expected to be recovered from or paid to the relevant taxation authorities. Deferred tax assets and liabilities are recognised as a result of temporary differences between the carrying amount of the assets and liabilities in the IFRS consolidated statement of financial position and the related tax base in accordance with local tax regulations of Group companies. Deferred taxes are generally calculated using relevant country-specific tax rates. Deferred taxes on loss carryforwards are capitalised if these can be utilised in future.

Technical provisions

To the extent permitted under IFRS 4, the presentation of insurance-specific transactions is generally based on local accounting principles applicable for the relevant Group companies. For German Group companies, the provisions to be applied primarily are those of Sections 341 et seqq. of the HGB as well as of the German Insurance Accounting Directive (Verordnung über die Rechnungslegung von Versicherungsunternehmen, RechVersV).

Technical provisions are shown in their gross amount on the liability side of the statement of financial position, i. e. before deduction of the share attributable to reinsurers. The share attributable to reinsurers is determined based on contractual arrangements and shown as a separate item on the asset side. All insurance contracts concluded by W&W Group companies transfer a significant insurance risk, i. e. they are insurance contracts within the meaning of IFRS 4.

The claims equalisation provision and similar provisions required under local law for property-casualty insurance may not be recognised in accordance with IFRS 4.

The provisions for our reinsurance business were calculated in accordance with the information provided by the direct insurer. If such information was not provided, we calculated the provisions based on data available to us. The same methods were followed in the case of co-insurance and pools managed by third parties.

Unearned premiums correspond to the portion of the premiums written which represents income for a particular period after the balance sheet date Unearned premiums are deferred for each insurance contract on either a daily or monthly basis. Unearned premiums for our reinsurance business were calculated in accordance with the information provided by the direct insurer. Unearned premiums from the transport insurance business are allocated to the item "Provisions for loss and loss adjustment expenses".

The **provision for future policy benefits** for the life assurance business is determined prospectively on a per contract basis as the present value of future guaranteed insurance benefits less the present value of the future net premiums, based on actuarial principles and taking into account the year or month of inception.

With respect to the non-contributory period, the provisions for future policy benefits for life insurance includes a provision for administrative expenses whose amount is deemed sufficient, taking into account current circumstances. Only any guaranteed amounts are taken into account for unit-linked life and annuity assurance policies.

One-off acquisition costs for life and healthcare insurance policies are taken into account by applying a Zillmer adjustment.

In the life insurance segment, the calculatory interest rate used and the biometrical calculation parameters generally correspond to those used for the calculation of the premium rates. The interest rate corresponds to the highest amount permitted under legal or regulatory provisions. Interest rates used ranged between 2.25% and 4%. The average interest rate for the provision for future policy benefits amounts to 3.5%. The biometrical calculation parameters are based on tables customary in the industry and recommended by

Deutsche Aktuarvereinigung (German Association of Actuaries, DAV). In exceptional cases, we used our own tables based on experience.

For annuity assurance policies whose original calculation parameters no longer include sufficient security margins, the calculation parameters published by the German Association of Actuaries are used. These calculation parameters are considered to be sufficient parameters. In the financial year 2009, the confidence level was increased once again, since the task force for biometrical calculation parameters of the German Association of Actuaries recommended an adjustment due to the current trend with respect to the mortality rate of the persons with annuity assurance policies. The increase amounted to one twentieth of the difference between the mortality tables "DAV2004RBestand" and "DAV2004RB20", with probabilities of capital payouts being taken into account as well. The provision for future policy benefits reported was the difference between the provision for future policy benefits based on mortality table "DAV2004RBestand" and the provision for future policy benefits based on mortality table "DAV2004RB20", which difference was determined using a 5/20th linear interpolation.

Supplementary permanent health insurance policies are collectively compared with the currently applicable calculation parameters of the German Association of Actuaries and, if necessary, an additional provision for future policy benefits is recognised.

In the area of supplementary nursing insurance, calculation parameters are used which are deemed appropriate in accordance with the regulation "Reservierung von Pflegerenten(zusatz) versicherungen des Bestandes" on the calculation of reserves for the (supplementary) nursing insurance portfolio issued by the German Association of Actuaries in the financial year 2008.

The parameters used for the calculation of the provision for future policy benefits for life insurance policies are reviewed on an annual basis as to the adequacy of safety margins, taking into account the calculation parameters as recommended by the German Association of Actuaries and the German Federal Financial Supervisory Authority as well as considering the trends observed in the portfolio. Sufficient prudence of all calculation parameters pursuant to regulatory provisions and commercial law is verified in the explanatory report of the responsible actuary in accordance with Section 11 a (3) No. 2 of the German Insurance Supervisory Law (Versicherungsaufsichtsgesetz, VAG).

The interest rate for the provision for future policy benefits in connection with health insurance amounts to 3.5%. The mortality tables published by the German Federal Financial Supervisory Authority (BaFin, Bundesanstalt für Finanzdienstleistungsaufsicht) are used as biometrical calculation parameters. With respect to health insurance, the calculation of the provision for future policy benefits takes into account, among other things, assumptions related to the termination rates as well as to current healthcare costs, which increase as people grow older. These assumptions are based on own experience and industry-specific benchmark values. The calculation parameters are reviewed regularly within the scope of premium adjustments and adjusted if necessary with the consent of the public trustee. New tariffs are only introduced when the adequacy of the calculation parameters to be used are confirmed by the new trustee.

The provision for future policy benefits is subjected to an annual liability adequacy test. If necessary, the provision for future policy benefits is adjusted immediately, with the total amount of the adjustment being recognised in profit or loss.

The **Provision for loss and loss adjustment expenses** (claims provision) is recognised for future payment obligations resulting from insured events that have occurred up until the balance sheet date. This includes the expected expenses for loss adjustment. The amount of the insurance benefits and the timing of the payout are uncertain.

The provision for IBNR (incurred but not reported) claims was calculated using the databases of previous financial years, as well as based on experience. The calculation of the IBNR provision is based on a procedure recommended by the German Federal Financial Supervisory Authority. In accordance with this procedure, the reported losses of the reporting year are broken down according to number and expense and allocated to the years of occurrence, followed by an analysis in relation to the current year losses in the corresponding years. The expected unit cost rates for losses reported after the reporting period, but incurred in the reporting year are determined by applying these ratios to the average cost per unit for settled current year losses. These unit cost rates are multiplied with the expected unit numbers to determine the IBNR provision. The claims provisions are not discounted, except for capitalised annuities for property insurance.

As far as health insurance is concerned, provisions for loss and loss adjustment expenses are projected based on the current year losses of the reporting year. The basis for this calculation is the average relation of prior year losses to the associated current year losses of the three financial years preceding the balance sheet date.

The provision for loss adjustment expenses was calculated pursuant to the tax regulations in accordance with the coordinated regulation of the German Federal States (koordinierter Ländererlass) dated 22 February 1973.

The capitalised annuities for property insurance are calculated on a per contract basis in accordance with actuarial principles and, by analogy with the provision for future policy benefits, using the prospective method. The mortality tables recommended by the German Association of Actuaries (DAV HUR 2006) were used, which take into account adequate safety margins. The maximum guaranteed interest rate applicable as at 1 January 2007 amounting to 2.25% was used for the liabilities for annuity payments. Future administrative costs are measured at a rate of 2% of the capitalised annuities for property insurance. The rate can be deemed sufficiently prudent.

The provision for loss and loss adjustment expenses is subjected to an adequacy test as at each balance sheet date. This test takes into consideration expected investment income as far as technical provisions are concerned. If necessary, the provision is adjusted immediately, with the total amount of the adjustment being recognised through profit or loss. A provision for anticipated losses may additionally be recognised if necessary.

The **provision for premium refunds** , both performance-based and non-performance-based, consists of two portions. The first portion (amounts allocated in accordance with national provisions), the actual provision for premium refunds, is allocated to the portion of the profit of the relevant insurance company which is attributable to the policyholder, but is not directly credited. Legal minimum requirements were complied with in the context of this allocation. The second portion of the provision for premium refunds, the provision for deferred premium refunds, is attributable to the policyholders' interests in the cumulative measurement differences between the financial statements of the individual companies in accordance with local GAAP and the consolidated financial statements in accordance with IFRS. These temporary measurement differences are transferred to the provision for deferred premium refunds in an amount which represents the minimum rate of participation of the policyholders in the event of the realisation.

The technical **provisions in life insurance business, to the extent that the policyholder bears the investment risk**, are determined on a per contract basis using the retrospective method. Premiums received are invested in fund units unless they are used for guarantees. The risk and cost portions are withdrawn – if appropriate, by offsetting the corresponding portions attributable to the share in surpluses – from the fund balance on a monthly basis. Measurement is made at the fair value of the fund units attributable to the insurance contracts as at the balance sheet date, in accordance with Section 341d of the HGB. The carrying amount of this item corresponds to the carrying amount of the investments for the account and risk of life insurance policyholders reported in the item "Financial assets at fair value through profit or loss".

The **other technical provisions** include, among other things, the provision for expected cancellations, the provision for unearned premiums from insurance policies for deregistered vehicles and, if necessary, the provision for anticipated losses in the area of property-casualty insurance, and where a provision for expected cancellations was recognised for premiums to be refunded due to the expected full or partial reduction of technical risk. As far as health insurance is concerned, the provision for expected cancellations is calculated on the basis of the negative portions of the ageing provision as well as the portions of the transferred amounts being above the standard ageing provisions.

Other provisions

Provisions for pensions

Occupational pension schemes in the W&W Group comprise both defined contribution plans and defined benefit plans. Before the restructuring of the occupational pension schemes in the year 2002, the Wüstenrot companies (Wüstenrot Bausparkasse AG, Wüstenrot Bank AG Pfandbriefbank, Wüstenrot Immobilien GmbH, Wüstenrot Haus- und Städtebau GmbH and Gesellschaft für Markt- und Absatzforschung mbH) maintained defined benefit plans for all of their employees. Württembergische Versicherung AG, Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG provided basic pensions in the form of defined contribution plans (pension fund of Württembergische). In addition, officers and members of the Management Board or managing directors were granted pension commitments (benefit commitments). Wüstenrot & Württembergische AG, W&W Informatik GmbH and W&W Asset Management GmbH maintained both defined benefit plans and defined contribution plans. Basic pensions are provided for all employees joining the Group from 2002 through ARA Pensionskasse AG (defined contribution plans). Officers and members of the Management Board or managing directors are granted pension commitments (defined contribution plans), which are reinsured at ARA Pensionskasse AG.

Liabilities for defined benefit plans are measured using the projected unit credit method, taking into account not only the pension obligations and vested pension rights known at the balance sheet date, but also expected future salary and benefit increases. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur directly in equity in the reserve for pension obligations.

Expenses and income from pension obligations are reported in the consolidated income statement in the item personnel expenses (service cost) or in net income from receivables, liabilities and subordinated capital.

Past service costs are recognised immediately as personnel expenses to the extent that the benefits are vested, otherwise, past service costs are recognised on a straight-line basis over the average remaining vesting period.

With respect to defined contribution plans, a fixed contribution, depending on the salary, is paid to ARA Pensionskasse AG, the pension fund of Württembergische, or to Württembergische Lebensversicherung AG. The beneficiary has a claim against ARA Pensionskasse or Württembergische Lebensversicherung. The obligation of the employer is discharged with payment of the contributions. Therefore, the Group does not recognise pension provisions for such commitments. Provisions for future policy benefits are recognised by the relevant pension fund institution.

The contributions to be paid for defined contribution plans are recognised in the income statement in personnel expenses in the period in which they become due. Prepaid contributions are recognised as an asset to the extent that these payments will result in a cash refund or a reduction of future payments.

Provisions for other long-term employee benefits

Other long-term employee benefits include commitments for early retirement benefits, partial retirement agreements, jubilee benefits, long-term disability benefits and other social security benefits. Accounting for other long-term employee benefits generally does not result in actuarial gains and losses so that the reported provisions correspond to the present value of the obligations.

The measurement of other long-term employee benefits is also based on an interest rate that corresponds to the terms of the obligations.

Other provisions

Other provisions are recognised when legal or constructive obligations exist to third parties on the basis of past transactions or events for which it is probable that an outflow of resources will be required to settle, and where this outflow can be reliably measured. Other provisions are measured and recognised at the expected settlement amount, taking into account all identifiable risks. The settlement amount is determined on the basis of the best estimate. Other provisions are not offset against reimbursement claims.

The calculated obligations are discounted using market rates which correspond to the risk and time period until settlement, if the resulting effects are material.

Restructuring provisions are recognised when a detailed formal restructuring plan has been approved, and the restructuring measures set out in such a plan have been communicated to the public, or the entity has started to implement the restructuring plan.

Provisions for the refund of acquisition fees upon loan renunciation are recognised when an obligation arises to refund such fees to those customers having concluded home loan and savings contracts, if particular and contractually agreed criteria are met (e.g. loan renunciation). Under the assumption of the maximum refund claim accrued until the balance sheet date for acquisition fees in case of a loan renunciation by the customer, a present value calculation will be conducted using a probability-based forward projection of past statistical data which represents the best estimate of the future external obligation. Uncertainties with regard to the determination of the amount of the obligation mainly result from the assumptions made in connection with the inputs used such as statistical data, cancellation or termination patterns or the loan renunciation ratio.

Provisions for interest bonus options are recognised when home loan and savings contracts concluded involve the obligation for payment of interest bonuses to the customers. Under the assumption of the maximum interest bonus accrued until the balance sheet date and potentially available for disbursement, a present value calculation will be conducted using a probability-based forward projection which represents the best estimate of the future external obligation. Uncertainties with regard to the determination of the amount of the obligation may result primarily from the assumptions made in connection with the assumptions made in connection with the inputs used, such as cancellation or termination patterns, or patterns related to the utilisation of interest bonuses.

Contingent liabilities arising on the purchase of Vereinsbank Victoria Bauspar AG in connection with pending claims related to consumer protection due to the collection of loan and acquisition fees were recognised in accordance with IFRS 3. Uncertainties with regard to the amount of the obligation primarily result from the underlying probability for the uncertain outcome of the suit in terms of reason and time as well as from the underlying probabilities for refund claims of customers.

The miscellaneous provisions include, for example, provisions for anticipated losses from executory contracts which are recognised when executory contracts result in a net liability for the Company (i.e. when the contract is onerous).

Equity

This item includes paid-in capital, retained earnings and other reserves as well as non-controlling interests in equity.

Paid-in capital consists of subscribed capital and the capital reserve. Subscribed capital represents the amount of no-par value registered shares which are fully paid in. The capital reserve is calculated as the premium from the issuance of shares exceeding the notional value. Retained earnings and other reserves comprise the revaluation reserve, the currency translation reserve, the reserve for pension obligations and other retained earnings.

The revaluation reserve includes the unrealised gains and losses from the measurement of available-for-sale financial assets, investments accounted for using the equity method, and derivative financial instruments that are used for cash flow hedges and meet hedge accounting criteria, net of deferred taxes and, as far as life and health insurance is concerned, net of the provision for deferred premium refunds.

Currency translation differences from the inclusion of subsidiaries whose functional currency is not the euro are recognised in the currency translation reserve.

Non-controlling interests in equity represent the proportionate interests of non-controlling shareholders in equity.

Genuine securities repurchase agreements

The W&W Group enters into securities repurchase agreements as borrower. Securities sold under repurchase agreements continue to be carried in accordance with the previous classification in the balance sheet. Simultaneously, a financial liability is recognised in an amount equivalent to the received amount. Any resulting difference between the amount received upon transfer and the amount to be paid upon subsequent re-transfer is amortised over the term of the liability and recognised in profit or loss using the effective interest method. Current income is reflected in the income statements pursuant to the provisions applicable for the corresponding securities category.

Securities lending

The W&W Group acts as the lender within the context of securities lending transactions. By analogy with genuine securities repurchase agreements, the same accounting policies are applied to securities lending transactions.

Trust activities

Trust assets and trust liabilities are disclosed off the balance sheet.

Contingent liabilities

Contingent liabilities are potential liabilities arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the W&W Group. The outflow of resources embodying economic benefits is not probable, or a sufficiently reliable estimate of the amount of the obligation cannot be made. Contingent liabilities are disclosed in the notes, unless the possibility of an outflow of resources embodying economic benefits is remote.

Notes to selected items of the income statement

Net financial result

The net financial result of the W&W Group comprises several components, being the result from:

- available-for-sale financial assets,
- investments accounted for using the equity method,
- financial assets and financial liabilities at fair value through profit or loss,
- hedging relationships and
- receivables, liabilities and subordinated capital.

The net financial result also includes the income from and expenses for allowances for credit losses.

The net income from available-for-sale financial assets includes gains and losses on the disposal and measurement of "Available-for-sale financial assets" as well as current income (interest and dividends). Dividends are recognised on a received basis.

The net income from financial assets and liabilities at fair value through profit or loss includes realised and unrealised gains and losses as well as interest and dividends from financial assets and financial liabilities measured at fair value through profit or loss and other income and expenses.

The hedge result includes the results of hedged items and hedging instruments of fair value hedges. In addition, the effects impacting profit or loss from the ineffective portion of the hedge and from the reversal of the revaluation reserve for cash flow hedges are recognised in the hedge result.

Net income from receivables, liabilities and subordinated capital comprises interest income and interest expenses for the period. Interest income and interest expenses are recognised on an accrual basis of accounting using the effective interest method. Interest income from finance leases is allocated over the basic lease term, on a pattern reflecting a constant periodic rate of return on the net cash investment.

The net expense for allowances for credit losses includes expenses for the recognition of specific as well as portfolio-based valuation allowances and direct write-offs. The net expense for allowances for credit losses takes into account the risks from the lending business, from direct insurance and reinsurance business as well as from other activities.

Net fee and commission result

The net fee and commission result includes fee and commission income from home loan and savings, banking, reinsurance and investment products as well as fee and commission expenses for home loan and savings, direct insurance, reinsurance and investment products, to the extent that these are not taken into account in the calculation of the effective interest rate.

Fee and commission income is recognised in profit or loss at the date of provision of service, while fee and commission expenses are recognised at the date the services are rendered by third parties. Fee or commission income is not recognised for the direct insurance business since the costs associated with the writing of an insurance contract are not billed to the customer.

Premiums/contributions earned (gross)

Any income resulting from contractual relationships with the policyholders with respect to insurance cover is recognised as premiums/contributions earned from the direct insurance business. The amounts are deferred for each insurance contract.

Premiums/contributions earned (net) are determined by deducting the reinsurers' share in premiums/contributions earned (gross).

Insurance benefits (gross)

Benefits from insurance contracts comprise payments related to insured events as well as changes in the provision for future policy benefits and the provision for loss and loss adjustment expenses, in the provision for future policy benefits for unit-linked life assurance contracts as well as in the other technical provisions. In addition, the insurance benefits include the additions to the provision for premium refunds as required under German commercial law. Expenses for loss adjustment are reported under general administrative expenses.

The changes in the provision for deferred premium refunds, which are based on changes as a result of measurement differences between local provisions and IFRS to be recognised through profit or loss, are also recognised as insurance benefits. Provisions for deferred premium refunds as a result of participation entitlements of policyholders with respect to the unrealised gains, and losses from available-for-sale financial instruments and investments accounted for using the equity method as well as to the actuarial gains and losses from pension provisions, are recognised and reversed generally without impacting profit or loss.

General administrative expenses

The general administrative expenses in the W&W Group consist of personnel expenses, other administrative expenses and depreciation, amortisation and impairment. The allocation of expenses of the W&W Group to other administrative and personnel expenses is based on the principles of the nature of expense method.

Income taxes

Income tax expenses or income are reported in the consolidated income statement as taxes on income. A distinction is made in the notes to the consolidated financial statements between current and deferred taxes. Income tax expenses, or income relating to the earnings from discontinued operations, are included in the item "Earnings after income taxes from discontinued operations".

Segment reporting

Segment information was determined in accordance with IFRS 8 Operating Segments, on the basis of our internal management reporting as regularly used by the "chief operating decision maker" to assess the performance of the segments and to make decisions about resources to be allocated to the individual segments (so-called "management approach"). The chief operating decision maker within the W&W Group is the Management Board.

The reportable segments were identified on the basis of products and services as well as regulatory requirements. In this context, individual operating segments were combined within the Life and Health Insurance segment and the Property/Casualty Insurance segment. The following section lists the products and services through which revenue is generated by the reportable segments. There is no dependence on individual major accounts.

Home Loan Savings Bank

The Home Loan Savings Bank Division includes a broad range of home loan savings as well as banking products primarily for private customers, e. g. home loan and savings contracts, bridging loans, savings and investment products, current accounts, overnight deposit accounts, Maestro and credit cards, mortgage loans as well as bank loans.

Life and Health Insurance

The Life and Health Insurance segment offers a variety of life and health insurance products for individuals and groups, including classic and unit-linked life and annuity assurance, term assurance, classic and unit-linked "Riester" and basic pensions, permanent health insurance as well as full and supplementary private health insurance and nursing care insurance.

Property/Casualty Insurance

The Property/Casualty Insurance segment offers a comprehensive range of insurance products for private and corporate customers, including general liability, casualty, motor, household, residential building, legal protection, transport and technical insurance.

As in the previous years, the success of each segment is determined based on the segment result. Transactions between the segments are carried out on an arm's length basis.

All other business activities of the W&W Group such as central corporate functions, asset management activities, property development as well as the marketing of home loan savings, banking and insurance products outside Germany were subsumed under "Other segments".

The column "Consolidation/Reconciliation" includes consolidation adjustments required to reconcile segment figures to Group figures.

The measurement principles for segment reporting correspond to the accounting policies applied to the IFRS consolidated financial statements.

There's no secret to clever savings.

Accumulate savings to fulfil your wishes – flexibly and predictably.

Savings and investments

Wüstenrot's 'Top Termingeld flex' deposit is the flexible way to accumulate savings. With an interest rate that is guaranteed for the entire term, and unrestricted access to your funds, your savings are both safe and flexible: the optimal way to make sure you can fulfil all your wishes, big or small.

Wüstenrot and Württembergische: together, we've got it covered.

Segment income statement

€ 000's	Home Loan Savings Bank 1 Jan 2009 to 31 Dec 2009	Home Loan Savings Bank 1 Jan 2008 to 31 Dec 2008	Life and Health Insurance 1 Jan 2009 to 31 Dec 2009	Life and Health Insurance 1 Jan 2008 to 31 Dec 2008
1. Net income from/net expense for available-for-sale financial assets	192,359	185,670	211,111	– 819,567
2. Net income from/net expense for investments accounted for using the equity method	—	—	20	– 7,470
3. Net income from/net expense for financial assets and liabilities at fair value through profit or loss	6,124	7,239	176,460	308,988
4. Hedge result	– 154	6,206	– 81	– 11
5. Net income from receivables, liabilities and subordinated capital	276,740	183,364	707,797	661,346
6. Net expense for allowances for credit losses	34,824	27,529	88,087	24,171
7. Net financial result	**440,245**	**354,950**	**1,007,220**	**119,115**
8. Net income/net expense from investment property	**4**	—	**20,707**	**4,608**
9. Net fee and commission result	**– 9,704**	**– 26,771**	**– 137,169**	**– 152,438**
10. Premiums/contributions earned (net)	**—**	—	**2,494,236**	**2,380,414**
11. Insurance benefits (net)	**—**	—	**3,101,949**	**2,102,959**
12. General administrative expenses[1]	**326,686**	**316,853**	**274,366**	**270,260**
13. Measurement gain/loss for non-current assets and disposal groups classified as held for sale	**—**	—	**—**	—
14. Net other income/expense	**49,593**	**19,406**	**– 3,111**	**40,047**
15. Segment result from continued operations before income taxes	**153,452**	**30,732**	**5,568**	**18,527**
16. Taxes on income	**40,825**	**1,711**	**– 11,108**	**5,169**
17. Earnings after taxes from discontinued operations	**—**	—	**—**	—
18. Segment result	**112,627**	**29,021**	**16,676**	**13,358**

Other information				
Total revenue[2]	2,180,716	2,198,938	3,580,200	3,499,960
of which: with other segments	49,154	60,090	34,125	25,067
of which: with external customers	2,131,562	2,138,848	3,546,075	3,474,893
Interest income	2,019,608	2,039,933	967,774	1,005,589
Interest expense	1,561,688	1,701,319	100,541	141,751
Amortisation and depreciation	9,193	8,031	48,075	51,627
Impairment losses[3]	72	—	3,223	11,100
Reversals of impairment losses[3]	—	—	—	—
Significant non-cash items	32,118	61,937	– 160	384,338
Segment assets[4]	34,442,683	30,373,121	29,971,703	29,197,153
Segment liabilities[4]	33,120,593	29,108,770	29,801,032	29,083,365
Investments accounted for using the equity method[4]	—	—	66,258	61,107
Investments in non-current assets	1,832	32,463	50,301	122,902

1 Including service revenues and rental income with other segments
2 Interest, fee and commission, as well as rental income and premiums/contributions earned (net) from insurance business.
3 Impairment losses and reversals of impairment losses relate to intangible assets, property, plant and equipment, and inventories as well as to investment property.
4 Amounts as at 31 December 2009 and 31 December 2008.
5 Includes amounts from proportional profit transfers eliminated during consolidation.

Property/Casualty Insurance		Sum total of all reportable segments		Other segments[5]		Consolidation/ Reconciliation		Group	
1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
18,473	– 26,580	421,943	– 660,477	148,472	121,767	– 141,675	– 158,126	428,740	– 696,836
– 797	—	– 777	– 7,470	26	– 8,242	503	—	– 248	– 15,712
– 16,005	13,541	166,579	329,768	– 1,284	– 11,865	– 1,425	—	163,870	317,903
—	—	– 235	6,195	—	—	—	—	– 235	6,195
36,834	47,694	1,021,371	892,404	15,449	8,021	10,807	2,634	1,047,627	903,059
99	298	123,010	51,998	2,798	485	—	—	125,808	52,483
38,406	**34,357**	**1,485,871**	**508,422**	**159,865**	**109,196**	**– 131,790**	**– 155,492**	**1,513,946**	**462,126**
1,993	**2,803**	**22,704**	**7,411**	**914**	**2,294**	**– 587**	**—**	**23,031**	**9,705**
– 160,813	**– 175,918**	**– 307,686**	**– 355,127**	**– 33,132**	**– 19,829**	**– 6,774**	**– 3,342**	**– 347,592**	**– 378,298**
1,065,794	**1,093,393**	**3,560,030**	**3,473,807**	**214,591**	**215,070**	**– 7,126**	**– 4,506**	**3,767,495**	**3,684,371**
509,487	**610,274**	**3,611,436**	**2,713,233**	**123,333**	**145,341**	**– 6,904**	**– 66,653**	**3,727,865**	**2,791,921**
348,076	**350,588**	**949,128**	**937,701**	**92,846**	**83,290**	**– 314**	**– 11,655**	**1,041,660**	**1,009,336**
—	—	**—**	—	**985**	**– 1,740**	**—**	—	**985**	**– 1,740**
30,888	**38,736**	**77,370**	**98,189**	**19,478**	**37,506**	**6,768**	**– 10,270**	**103,616**	**125,425**
118,705	**32,509**	**277,725**	**81,768**	**146,522**	**113,866**	**– 132,291**	**– 95,302**	**291,956**	**100,332**
37,945	**16,436**	**67,662**	**23,316**	**67,454**	**47,879**	**– 64,852**	**– 37,931**	**70,264**	**33,264**
—	—	**—**	—	**—**	—	**—**	—	**—**	—
80,760	**16,073**	**210,063**	**58,452**	**79,068**	**65,987**	**– 67,439**	**– 57,371**	**221,692**	**67,068**
1,325,314	1,359,783	7,086,230	7,058,681	397,750	425,158	– 302,489	– 255,923	7,181,491	7,227,916
– 78,033	– 114,807	5,246	– 29,650	297,243	285,573	– 302,489	– 255,923	—	—
1,403,347	1,474,590	7,080,984	7,088,331	100,507	139,585	—	—	7,181,491	7,227,916
81,390	105,248	3,068,772	3,150,770	113,754	129,898	– 52,134	– 64,470	3,130,392	3,216,198
22,418	23,292	1,684,647	1,866,362	81,151	88,721	– 51,253	– 64,971	1,714,545	1,890,112
6,014	6,188	63,282	65,846	29,118	22,541	– 2,184	– 786	90,216	87,601
—	—	3,295	11,100	1,433	3,200	—	—	4,728	14,300
—	—	—	—	—	2,390	—	—	—	2,390
19,560	32,730	51,518	479,005	71,821	1,509	– 46,314	– 56,330	77,025	424,184
3,728,749	3,764,698	68,143,135	63,334,972	5,123,356	5,145,496	– 3,727,827	– 4,032,313	69,538,664	64,448,155
3,228,077	3,375,095	66,149,702	61,567,230	3,181,067	3,347,884	– 2,439,429	– 2,804,594	66,891,340	62,110,520
46,477	—	112,735	61,107	28,329	69,066	—	—	141,064	130,173
1,764	4,087	53,897	159,452	32,470	65,376	—	– 27,981	86,367	196,847

Disclosures by region (Group)

€ 000's	Revenue with external customers[1] 1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008	Non-current assets[2] 31 Dec 2009	31 Dec 2008
Germany	7,084,983	7,140,154	1,659,890	1,696,459
Czech Republic	93,629	86,104	16,808	15,500
Other countries	2,879	1,658	4	6
Total	**7,181,491**	**7,227,916**	**1,676,702**	**1,711,965**

1 Revenues were allocated to the operating units based on the country of incorporation.
2 Non-current assets include investment property, intangible assets except capitalised insurance portfolios as well as property, plant and equipment.

Notes to the consolidated statement of financial position

(1) Cash reserve

€ 000's	31 Dec 2009	31 Dec 2008
Cash on hand	4,036	3,360
Balances with central banks	106,079	110,350
Balance in foreign postal giro accounts	207	207
Public-sector debt instruments	—	32,567
Cash reserve	**110,322**	**146,484**

Balances with central banks, balances in foreign postal giro accounts and public-sector debt instruments are exclusively held by home loan and savings banks and other banks of the W&W Group in both the year under review and the prior year.

The minimum reserve requirements related to balances held at central banks amounted to € 94.3 million (2008: € 69.3 million) as at 31 December 2009. The companies concerned fulfilled the minimum reserve requirements at all times in the year under review. Public-sector debt instruments refer to government bonds and treasury bills, each with a term of up to three months.

The fair value of the cash reserve is € 110.3 million (2008: € 146.5 million), and corresponds to the carrying amount.

(2) Non-current assets held for sale and disposal groups

€ 000's	31 Dec 2009	31 Dec 2008
Investments in associates	—	3,500
Investment property	8,997	8,997
Other assets	—	2,393
Non-current assets held for sale and disposal groups	**8,997**	**14,890**

Within the context of the planned sale of shareholdings that are no longer in line with the Group's strategy, Baden-Württembergische Investmentgesellschaft mbH, Stuttgart, was reported under investments in associates. Subsequent measurement of the investment resulted in a reversal of impairment losses in the amount of € 1.0 million in the reporting year 2009. The investment was sold during the year under review and had been reported in "Other segments" until its disposal.

As at 31 December 2009, as in the previous year, the sub-item "Investment property" comprises a property held by the special fund of CS-WV Immofonds in the Life and Health Insurance segment. Due to the uncertainties persisting on the financial and property markets, the intended sale could not be implemented within twelve months as originally expected. As the situation on the markets has eased, the property is intended to be disposed of during the first quarter of 2010.

The assets held for sale in the previous year were disposed of according to plan in the year under review. The main component of this item was a plot of land including an administrative building (intended to be abandoned), within the Home Loan and Savings Bank segment. The property was sold to an investor on 30 December 2009. In addition, the item included two further properties belonging to "Other segments", which were disposed of in 28 July 2009 and 27 August 2009.

The objective of the sale of the properties was to improve the asset portfolio of the W&W Group.

(3) Financial assets at fair value through profit or loss

€ 000's	31 Dec 2009	31 Dec 2008
Financial assets classified as held for trading	405,816	455,705
Equities, shares in investment funds and other non-fixed-income securities	268	477
Fixed-income securities	61,980	—
Derivative financial instruments	343,568	455,228
Financial assets designated as at fair value	1,561,152	1,069,483
Equities, shares in investment funds and other non-fixed-income securities	79,058	4,925
Investments for the account and risk of life insurance policyholders	731,813	518,414
Interest rate products	321,991	321,636
Currency-related products	80,865	78,097
Structured equity/index products	317,399	116,755
Other structured products	30,026	29,656
Financial assets at fair value through profit or loss	**1,966,968**	**1,525,188**

The changes in the fair value of receivables designated as at fair value through profit or loss are attributable to changes in the credit risk in an amount of € 19.1 million (2008: € 43.8 million). The resulting cumulative change in fair value amounts to € 24.7 million. The change in the fair value attributable to changes in creditworthiness is determined using a difference calculation based on the credit spread change in the reporting year.

(4) Available-for-sale financial assets

	Amortised cost		Unrealised gains (gross)		Unrealised losses (gross)		Fair value	
€ 000's	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Equity investments	431,477	428,984	27,325	21,576	1,132	11,507	457,670	439,053
Equities, shares in investment funds and other non-fixed-income securities	1,113,538	2,517,178	150,327	47,750	21,353	93,147	1,242,512	2,471,781
Fixed-income securities and receivables	15,248,044	10,156,555	193,352	91,393	252,907	424,941	15,188,489	9,823,007
Public-sector issuers	4,915,076	2,697,238	62,334	49,252	53,209	92,056	4,924,201	2,654,434
Other issuers	10,332,968	7,459,317	131,018	42,141	199,698	332,885	10,264,288	7,168,573
Available-for-sale financial assets	**16,793,059**	**13,102,717**	**371,004**	**160,719**	**275,392**	**529,595**	**16,888,671**	**12,733,841**

The shares in the separate guarantee assets of the guarantee scheme of life insurance companies (Sicherungsfonds), which is maintained separately from the assets of Protektor Lebensversicherungs-AG, are reported as a registered profit-participation right in the category "Available-for-sale financial assets", and amount to a value of € 23.3 million (2008: € 20.3 million).

As at 31 December 2009, the obligations associated with capital contributions not yet called up in connection with investments in private equity companies amounted to € 204.5 million (2008: € 161.5 million) in the W&W Group.

(5) Receivables

	Carrying amount		Fair value	
€ 000's	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Loans and advances to banks	15,103,954	16,684,549	15,621,439	16,850,510
Receivables from reinsurance business	103,799	103,732	103,799	103,732
Loans and advances to customers	30,624,338	28,631,462[1]	31,570,179	29,223,787[1]
Portfolio hedge adjustment[2]	– 11,772	—	– 11,772	—
Other receivables	82,915	145,241	82,915	145,241
Receivables	**45,903,234**	**45,564,984**	**47,366,560**	**46,323,270**

1 Previous year's figure adjusted due to amendment to IAS 18.
2 The related hedged items are included in loans and advances to customers.

€ 000's	31 Dec 2009	31 Dec 2008
Loans and advances to banks	15,103,954	16,684,549
Registered bonds	9,532,249	11,303,293
Promissory note loans	3,973,298	3,013,014
Other loans and advances to banks	1,598,407	2,368,242
of which: Balances with banks and savings banks payable on demand	581,542	822,919
of which: Term deposits	621,684	1,073,654
Receivables from reinsurance business	103,799	103,732
Accounts receivable from reinsurance business	62,955	61,108
Deposits retained by reinsurers on assumed reinsurance	40,844	42,624
Loans and advances to customers	30,624,338	28,631,462
Building loans	25,377,387	24,565,418
Loans under home loan and savings contracts	3,811,404	3,696,534[1]
Loans for prefinancing and interim financing purposes	9,500,081	8,249,916
Other building loans	12,065,902	12,618,968[1]
Loans to local authorities	4,170,314	3,041,384
Other loans and advances to customers	1,076,637	1,024,660
to insurance agents	19,103	33,987
to policyholders	389,087	375,973
Financial instruments reclassified from available-for-sale financial assets to receivables	302,659	344,540
Certificated receivables	155,509	141,595
Miscellaneous loans and advances to customers	210,279	128,565
Portfolio hedge adjustment[2]	– 11,772	—
Other receivables	82,915	145,241
Receivables	**45,903,234**	**45,564,984**

1 Previous year's figure adjusted due to amendment to IAS 18.
2 The related hedged items are included in loans and advances to customers.

The item "Other receivables" includes receivables from the disposal of land, lease receivables, advances for insurance benefits, receivables in connection with the administration of mortgages as well as trade receivables.

In accordance with the rules of the amended IAS 39 (2008), the W&W Group reclassified securities originally classified as available for sale with a carrying amount (corresponding to the fair value) of € 325.5 million to the category "Receivables" effective 1 July 2008, since the Group has the intention and the ability to hold these financial instruments for the foreseeable future. As at 31 December 2009, the (net) carrying amount of these securities was € 302.7 million (2008: € 324.5 million), while these securities' fair value amounted to € 185.6 million (2008: € 155.1 million).

In the current and previous financial year, the W&W Group recognised the following expenses and income in the consolidated income statement for the reclassified instruments.

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Interest income	21,273	36,469
Impairments and additions to allowances for credit losses	71,069	26,709
Write-ups	—	700
Foreign currency gains	—	8,678
Foreign currency losses	1,411	4,927

In the period between 1 January 2008 until the date of reclassification (1 July 2008), negative changes in value amounting to € 9.9 million were recognised for the reclassified financial instruments in the revaluation reserve.

If the W&W Group had not opted for reclassification, additional negative changes in the amount of € 20.7 million would have had to be recognised during the second half of 2008 due to the fair value measurement after the provision for deferred premium refunds and after deferred taxes; while negative effects in the amount of € 2.7 million had to be recorded in the income statement. For the financial year 2009, positive changes in the amount of € 2.8 million would have had to be recorded in the revaluation reserve after the provision for deferred premium refunds and after deferred taxes, while negative effects in the amount of € 11.0 million would have had to be recognised in the income statement. The effective interest rates of the reclassified financial instruments ranged from 1.9% to 12.7%, while the expected future undiscounted repayments amounted to € 702.5 million.

(6) Allowance for credit losses

Credit risks are taken into account by recognising specific valuation allowances and portfolio-based valuation allowances.

Changes during the financial year 2009

€ 000's	Opening balance as at 1 Jan 2009	Additions	Utilisation
Loans and advances to banks	65	—	—
Specific valuation allowances	65	—	—
Portfolio-based valuation allowances	—	—	—
Loans and advances to customers	240,415	75,846	52,846
Specific valuation allowances	174,606	74,649	52,846
Portfolio-based valuation allowances	65,809	1,197	—
Receivables from reinsurance business	2,182	372	—
Specific valuation allowances	—	—	—
Portfolio-based valuation allowances	2,182	372	—
Other receivables	3,933	3,716	245
Specific valuation allowances	2,691	3,520	245
Portfolio-based valuation allowances	1,242	196	—
Allowance for credit losses	**246,595**	**79,934**	**53,091**
Specific valuation allowances	177,361	78,168	53,091
Portfolio-based valuation allowances	69,234	1,766	—

Changes in the scope of consolidation	Reversal	Currency translation effects	Interest effect	Reclassifications	Closing balance at 31 Dec 2009
—	—	—	—	—	65
—	—	—	—	—	65
—	—	—	—	—	—
10,612	31,886	158	– 10,545	—	231,754
8,637	3,419	158	– 10,545	– 24,750	166,490
1,975	28,467	—	—	24,750	65,264
—	15	—	—	—	2,539
—	—	—	—	—	—
—	15	—	—	—	2,539
—	961	12	—	—	6,455
—	619	12	—	—	5,359
—	342	—	—	—	1,096
10,612	**32,862**	**170**	**– 10,545**	**—**	**240,813**
8,637	4,038	170	– 10,545	– 24,748	171,914
1,975	28,824	—	—	24,748	68,899

Changes during the financial year 2008

€ 000's	Opening balance as at 1 Jan 2008	Additions	Utilisation
Loans and advances to banks	63	2	—
Specific valuation allowances	63	2	—
Portfolio-based valuation allowances	—	—	—
Loans and advances to customers	258,751	110,271	66,247
Specific valuation allowances	189,392	108,542	66,247
Portfolio-based valuation allowances	69,359	1,729	—
Receivables from reinsurance business	2,880	—	—
Specific valuation allowances	—	—	—
Portfolio-based valuation allowances	2,880	—	—
Other receivables	4,652	1,032	226
Specific valuation allowances	3,681	728	226
Portfolio-based valuation allowances	971	304	—
Allowance for credit losses	**266,346**	**111,305**	**66,473**
Specific valuation allowances	193,136	109,272	66,473
Portfolio-based valuation allowances	73,210	2,033	—

	Changes in the scope of consolidation	Reversal	Currency translation effects	Interest effect	Reclassifications	Closing balance at 31 Dec 2008
	—	—	—	—	—	65
	—	—	—	—	—	65
	—	—	—	—	—	—
	277	53,363	– 144	– 9,023	– 107	240,415
	277	48,191	– 144	– 9,023	—	174,606
	—	5,172	—	—	– 107	65,809
	—	698	—	—	—	2,182
	—	—	—	—	—	—
	—	698	—	—	—	2,182
	—	1,625	– 7	—	107	3,933
	—	1,485	– 7	—	—	2,691
	—	140	—	—	107	1,242
	277	**55,686**	**– 151**	**– 9,023**	—	**246,595**
	277	49,677	– 151	– 9,023	—	177,361
	—	6,009	—	—	—	69,234

(7) Positive market value of hedges

€ 000's	31 Dec 2009	31 Dec 2008
Cash flow hedges	187,218	9,482
Hedge of interest rate risk	187,218	9,482
Fair value hedges	52,305	1,242
Hedge of interest rate risk	52,305	1,242
Positive market value of hedges	**239,523**	**10,724**

The increase in the positive market values of cash flow hedges largely results from the newly designated hedging relationships at Wüstenrot Bausparkasse AG.

(8) Investments accounted for using the equity method

€ 000's	2009	2008
Carrying amount at 1 Jan	130,173	192,570
Additions/disposals	– 1,736	– 38,598
Classified as held for sale	—	– 5,267
Net profit for the year	– 248	– 16,216
Impairment	—	—
Currency translation	13	1,686
Changes recognised directly in equity	12,862	– 4,002
Balance at 31 Dec	141,064	130,173

The following tables present the total amount of assets, liabilities, revenues and net profit for the year of the relevant companies (associates), accounted for using the equity method in the portfolio as at the balance sheet date rather than the share attributable to the W&W Group:

2009

€ 000's	IFRS ASSETS 31 Dec 2009	IFRS LIABILITIES 31 Dec 2009	IFRS REVENUES 1 Jan 2009 to 31 Dec 2009	IFRS NET PROFIT FOR THE YEAR 1 Jan 2009 to 31 Dec 2009	SHARE-HOLDING IN % 31 Dec 2009
BWK GmbH Unternehmensbeteiligungsgesellschaft	397,200	288,200	25,200	– 1,788	35.00
V-Bank AG	251,919	235,859	4,059	– 2,439	49.99
Tertianum Besitzgesellschaft Berlin Passauer Str. 5-7 mbH	25,284	122	509	– 555	25.00
Tertianum Besitzgesellschaft Konstanz Marktstätte 2-6 und Sigismundstr. 5-9 mbH	36,000	811	2,098	471	25.00
Tertianum Besitzgesellschaft München Jahnstr. 45 mbH	42,012	165	2,610	1,062	33.33
Wüstenrot stambena štedionica d.d.	178,122	170,388	7,659	919	25.63
Wüstenrot stavebná sporitelna a.s.	296,557	254,858	12,458	2,571	40.00

2008

€ 000's	IFRS ASSETS 31 Dec 2008	IFRS LIABILITIES 31 Dec 2008	IFRS REVENUES 1 Jan 2008 to 31 Dec 2008	IFRS NET PROFIT FOR THE YEAR 1 Jan 2008 to 31 Dec 2008	SHARE-HOLDING IN % 31 Dec 2008
BWK GmbH Unternehmensbeteiligungsgesellschaft	512,400	324,548	26,100	– 41,808	35.00
V-Bank AG	119,475	101,290	1,385	– 4,031	49.99
Tertianum Besitzgesellschaft Berlin Passauer Str. 5-7 mbH	25,903	187	1,277	– 3,442	25.00
Tertianum Besitzgesellschaft Konstanz Marktstätte 2-6 und Sigismundstr. 5-9 mbH	38,236	557	2,596	1,110	25.00
Tertianum Besitzgesellschaft München Jahnstr. 45 mbH	43,021	136	3,012	880	33.33
Wüstenrot stambena štedionica d.d.	129,709	122,379	6,874	– 106	25.63
Wüstenrot stavebná sporitelna a.s.	276,356	236,899	10,360	2,049	40.00

Quoted market prices are not available for associates in the W&W Group accounted for using the equity method.

(9) Investment property

The fair value of investment properties amounts to € 1,528.9 million (2008: € 1,574.1 million). There are no restrictions on the realisability of investment property or the availability of income and proceeds from disposal.

There are no material contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

€ 000's	2009	2008
Gross carrying amounts at 1 Jan	1,590,607	1,474,762
Additions	30,785	120,860
Disposals	– 42,726	– 36,054
Reclassifications	10,765	– 10,173
Classified as held for sale	—	– 27,134
No longer intended for sale	—	68,346
Changes in the scope of consolidation	—	—
Exchange rate changes	—	—
Balance at 31 Dec	1,589,431	1,590,607

€ 000's	2009	2008
Accumulated depreciation, impairment and reversals of impairment losses at 1 Jan	– 293,815	– 246,961
Additions (depreciation)	– 36,292	– 35,570
Additions (impairment)	– 3,223	– 11,104
Disposals	8,484	6,339
Reversals of impairment losses	—	—
Reclassifications	– 1,995	4,881
Classified as held for sale	—	5,792
No longer intended for sale	—	– 17,192
Changes in the scope of consolidation	—	—
Exchange rate changes	—	—
Balance at 31 Dec	– 326,841	– 293,815
Net carrying amounts at 1 Jan	1,296,792	1,227,801
Net carrying amounts at 31 Dec	1,262,590	1,296,792

As in the previous year, additions to investment property do not include subsequently capitalised amounts.

(10) Share of reinsurers in technical provisions

€ 000's	31 Dec 2009	31 Dec 2008
Unearned premiums	16,863	17,889
Provision for future policy benefits	1,506,273	1,538,242
Provision for loss and loss adjustment expenses	294,418	341,383
Other technical provisions	1,224	893
Reinsurers' share of technical provisions	**1,818,778**	**1,898,407**

Further explanations are included in the notes to the related liability items, beginning with Note 28.

(11) Intangible assets

€ 000's	31 Dec 2009	31 Dec 2008	Remaining amortisation period (years)
Goodwill	57,306	57,306	–
Software	44,598	49,872	1 – 3
Acquired insurance portfolios	82,100	89,642	6 – 18
Other	34,588	37,288	13 – 18
Intangible assets	**218,592**	**234,108**	**–**

The goodwill of € 57.3 million (2008: € 57.3 million) as reported in the consolidated financial statements as at 31 December 2009 is fully attributable to the cash-generating unit Württembergische Lebensversicherung AG. Neither in prior years nor in the year under review was goodwill subject to impairment losses.

Changes in intangible assets

€ 000's	Internally generated intangible assets[1] 2009	Internally generated intangible assets[1] 2008	Acquired other intangible assets 2009	Acquired other intangible assets 2008	Acquired goodwill 2009	Acquired goodwill 2008
Gross carrying amounts at 1 Jan	62,738	59,485	363,185	305,932	57,306	57,306
Additions	280	3,253	15,015	53,343	72	—
Disposals	—	—	– 4,354	– 368	—	—
Classified as held for sale	—	—	—	—	—	—
No longer intended for sale	—	—	—	—	—	—
Changes in the scope of consolidation	—	—	1,336	4,321	—	—
Exchange rate changes	—	—	157	– 43	—	—
Balance at 31 Dec	63,018	62,738	375,339	363,185	57,378	57,306
Accumulated amortisation and impairment at 1 Jan	– 48,035	– 40,295	– 201,087	– 178,796	—	—
Additions (amortisation)	– 6,501	– 7,740	– 24,109	– 22,383	—	—
Additions (impairment)	—	—	– 230	—	– 72	—
Disposals	—	—	3,604	299	—	—
Reversals of impairment losses	—	—	—	—	—	—
Classified as held for sale	—	—	—	—	—	—
No longer intended for sale	—	—	—	—	—	—
Changes in the scope of consolidation	—	—	– 642	– 309	—	—
Exchange rate changes	—	—	– 71	102	—	—
Balance at 31 Dec	– 54,536	– 48,035	– 222,535	– 201,087	– 72	—
Net carrying amounts at 1 Jan	14,703	19,190	162,098	127,136	57,306	57,306
Net carrying amounts at 31 Dec	8,482	14,703	152,804	162,098	57,306	57,306

1 Internally generated intangible assets exclusively consist of internally generated software.

An agreement has been concluded between Wüstenrot Holding AG and W&W AG on the assignment and use of trademarks. The carrying amount of the resulting trademark right amounts to € 28.9 million (2008: € 30.5 million) as at 31 December 2009. The trademark right has a limited useful life of 20 years and is amortised on a straight-line basis over that term. The remaining useful life is 18 years. The capitalised trademark right is matched with a financial liability to Wüstenrot Holding AG in the amount of € 30.1 million as at 31 December 2009 (2008: € 31.2 million).

The sum total of the expenditures for research and development recognised in the income statement in the financial year 2009 amounts to € 39.0 million (2008: € 32.3 million).

There are no commitments for the purchase of intangible assets.

(12) Property, plant and equipment, and inventories

€ 000's	31 Dec 2009	31 Dec 2008
Owner-occupied property	209,208	207,986
Leased assets	31,071	31,572
Operating and office equipment	37,342	31,150
Inventories	67,724	84,846
Miscellaneous	3,934	4,520
Property, plant and equipment, and inventories	**349,279**	**360,074**

There were no restrictions on title with respect to property, plant and equipment, and inventories. Expenditures for property, plant and equipment under construction amounted to € 0.0 million (2008: € 0.2 million). There are no commitments for the purchase of property, plant and equipment.

Leased assets include property in the amount of € 30.7 million (2008: € 31.2 million).

Inventories in the amount of € 67.3 million (2008: € 84.4 million) relate to property development business, and primarily include land and buildings intended for sale as well as land with buildings under construction. The carrying amount of inventories measured at the lower fair value less costs to sell amounts to € 2.8 million (2008: € 3.6 million).

In the year under review, write-downs on inventories amounted to € 0.1 million (2008: € 0.7 million). In addition, reversals of write-downs in the amount of € 0.0 million (2008: € 0.1 million) had to be recognised. Expenditures for the use of inventories in the reporting period amounted to € 13.6 million (2008: € 0.0 million).

If the impairment review for owner-occupied properties was based on their value in use, the discount rates used in the year under review and in the previous year ranged between 4.5% and 6.5%.

As a result of an adjustment related to the accounting for property, plant and equipment, and inventories, the gross carrying amounts as well as the cumulative depreciation and impairment losses of the previous year for owner-occupied property in the amount of € 18.5 million each and for operating and office equipment in the amount of € 3.6 million each had to be adjusted. The net carrying amounts were not affected by this change.

Property, plant and equipment

€ 000's	Owner-occupied property 2009	Owner-occupied property 2008	Operating and office equipment 2009	Operating and office equipment 2008	Leased assets 2009	Leased assets 2008
Gross carrying amounts at 1 Jan	351,949	338,485	262,877	252,432	38,308	45,378
Additions	19,880	4,300	20,334	15,220	—	—
Disposals	– 16,518	– 22	– 25,763	– 4,781	—	– 7,070
Reclassifications	– 10,553	10,174	– 212	12	—	—
Classified as held for sale	—	– 849	—	—	—	—
No longer intended for sale	—	—	—	—	—	—
Changes in the scope of consolidation	15,116	—	574	19	—	—
Exchange rate changes	228	– 139	55	– 25	—	—
Balance at 31 Dec	360,102	351,949	257,865	262,877	38,308	38,308
Accumulated amortisation and impairment at 1 Jan	– 143,963	– 129,229	– 231,727	– 223,447	– 6,736	– 13,292
Additions (depreciation)	– 9,088	– 9,589	– 13,725	– 11,805	– 501	– 514
Additions (impairment)	– 1,203	– 3,196	—	—	—	—
Disposals	1,402	—	25,136	3,771	—	7,070
Reversals of impairment losses	—	2,390	—	—	—	—
Reclassifications	1,995	– 4,881	—	—	—	—
Classified as held for sale	—	503	—	—	—	—
No longer intended for sale	—	—	—	—	—	—
Changes in the scope of consolidation	—	—	– 171	– 291	—	—
Exchange rate changes	– 37	39	– 36	45	—	—
Balance at 31 Dec	– 150,894	– 143,963	– 220,523	– 231,727	– 7,237	– 6,736
Net carrying amounts at 1 Jan	207,986	209,256	31,150	28,985	31,572	32,086
Net carrying amounts at 31 Dec	209,208	207,986	37,342	31,150	31,071	31,572

(13) Current tax assets

Current tax assets relate to current tax receivables, and will be realised within twelve months in the amount of € 33.3 million (2008: € 31.3 million).

(14) Deferred tax assets

Deferred tax assets were recognised for the following items:

€ 000's	31 Dec 2009	31 Dec 2008
Financial assets and liabilities at fair value through profit or loss	88,200	111,930
Available-for-sale financial assets	74,137	83,403
Receivables	89,503	43,284[1]
Positive and negative market value of hedges	90,260	36,035
Investments accounted for using the equity method	663	1,071
Tax loss carryforward	5,687	45,944
Liabilities	11,475	7,803
Technical provisions	115,967	108,788
Provisions for pensions and other long-term employee benefits	95,610	77,415
Other items in the statement of financial position	75,162	51,370
Deferred tax assets	**646,664**	**567,043**

1 Previous year's figure adjusted due to amendment to IAS 18.

Deferred taxes on provisions for pensions and other obligations were recognised directly in equity in the amount of € 38.0 million (2008: € 21.9 million).

Deferred tax assets amounting to € 80.8 million (2008: € 59.8 million) and deferred taxes on tax loss carryforwards of € 3.9 million (2008: € 36.4 million) are expected to be realised within twelve months.

Deferred taxes were not recognised for deductible temporary differences and tax loss carryforwards related to corporation tax and municipal trade tax in the amount of € 39.1 million (2008: € 51.8 million), as they are not expected to be realised in the medium term.

(15) Financial liabilities at fair value through profit or loss

€ 000's	31 Dec 2009	31 Dec 2008
Financial liabilities classified as held for trading	496,451	507,002
Derivative financial instruments	496,451	507,002
Financial liabilities designated as at fair value	—	—
Financial liabilities at fair value through profit or loss	**496,451**	**507,002**

(16) Liabilities

	Carrying amount		Fair value	
€ 000's	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Certificated liabilities	1,293,492	2,043,322	1,302,521	2,046,733
Liabilities to banks	6,740,072	5,210,199	6,773,982	5,260,011
Liabilities from reinsurance business	1,592,859	1,602,442	1,592,859	1,602,442
Liabilities to customers	23,769,784	20,865,770	23,980,829	21,013,468
Other liabilities	453,914	474,010	453,914	474,010
Liabilities	**33,850,121**	**30,195,743**	**34,104,105**	**30,396,664**

€ 000's	31 Dec 2009	31 Dec 2008
Certificated liabilities	1,293,492	2,043,322
Mortgage bonds (Hypothekenpfandbriefe)	1,127,367	1,438,022
Public-sector covered bonds (öffentliche Pfandbriefe)	—	432,686
Other debt securities	166,125	172,614
Liabilities to banks	6,740,072	5,210,199
Home loan and savings deposits	4,678	3,904
Miscellaneous liabilities	6,735,394	5,206,295
Liabilities from reinsurance business	1,592,859	1,602,442
Accounts payable from reinsurance business	60,116	34,571
Deposits retained by W&W on ceded business	1,532,743	1,567,871
Liabilities to customers	23,769,784	20,865,770
Deposits from home loan and savings business, and savings deposits	15,893,789	13,999,302
Miscellaneous liabilities	7,220,506	6,169,840
Liabilities from direct insurance business	655,489	696,628
Other liabilities	453,914	474,010
LIABILITIES	**33,850,121**	**30,195,743**

Of the miscellaneous liabilities included in liabilities to customers, an amount of € 2,474.0 million (2008: € 854.9 million) refers to deposits payable on demand, and deposits in the amount of € 4,746.5 million (2008: € 5,315.0 million) have a fixed term.

Liabilities from direct insurance business include liabilities to policyholders of € 606.6 million (2008: € 648.4 million) and liabilities to insurance agents of € 48.9 million (2008: € 48.2 million).

Other liabilities include among other items advances received in the amount of € 13.4 million (2008: € 11.7 million), trade payables in the amount of € 52.2 million (2008: € 24.1 million) as well as liabilities to employees totalling € 71.8 million (2008: € 72.3 million).

Liabilities from finance leases amount to € 30.7 million (2008: € 31.2 million).

(17) Negative market value of hedges

€ 000's	31 Dec 2009	31 Dec 2008
Cash flow hedges	54,214	46,522
Hedge of interest rate risk	54,214	46,522
Fair value hedges	324,678	94,826
Hedge of interest rate risk	324,678	94,826
Negative market value of hedges	**378,892**	**141,348**

The increase in the negative market values of fair value hedges largely results from the newly designated portfolio fair value hedging relationships at Wüstenrot Bank AG Pfandbriefbank.

(18) Technical provisions

	Gross	Gross
€ 000's	31 Dec 2009	31 Dec 2008
Unearned premiums	294,895	357,233
Provision for future policy benefits	24,694,771	24,029,553
Provision for loss and loss adjustment expenses	2,368,331	2,530,807
Provision for premium refunds	1,740,258	1,536,257
Other technical provisions	24,948	23,655
Technical provisions	**29,123,203**	**28,477,505**

Unearned premiums

	Gross	Share of reinsurers	Gross	Share of reinsurers
€ 000's	2009	2009	2008	2008
Balance at 1 Jan	357,233	17,889	451,560	30,567
Additions	162,281	16,863	223,041	16,730
Utilisation	– 224,609	– 17,889	– 320,486	– 28,652
Changes in the scope of consolidation	—	—	1,848	—
Exchange rate changes	– 10	—	1,270	– 756
Balance at 31 Dec	294,895	16,863	357,233	17,889

Provision for future policy benefits

€ 000's	Gross 31 Dec 2009	Share of reinsurers 31 Dec 2009	Gross 31 Dec 2008	Share of reinsurers 31 Dec 2008
Life insurance	24,527,508	1,506,273	23,900,485	1,538,242
Health insurance	167,263	—	129,068	—
Provision for future policy benefits	**24,694,771**	**1,506,273**	**24,029,553**	**1,538,242**

Provision for future policy benefits by type of life insurance

€ 000's	Gross 2009	Share of reinsurers 2009	Gross 2008	Share of reinsurers 2008
Provision for future policy benefits	23,382,071	—	23,260,563	—
Provision for future policy benefits for unit-linked contracts	518,414	—	674,000	—
Receivables not yet due from policyholders	– 118,595	—	– 76,347	—
Balance at 1 Jan	23,781,890	1,538,242	23,858,216	1,575,383
Additions from premiums/contributions[1]	2,071,460	—	1,913,413	—
Changes due to payments[1]	– 2,136,295	—	– 2,268,550	—
Guaranteed interest[1]	827,691	—	772,667	—
Other changes[1]	– 159,325	– 31,969	– 493,856	– 37,141
Exchange rate changes	369	—	—	—
Balance at 31 Dec	24,385,790	1,506,273	23,781,890	1,538,242
Provision for future policy benefits	23,795,696	—	23,382,071	—
Provision for future policy benefits for unit-linked contracts	731,812	—	518,414	—
Receivables not yet due from policyholders	– 141,718	—	– 118,595	—

1 The distribution of the changes in the year under review was calculated on the basis of preliminary profit splits. The prior year figures were adjusted based on the final profit split.

Ageing provision for health insurance

€ 000's	2009	2008
Balance at 1 Jan	129,068	99,535
Amounts attributable to general tariffs	19,660	15,448
Balance at 1 Jan excl. general tariffs	109,408	84,087
Amounts transferred from the provision for premium refunds	2,442	3,690
Additions from premiums	27,726	17,896
Interest	4,440	3,386
Direct credit	313	349
Exchange rate changes	—	—
Balance at 31 Dec excl. general tariffs	144,329	109,408
Amounts attributable to general tariffs	22,934	19,660
Balance at 31 Dec	167,263	129,068

Provision for loss and loss adjustment expenses

	Gross	Share of reinsurers	Gross	Share of reinsurers
€ 000's	31 Dec 2009	31 Dec 2009	31 Dec 2008	31 Dec 2008
Life/health insurance	109,831	7,357	101,745	6,443
Property-casualty insurance, reinsurance	2,258,500	287,061	2,429,062	334,940
Provision for loss and loss adjustment expenses	**2,368,331**	**294,418**	**2,530,807**	**341,383**

The provision for loss and loss adjustment expenses for life and health insurance changed as follows:

	Gross	Share of reinsurers	Gross	Share of reinsurers
€ 000's	2009	2009	2008	2008
Balance at 1 Jan	101,745	6,443	112,719	8,026
Changes recognised through profit or loss	8,083	914	– 11,202	– 1,583
Changes in the scope of consolidation	—	—	228	—
Exchange rate changes	3	—	—	—
Balance at 31 Dec	109,831	7,357	101,745	6,443

The provision for loss and loss adjustment expenses for property-casualty insurance and reinsurance changed as follows:

€ 000's	Gross 2009	Share of reinsurers 2009	Gross 2008	Share of reinsurers 2008
Balance at 1 Jan	2,429,062	334,940	2,484,998	373,773
Additions	464,623	10,305	520,307	26,325
Benefits paid	– 408,339	– 42,685	– 427,013	– 58,984
Reversal	– 228,446	– 15,787	– 123,165	– 1,560
Exchange rate changes	1,600	288	– 26,065	– 4,614
Balance at 31 Dec	2,258,500	287,061	2,429,062	334,940

The following loss triangles (gross and net) show the settlement of the provision for loss and loss adjustment expenses in the area of property-casualty insurance and reinsurance.

The loss triangles include reconciliations to the gross and net amounts of the relevant provisions, based on the provision for loss and loss adjustment expenses as at the relevant balance sheet date by disclosing the share attributable to reinsurers, and by reducing the provision for loss adjustment expenses (also on a gross or net basis, depending on the presentation method).

Gross loss triangle[1]

€ 000's	31 Dec 2001	31 Dec 2002	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008	31 Dec 2009
Provision for loss and loss adjustment expenses (gross)	2,108,702	2,216,998	2,180,237	2,233,758	2,440,696	2,447,340	2,484,998	2,429,062	2,258,500
less provision for outstanding claims	142,622	155,009	159,614	159,301	161,274	161,721	172,324	177,773	170,524
Provision for loss and loss adjustment expenses (gross)	1,966,080	2,061,989	2,020,623	2,074,457	2,279,422	2,285,619	2,312,674	2,251,289	2,087,976
Payments, accumulated (gross)									
1 year later	466,710	473,017	396,674	401,017	425,274	371,565	373,623	356,844	—
2 years later	666,057	653,144	591,002	588,784	626,304	579,199	571,862	—	—
3 years later	775,966	784,598	722,349	720,198	766,984	709,081	—	—	—
4 years later	873,251	882,558	821,883	813,951	860,424	—	—	—	—
5 years later	948,221	963,225	902,483	885,113	—	—	—	—	—
6 years later	1,011,419	1,031,691	959,699	—	—	—	—	—	—
7 years later	1,066,964	1,080,294	—	—	—	—	—	—	—
8 years later	1,106,992	—	—	—	—	—	—	—	—
Original provision, reassessed (gross)									
1 year later	1,924,465	1,959,921	1,975,537	2,004,110	2,183,568	2,153,977	2,201,835	2,056,229	—
2 years later	1,845,856	1,960,043	1,919,884	1,975,542	2,092,159	2,050,111	2,040,141	—	—
3 years later	1,816,102	1,921,224	1,893,743	1,933,552	1,998,024	1,898,224	—	—	—
4 years later	1,842,568	1,897,130	1,871,268	1,853,648	1,883,193	—	—	—	—
5 years later	1,822,366	1,885,266	1,812,118	1,774,972	—	—	—	—	—
6 years later	1,822,180	1,840,996	1,750,885	—	—	—	—	—	—
7 years later	1,774,926	1,788,787	—	—	—	—	—	—	—
8 years later	1,728,819	—	—	—	—	—	—	—	—
Accumulated gross surplus (deficit) excluding exchange rate effects									
	237,261	273,202	269,738	299,485	396,229	387,395	272,533	195,060	—
Accumulated gross surplus (deficit) including exchange rate effects									
	278,928	324,787	292,265	264,622	430,076	437,154	298,981	193,647	—

1 Group companies added or disposed of have been taken into account or excluded retrospectively in the loss triangle.

NET LOSS TRIANGLE[1]

€ 000's	31 Dec 2001	31 Dec 2002	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008	31 Dec 2009
Provision for loss and loss adjustment expenses (gross)	2,108,702	2,216,998	2,180,237	2,233,758	2,440,696	2,447,340	2,484,998	2,429,062	2,258,500
Share of reinsurers	488,799	504,201	408,585	435,516	521,679	437,533	373,773	334,940	287,061
Provision for loss and loss adjustment expenses (net)	1,619,903	1,712,797	1,771,652	1,798,242	1,919,017	2,009,807	2,111,225	2,094,122	1,971,439
less provision for outstanding claims	125,791	137,145	141,022	143,126	147,717	148,511	160,629	169,032	163,587
Provision for loss and loss adjustment expenses (net)	1,494,112	1,575,652	1,630,630	1,655,116	1,771,300	1,861,296	1,950,596	1,925,090	1,807,852
Payments, accumulated (net)									
1 year later	345,846	309,174	318,570	305,735	291,877	281,724	312,607	314,965	—
2 years later	446,800	454,161	464,996	428,554	425,631	441,329	480,505	—	—
3 years later	531,429	553,024	561,064	516,606	531,659	547,631	—	—	—
4 years later	606,803	622,547	625,032	583,875	608,019	—	—	—	—
5 years later	659,593	674,666	684,396	640,291	—	—	—	—	—
6 years later	701,078	724,619	729,546	—	—	—	—	—	—
7 years later	740,689	763,254	—	—	—	—	—	—	—
8 years later	772,099	—	—	—	—	—	—	—	—
Original provision, reassessed (net)									
1 year later	1,447,013	1,497,262	1,589,585	1,573,632	1,671,776	1,716,714	1,836,515	1,744,819	—
2 years later	1,397,758	1,513,174	1,527,924	1,500,241	1,586,514	1,632,043	1,682,126	—	—
3 years later	1,375,798	1,455,833	1,464,412	1,461,348	1,518,126	1,499,548	—	—	—
4 years later	1,373,081	1,400,798	1,442,597	1,404,687	1,416,087	—	—	—	—
5 years later	1,328,444	1,395,809	1,403,748	1,334,770	—	—	—	—	—
6 years later	1,335,650	1,369,786	1,349,168	—	—	—	—	—	—
7 years later	1,305,367	1,322,455	—	—	—	—	—	—	—
8 years later	1,264,844	—	—	—	—	—	—	—	—
Accumulated surplus (deficit) excluding exchange rate effects									
	229,268	253,197	281,462	320,346	355,213	361,748	268,470	180,271	—
Accumulated net surplus (deficit) including exchange rate effects									
	262,323	294,219	299,986	295,300	378,342	396,463	290,508	179,147	—
Run-off ratio, net (in %)									
Excluding exchange rate effects	15.34	16.07	17.26	19.35	20.05	19.44	13.76	9.36	—
Including exchange rate effects	17.56	18.67	18.40	17.84	21.36	21.30	14.89	9.31	—

1 Group companies added or disposed of have been taken into account or excluded retrospectively in the loss triangle.

Provision for premium refunds

€ 000's	31 Dec 2009	31 Dec 2008
Gross amount	1,740,258	1,536,257
less: Share for reinsurance ceded	—	—

The provision for premium refunds changes as follows:

€ 000's	2009	2008
Balance at 1 Jan	**1,536,257**	**2,611,003**
Actual provision for premium refunds at 1 Jan	2,015,383	2,144,739
Additions	151,720	228,078
Utilisation (having an impact on cash funds)	– 176,483	– 176,604
Utilisation (having no impact on cash funds)	– 158,485	– 180,830
Balance at 31 Dec	1,832,135	2,015,383
Provision for deferred premium refunds at 1 Jan	– 479,126	466,264
Income and expenses recognised through profit or loss	25,389	– 506,489
Income and expenses recognised directly in equity	361,860	– 438,901
Balance at 31 Dec	– 91,877	– 479,126
Balance at 31 Dec	**1,740,258**	**1,536,257**

Other technical provisions

	Gross	Share of reinsurers	Gross	Share of reinsurers
€ 000's	2009	2009	2008	2008
Balance at 1 Jan	23,655	893	25,358	1,229
Additions	25,110	1,224	23,493	893
Utilisation and reversal	– 23,655	– 893	– 25,358	– 1,229
Exchange rate changes	– 162	—	162	—
Balance at 31 Dec	24,948	1,224	23,655	893

(19) Other provisions

Provisions for pensions and other long-term employee benefits

The item "Provisions for pensions and other long-term employee benefits" totals € 1,179.0 million (2008: € 1,060.0 million), of which an amount of € 1,073.9 million (2008: € 948.8 million) relates to provisions for pensions and € 105.0 million (2008: € 111.2 million) to provisions for other long-term employee benefits.

The measurement of other long-term employee benefits is based on interest rates that correspond to the shorter terms of the obligations and remained unchanged compared to the previous year (commitments for early retirement benefits 4.5%, partial retirement agreements 4.5%, and jubilee benefits 5%).

Provisions for pensions

The changes of the defined benefit obligation, plan assets, unrecognised past service cost and of the provision for pensions are shown in the following table:

	Defined benefit obligation		Unrecognised past service cost		Pension provision	
€ 000's	2009	2008	2009	2008	2009	2008
Balance at 1 Jan	950,556	951,994	1,731	2,597	948,825	949,397
Income and expenses recognised through profit or loss	72,681	62,458	866	866	73,547	63,324
Current service cost	18,445	13,607	—	—	18,445	13,607
Past service cost/income	—	—	866	866	866	866
Interest cost	54,236	48,851	—	—	54,236	48,851
Actuarial gains (–) or losses (+) recognised directly in equity	64,129	– 19,994	—	—	64,129	– 19,994
Pension payments (utilisation)	– 47,364	– 44,457	—	—	– 47,364	– 44,457
Settlements	—	– 30	—	—	—	– 30
Changes in the scope of consolidation	34,807	585	—	—	34,807	585
Balance at 31 Dec	1,074,809	950,556	865	1,731	1,073,944	948,825

The following assumptions are used for determining the pension provisions for the defined benefit plans:

in %	2009	2008
Actuarial interest rate	5.0	5.75
Pension increase	2.0	2.5
Benefit increases	3.0	3.0
Salary increases	3.0	3.0
Probability of employee turnover	3.5	3.5
Inflation rate	2.0	2.5

In the financial year 2009, the actuarial assumptions underlying the pension obligations with respect to actuarial interest rate and pension increase were adjusted to take account of the market circumstances and the inflation trend.

On the basis of pension provisions of € 1,075 million (2008: € 950 million) and otherwise constant assumptions, an increase of the actuarial interest rate by 0.25% would have resulted in a reduction of pension provisions by € 35.4 million (2008: € 31.3 million), and a reduction of the actuarial interest rate by 0.25% would have led to an increase of pension provisions by € 37.3 million (2008: € 33 million).

As in the prior year, the "Richttafeln 2005G" mortality tables by Prof. Klaus Heubeck were used for biometrical assumptions.

The present value of the benefit obligation, the fair value of the plan assets,
the surplus or deficit of the plans and the the relevant experience adjustments changed as follows in the years 2005 to 2009:

		2009	2008	2007	2006	2005
Present value of the defined benefit obligation (DBO)	€ 000's	1,074,804	950,557	951,994	1,029,252	988,966
Fair value of plan assets	€ 000's	—	—	—	—	27,957
Surplus or deficit of the plans	€ 000's	1,074,804	950,557	951,994	1,029,252	961,009
Experience adjustments of the present value of the defined benefit obligation (DBO)	in %	– 0.13	0.2	– 2.4	1.1	1.9
Experience adjustments of the fair value of plan assets	in %	—	—	—	—	4.5

We expect direct pension payments for the pension plans in the amount of € 49.6 million (2008: € 45.9 million) for the financial year 2010.

Other provisions

2009

€ 000's	For restructuring	For the refund of acquisition fees upon loan renunciation	For interest bonus option	For contingent liabilities in accordance with IFRS 3	Miscellaneous	Other provisions, total
Balance at 1 Jan	10,248	44,300	381,645	—	93,610	529,803
Additions	6,946	2,280	120,762	—	16,782	146,770
Utilisation	2,159	7,389	74,137		41,465	125,150
Reversal	6,517	3,165	8,624	14,129	34,341	66,776
Interest effect	—	259	– 16,294	—	– 42	– 16,077
Changes in the scope of consolidation	—	4,400	81,900	23,429	14,658	124,387
Exchange rate changes	—	—	226	—	—	226
Balance at 31 Dec	8,518	40,685	485,478	9,300	49,202	593,183

2008

€ 000's	For restructuring	For the refund of acquisition fees upon loan renunciation	For interest bonus option	For contingent liabilities in accordance with IFRS 3	Miscellaneous	Other provisions, total
Balance at 1 Jan	50,663	55,700	358,071	—	93,449	557,883
Additions	—	4,895	119,990	—	62,761	187,646
Utilisation	34,518	20,173	134,325	—	36,287	225,303
Reversal	5,897	—	2,600	—	30,264	38,761
Interest effect	—	3,878	40,609	—	1,010	45,497
Changes in the scope of consolidation	—	—	—	—	2,941	2,941
Exchange rate changes	—	—	– 100	—	—	– 100
Balance at 31 Dec	10,248	44,300	381,645	—	93,610	529,803

The expected maturity of the amounts recognised in the statement of financial position is as follows:

2009

€ 000's	up to 1 year	1 year to 5 years	more than 5 years	Indefinite term	Total
Provisions for restructuring	590	—	—	7,928	8,518
Provisions for the refund of acquisition fees upon loan renunciation	4,225	15,800	20,660	—	40,685
Provisions for interest bonus option	51,842	187,000	229,900	16,736	485,478
Provisions for contingent liabilities in accordance with IFRS 3	—	—	—	9,223	9,223
Miscellaneous	30,286	3,815	3,000	12,178	49,279
Other provisions	**86,943**	**206,615**	**253,560**	**46,065**	**593,183**

2008

€ 000's	up to 1 year	1 year to 5 years	more than 5 years	Indefinite term	Total
Provisions for restructuring	869	9,379	—	—	10,248
Provisions for the refund of acquisition fees upon loan renunciation	4,600	17,200	22,500	—	44,300
Provisions for interest bonus option	40,600	146,300	179,900	14,845	381,645
Provisions for contingent liabilities in accordance with IFRS 3	—	—	—	—	—
Miscellaneous	83,101	479	3,000	7,030	93,610
Other provisions	**129,170**	**173,358**	**205,400**	**21,875**	**529,803**

(20) Current tax liabilities

Current tax liabilities relate to current tax liabilities for the period, and will be realised within twelve months in the amount of € 149.9 million (2008: € 20.2 million).

(21) Deferred tax liabilities

€ 000's	31 Dec 2009	31 Dec 2008
Financial assets and liabilities at fair value through profit or loss	61,866	92,646
Available-for-sale financial assets	33,734	18,321
Receivables	17,336	48,574[1]
Positive and negative market value of hedges	53,742	3,101
Investments accounted for using the equity method	1,463	3,814
Liabilities	12,561	19,564
Technical provisions	84,545	86,242
Other items in the statement of financial position	217,427	202,831
Deferred tax liabilities	**482,674**	**475,093**

1 Previous year's figure adjusted due to amendment to IAS 18.

Deferred tax liabilities amounting to € 34.5 million (2008: € 37.7 million) are expected to be realised within twelve months.

(22) Other liabilities

This item comprises provisions for tax obligations subject to the full interest rate due to risks associated with tax back payments of € 9.6 million (2008: € 4.4 million) as well as deferred income in the amount of € 5.4 million (2008: € 3.1 million).

(23) Subordinated capital

	Carrying amount		Fair value	
€ 000's	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Subordinated liabilities	356,249	388,365	334,461	322,549
Profit-participation rights	74,437	79,833	85,314	83,852
Subordinated capital	**430,686**	**468,198**	**419,775**	**406,401**

Subordinated capital is presented in the section on liquidity risks (Note 51), taking into consideration early redemption options prior to maturity.

In the year under review, the W&W Group has re-acquired subordinated liabilities in the amount of € 11.5 million. This repurchase reduces the amount of subordinated liabilities by € 17.9 million. This results in one-off income of € 6.4 million and a sustained reduction of interest expenses by € 1.0 million per year.

The companies of the W&W Group have issued various subordinated capital instruments as well as profit-participation certificates. Issues with an issue volume of more than € 35.0 million are presented in the following table:

ISIN	Year of issue	Nominal amount in € mn	Interest rate in %	Maturity
Wüstenrot Bank AG Pfandbriefbank XF0101050263	2006	50.0	4.57	6 Dec 2016
Württembergische Lebensversicherung AG XS0244204003	2006	130.0	5.375 until 2016, then 3-month EURIBOR + 2.75%	1 June 2026

No subordinated capital issues were issued in 2009. VVB, which was acquired in 2009, had issued a subordinated bond at a nominal volume of € 10.0 million, which is now reported as subordinated capital in the consolidated financial statements of W&W due to the acquisition. The financial instrument bears fixed interest of 5.36%, and matures on 24 November 2016.

(24) Equity

€ 000's	31 Dec 2009	31 Dec 2008
Share in paid-in capital attributable to shareholders of W&W AG	1,460,195	1,374,105
Share in retained earnings attributable to shareholders of W&W AG	1,115,485	906,536
Non-controlling interests	71,644	56,994
Equity	**2,647,324**	**2,337,635**

A dividend payment of € 0.50 per share as well as a dividend bonus of € 0.10 per share will be proposed for the financial year 2009. This equates to a payout of € 55.2 million.

From the net retained profit as reported under German commercial law (HGB) for the financial year 2008 in the amount of € 43.6 million, an amount of € 43.1 million was used to pay a dividend of € 0.50 per share. The dividend was paid on 20 May 2009.

The remaining amount of € 0.5 million was carried forward to new account.

Subscribed capital

Subscribed capital is divided into 91,992,662 no-par value registered shares, which are fully paid in. From a legal perspective, they are ordinary shares.

This means that they carry voting and dividend rights, a right in a share in the liquidation proceeds, and subscription rights. There are no preferential rights or restrictions.

Changes in the number of shares outstanding

The Management Board of Wüstenrot & Württembergische AG resolved on 16/17 July 2009, with the consent of the Supervisory Board, to increase the Company's share capital from € 451 million to € 481 million. The purpose of the capital increase was to strengthen the Company's financial strength and innovative power. The capital increase led to a gross inflow in a total amount of € 86.2 million, with directly attributable transaction costs in the amount of € 220 thousand recognised as a deduction from equity. The associated income taxes amount to € 66 thousand, recognised directly in equity.

	Number of shares	Number of shares
	2009	2008
Balance at 1 Jan	86,243,084	86,243,084
Additions due to capital increase	5,749,538	—
Disposals	—	—
Balance at 31 Dec	91,992,622	86,243,084

At the end of the financial year 2009, the amount of authorised capital not used was € 69.9 million. The Management Board of W&W-AG is authorised to utilise such authorised capital until 2 June 2014.

Non-controlling interests

The breakdown of non-controlling interests is as follows:

€ 000's	31 Dec 2009	31 Dec 2008
Interests in unrealised profits and losses	4,338	– 7,328
Interests in consolidated net income for the year	9,375	7,366
Other interests	57,931	56,956
Non-controlling interests	**71,644**	**56,994**

Notes to the consolidated statement of comprehensive income

(25) Net income from/net expense for available-for-sale financial assets

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Income from available-for-sale financial assets	844,697	997,299
Interest income	462,714	419,788
Dividend income	63,024	163,275
Gains from disposals	269,465	315,321
Income from reversals of impairment losses	5,749	2,005
Income from currency translation	43,745	96,910
Expenses for available-for-sale financial assets	415,957	1,694,135
Losses from the termination of fair value hedges	415	—
Losses from disposal	244,313	674,847
Expenses from impairment losses	138,107	914,992
Expenses from currency translation	33,122	104,296
Net income from/net expense for available-for-sale financial assets	**428,740**	**– 696,836**

The impairment losses for financial assets available for sale relate to the following classes of financial instruments:

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Equity investments	63,513	41,883
Equities, shares in investment funds and other non-fixed-income securities	57,545	858,876
Fixed-income securities and receivables	17,049	14,233
Impairment	**138,107**	**914,992**

(26) Net income from/net expense for investments accounted for using the equity method

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Income from investments accounted for using the equity method	1,736	1,861
Income from the share in net income	1,736	1,357
Gains from disposals	—	504
Expenses for investments accounted for using the equity method	1,984	17,573
Expenses from the share in net losses	1,984	17,573
Net income from/net expense for investments accounted for using the equity method	**– 248**	**– 15,712**

(27) Net income from financial assets and liabilities at fair value through profit or loss

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Income from financial assets and liabilities at fair value through profit or loss	1,578,462	2,198,619
Income from assets and liabilities held for trading	1,308,462	2,139,783
Interest income	691,452	624,044
Dividend income	5	4
Income from fair value measurement	239,599	446,841
Gains from disposals	296,203	868,221
Income from currency translation	81,203	200,673
Income from financial assets and liabilities designated as at fair value through profit or loss	270,000	58,836
Interest income	5,821	10,107
Dividend income	1	15
Income from fair value measurement	105,705	11,762
Gains from disposals	14,584	11,779
Income from investments for the account and risk of life insurance policyholders	143,817	25,173
Income from currency translation	72	—
Expenses for financial assets and liabilities at fair value through profit or loss	1,414,592	1,880,716
Expenses from assets and liabilities held for trading	1,400,251	1,482,382
Interest expense	715,445	614,061
Expense from fair value measurement	297,647	511,745
Losses from disposal	281,654	155,304
Income from currency translation	105,505	201,272
Expenses from financial assets and liabilities designated as at fair value through profit or loss	14,341	398,334
Interest expense	—	788
Expense from fair value measurement	1,982	83,012
Losses from disposal	455	39,567
Expenses from investments for the account and risk of life insurance policyholders	8,753	274,967
Income from currency translation	3,151	—
Net income from financial assets and liabilities at fair value through profit or loss	**163,870**	**317,903**

(28) Hedge result

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Income from hedges	132,059	52,681
Income from fair value hedges	129,158	45,881
Gains from the measurement of hedged items	52,411	43,779
Gains from the measurement of derivative hedging instruments	76,747	2,102
Income from cash flow hedges	2,901	6,800
Income from the transfer from the reserve for cash flow hedges	2,028	6,260
Income from the ineffective portion of cash flow hedges	873	540
Expenses for hedges	132,294	46,486
Expenses for fair value hedges	127,210	41,007
Losses from the measurement of hedged items	61,663	1,964
Losses from the measurement of derivative hedging instruments	65,547	39,043
Expenses for cash flow hedges	5,084	5,479
Expenses from the transfer from the reserve for cash flow hedges	4,934	4,164
Expenses from the ineffective portion of cash flow hedges	150	1,315
Hedge result	**– 235**	**6,195**

(29) Net income from receivables, liabilities and subordinated capital

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Income from receivables, liabilities and subordinated capital	2,112,860	2,321,490
Interest income from receivables	1,970,638	2,162,258[1]
Gains from the sale of receivables	98,467	107,871
Gains from the disposal of liabilities and subordinated capital	6,796	446
Income from the termination of fair value hedges	1,935	112
Income from financial instruments reclassified from available-for-sale financial assets	624	16
Income from currency translation	34,400	50,787
Expenses for receivables, liabilities and subordinated capital	1,065,233	1,418,431
Interest expenses from liabilities	999,100	1,275,264
Interest expenses from subordinated capital	24,834	27,529
Losses from the sale of receivables	4,302	42,397
Losses from the disposal of liabilities and subordinated capital	1,592	490
Expenses from the termination of fair value hedges	4,959	4,238
Expenses from financial instruments reclassified from available-for-sale financial assets	8,333	4,166
Expenses from currency translation	22,113	64,347
Net income from receivables, liabilities and subordinated capital	**1,047,627**	**903,059**

1 Previous year's figure adjusted due to amendment to IAS 18.

Of the interest expenses for subordinated capital, an amount of € 5.5 million (2008: € 6.9 million) relates to profit-participation certificates and € 19.3 million (2008: € 20.7 million) to subordinated liabilities.

(30) Net expense for allowances for credit losses

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Income from allowances for credit losses	47,891	67,939
Reversal of allowances for credit losses	32,862	55,686
Recoveries on receivables previously written off	15,029	12,253
Expenses for allowances for credit losses	173,699	120,422
Additions to allowances for credit losses	79,934	111,305
Direct write-offs	93,765	9,117
Net expense for allowances for credit losses	**125,808**	**52,483**

The expenses for allowances for credit losses relate to the following classes of financial instruments:

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Loans and advances to banks	11,708	2
Receivables from reinsurance business	357	—
Loans and advances to customers	159,822	115,721
Other receivables	1,812	4,699
Expenses for allowances for credit losses	**173,699**	**120,422**

(31) Net income from investment property

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Income from investment property	87,636	91,457
Income from rental and leases	79,856	79,679
Gains from disposals	7,780	11,778
Income from reversals of impairment losses	—	—
Expenses for investment property	64,605	81,752
Expenses for repairs, maintenance and management	24,539	28,787
Losses from disposal	551	6,291
Expenses from depreciation	36,292	35,570
Expenses from impairment losses	3,223	11,104
Net income from investment property	**23,031**	**9,705**

Net income from investment property includes directly attributable operating expenses for repairs, maintenance and management as well as depreciation in a total amount of € 64.1 million (2008: € 75.5 million). Of this total amount, properties held to earn rental income accounted for € 51.1 million (2008: € 65.8 million), while properties that do not generate rental income accounted for € 13.0 million (2008: € 9.7 million).

(32) Net fee and commission result

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Fee and commission income	202,006	203,589
from concluding home loan and savings contracts	85,812	76,357
from banking business	31,187	30,848
from reinsurance business	24,674	19,055
from agency business	27,415	33,304[2]
from investment business	28,116	41,082
from other business	4,802	2,943
Fee and commission expenses	549,598	581,887
from insurance business	365,369	373,508[2]
from home loan savings/banking business	133,451	146,986[1]
from reinsurance business	3,068	3,401
from agency business	22,070	25,285
from investment business	14,807	24,284
from other business	10,833	8,423
Net fee and commission result	**– 347,592**	**– 378,298**

1 Previous year's figure adjusted due to amendment to IAS 18.
2 Previous year's figure adjusted in accordance with IAS 8.42.

Fee and commission income includes income from trustee activities or similar fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions in the amount of € 0.3 million (2008: € 0.8 million).

Fee and commission income includes € 11.2 million (2008: € 11.0 million) – and fee and commission expenses include € 4.9 million (2008: € 7.1 million) – arising from transactions with financial instruments that are not measured at fair value through profit or loss.

The previous year's figures have been adjusted. The adjustment in accordance with IAS 8.42 did not have any effects on the net fee and commission result. The reason for this was that expenses and income from fees and commissions in the amount of € 42.2 million each resulting from one intragroup transaction were not envisaged for inclusion in the consolidation of expenses and income.

(33) Premiums/contributions earned (net)

Life/health insurance

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Gross premiums written	2,442,093	2,345,583
Changes in unearned premiums	54,581	29,297
Amounts transferred from the provision for premium refunds	117,592	141,845
Premiums/contributions earned (gross)	2,614,266	2,516,725
Premiums ceded to reinsurers	– 114,969	– 129,239
Premiums/contributions earned (net)	**2,499,297**	**2,387,486**

Property-casualty insurance, reinsurance

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Gross premiums written	1,314,028	1,295,870
Direct insurance business	1,301,459	1,283,210
Reinsurance assumed	12,569	12,660
Changes in unearned premiums	7,747	68,165
Premiums/contributions earned (gross)	1,321,775	1,364,035
Premiums ceded to reinsurers	– 53,577	– 67,150
Premiums/contributions earned (net)	**1,268,198**	**1,296,885**

(34) Insurance benefits (net)

Insurance benefits from direct insurance business are reported excluding loss adjustment expenses, which are recorded in general administrative expenses. Insurance benefits for reinsurance assumed, as well as the share of reinsurers in insurance benefits, may consist of both claims payments and claims handling costs.

The item "Changes in the provision for premium refunds" includes additions to provisions for premium refunds to be recognised in accordance with national requirements, as well as the changes in the provision for deferred premium refunds recognised in the income statement.

Life/health insurance

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Payments for insured events	2,222,028	2,263,450
Gross amount	2,374,161	2,454,962
less: Share of reinsurers	– 152,133	– 191,512
Change in the provision for loss and loss adjustment expenses	7,350	18,479
Gross amount	8,263	16,863
less: Share of reinsurers	– 913	1,616
Change in the provision for future policy benefits	697,239	34,757
Gross amount	665,270	– 3,611
less: Share of reinsurers	31,969	38,368
Change in the provision for premium refunds (gross)	177,109	– 272,583
Change in other technical provisions	136	– 634
Gross amount	136	– 683
less: Share of reinsurers	—	49
Insurance benefits	**3,103,862**	**2,043,469**
Total gross amount	3,224,939	2,194,948
less (total): Share of reinsurers	– 121,077	– 151,479

Property-casualty insurance, reinsurance

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Payments for insured events	747,075	745,785
Gross amount	801,185	828,498
less: Share of reinsurers	– 54,110	– 82,713
Change in the provision for loss and loss adjustment expenses	– 124,060	4,792
Gross amount	– 172,227	– 29,426
less: Share of reinsurers	48,167	34,218
Change in the provision for premium refunds (gross)	—	—
Change in other technical provisions	988	– 2,125
Gross amount	1,320	– 2,462
less: Share of reinsurers	– 332	337
Insurance benefits	**624,003**	**748,452**
Total gross amount	630,278	796,610
less (total): Share of reinsurers	– 6,275	– 48,158

(35) General administrative expenses

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Personnel expenses	585,157	573,421
Wages and salaries	433,739	422,013[1]
Social security contributions	81,211	82,412
Expenses for pensions and other employee benefits	44,109	45,524
Other	26,098	23,472
Other administrative expenses	401,370	380,803
Amortisation, depreciation and impairment	55,133	55,112
Owner-occupied property	10,291	12,785
Operating and office equipment	13,725	11,805
Intangible assets	30,616	30,007
Other	501	515
General administrative expenses	**1,041,660**	**1,009,336**

1 Previous year's figure adjusted due to amendment to IAS 18.

In the year under review, € 16.2 million (2008: € 19.5 million) was contributed to defined contribution plans. Moreover, the employer's contributions to the statutory pension insurance scheme were paid in an amount of € 41.4 million (2008: € 41.5 million).

General administrative expenses include € 8.5 million (2008: € 11.6 million) relating to personnel expenses for partial and early retirement.

(36) Measurement gain/loss for non-current assets and disposal groups classified as held for sale

Measurement losses from properties held for sale were incurred neither in the reporting period nor in the previous year. The measurement gains for investments in associates held for sale amount to € 1.0 million (2008: measurement losses of € 1.7 million) in the year under review.

(37) Net other income/expense

Net other income/expense can be broken down as follows:

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Other income	288,316	296,707
Revenue from services (property development business)	55,204	50,366
Reversal of provisions	52,200	30,395
Gains from disposals	4,284	360
Other income from currency translation	8,446	37,753[1]
Other technical income	64,157	67,939
Service revenues	37,967	31,661
Miscellaneous income	66,058	78,233
Other expenses	184,700	171,282
Other taxes	4,351	4,715
Expenses for services (property development business)	29,515	40,636
Additions to provisions	8,980	8,727
Losses from disposals	3,181	1,100
Other expenses from currency translation	12,245	24,508[1]
Other technical expenses	68,350	67,319
Miscellaneous expenses	58,078	24,277
Net other income/expense	**103,616**	**125,425**

1 Previous year's figure adjusted due to a change in presentation of income and expenses from currency translation.

Miscellaneous expenses include expenses for the recognition of restructuring provisions in the amount of € 7.0 million (2008: € 0.0 million).

(38) Taxes on income

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Current taxes on income in the financial year	164,734	82,947
Current taxes referring to previous years	– 12,601	– 31,123
Deferred taxes	– 81,869	– 18,560[1]
Taxes on income	**70,264**	**33,264**

1 Previous year's figure adjusted due to amendment to IAS 18.

The following reconciliation shows the relationship between expected taxes on income and the taxes on income actually reported in the consolidated financial statements:

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Earnings before income taxes from continued operations	291,956	100,332
Group tax rate in %	30.58	30.58
Expected taxes on income	89,280	30,681
Tax rate differences at Group companies	– 8,276	– 6,164
Effects of tax-exempt income	– 8,880	– 23,251
Effects of non-deductible expenses	2,301	28,102
Effects attributable to other periods	– 22,563	– 6,170
Other	18,401	10,066
Taxes on income	**70,264**	**33,264**

The income tax rate of 30.58% used as the basis for the reconciliation consists of the corporate income tax rate of 15% plus solidarity surcharge of 5.5% on corporate income tax and an average rate for the municipal trade tax of 14.75%. Thus, the tax rates for 2009 correspond to those for the previous year.

The following table shows the tax effects on components of gains or losses recognised directly in equity:

€ 000's	Before provision for premium refunds 1 Jan 2009 to 31 Dec 2009	Provision for premium refunds 1 Jan 2009 to 31 Dec 2009	Taxes 1 Jan 2009 to 31 Dec 2009	After provision for premium refunds 1 Jan 2009 to 31 Dec 2009
Measurement gains/losses from available-for-sale financial assets	513,380	– 366,931	– 39,787	106,662
Recognised in equity	338,156	– 246,264	– 24,765	67,128
Reclassified to the income statement	175,223	– 120,667	– 15,022	39,534
Measurement gains/losses from investments accounted for using the equity method	12,862	– 4,902	– 366	7,594
Measurement gains/losses from cash flow hedges	– 47,303	—	13,937	– 33,366
Recognised in equity	– 52,207	—	15,403	– 36,804
Reclassified to the income statement	4,904	—	– 1,466	3,438
Currency translation differences of independent foreign operations	994	—	—	994
Actuarial gains and losses from defined benefit plans	– 64,129	9,972	16,347	– 37,810
Total	**415,803**	**– 361,860**	**– 9,869**	**44,074**

€ 000's	Before provision for premium refunds 1 Jan 2008 to 30 Jun 2008	Provision for premium refunds 1 Jan 2008 to 30 Jun 2008	Taxes 1 Jan 2008 to 30 Jun 2008	After provision for premium refunds 1 Jan 2008 to 30 Jun 2008
Measurement gains/losses from available-for-sale financial assets	– 654,455	439,219	52,994	– 162,242
Recognised in equity	– 1,928,972	1,293,978	156,344	– 478,650
Reclassified to the income statement	1,274,517	– 854,759	– 103,350	316,408
Measurement gains/losses from investments accounted for using the equity method	– 4,002	697	916	– 2,389
Measurement gains/losses from cash flow hedges	– 25,404	—	7,323	– 18,081
Recognised in equity	– 23,308	—	6,719	– 16,589
Reclassified to the income statement	– 2,096	—	604	– 1,492
Currency translation differences of independent foreign operations	– 294	—	—	– 294
Actuarial gains and losses from defined benefit plans	19,994	– 1,015	– 1,919	17,060
Total	**– 664,161**	**438,901**	**59,314**	**– 165,946**

(39) Earnings per share

Basic earnings per share are calculated by dividing consolidated net income for the year by the weighted average number of shares:

		1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Result attributable to shareholders of W&W AG	€ 000's	212,317,364	59,698,511[1]
Number of shares at the beginning of the financial year	No.	86,243,084	86,243,084
Issue of new shares / conversion of options	No.	5,749,538	—
Weighted average of shares	No.	88,558,651	86,243,084
Basic (diluted) earnings per share	€	**2.40**	**0.69**[1]

1 Previous year's figure adjusted due to amendment to IAS 18.

Basic earnings per share correspond to diluted earnings per share, as there are no potentially dilutive shares at the moment.

Notes to financial instruments

(40) Disclosures on fair value measurement

The classification of the financial instruments measured at fair value was based on a hierarchy which takes into account the significance of the inputs relevant for measurement. This hierarchy consists of three levels:

Level 1: This level includes financial instruments that are measured at the relevant quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2: If measurement is based on a generally accepted valuation technique using inputs that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices), then the financial instruments so measured are allocated to Level 2.

Level 3: Financial instruments whose measurement is based on a generally accepted valuation technique, but largely using inputs derived from unobservable market data for the asset or the liability, are allocated to Level 3.

The level in the fair value hierarchy within which the financial instrument is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

Fair value hierarchy

€ 000's	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	246,623	1,720,345	—	1,966,968
Financial assets designated as at fair value	173,736	1,387,416	—	1,561,152
Financial assets classified as held for trading	72,887	332,929	—	405,816
Available-for-sale financial assets	9,488,367	6,882,327	517,977	16,888,671
Equity investments	—	—	457,670	457,670
Equities, shares in investment funds and other non-fixed-income securities	465,540	716,665	60,307	1,242,512
Fixed-income securities and receivables	9,022,827	6,165,662	—	15,188,489
Positive market value of hedges	—	239,523	—	239,523
Financial liabilities at fair value through profit or loss	14,031	482,420	—	496,451
Financial liabilities classified as held for trading	14,031	482,420	—	496,451
Negative market value of hedges	—	378,892	—	378,892
Total	**9,749,021**	**9,703,507**	**517,977**	**19,970,505**

In the year under review, fixed-income securities and receivables in the amount of € 779 thousand were transferred from Level 1 to Level 2. Transfer from Level 2 to Level 1 amounted to € 584 thousand. These transfers are attributable to changes in market activities.

Assets and liabilities measured in the statement of financial position at fair value and allocated to Level 3

2009

	Available-for-sale financial assets		Total
	Equity investments	Equities, shares in investment funds and other non-fixed-income securities	
€ 000's			
Balance at 1 Jan	444,534	68,105	512,639
Total comprehensive income (IFRS)	– 56,065	– 9,095	– 65,160
Income statement	– 54,711	– 198	– 54,909
Other comprehensive income	– 1,354	– 8,897	– 10,251
Purchases	83,409	1,297	84,706
Sales	– 14,208	—	– 14,208
Transfer from Level 3	—	—	—
Transfer to Level 3	—	—	—
Balance at 31 Dec	457,670	60,307	517,977
Gains or losses for the period, recognised in the income statement for assets held at the end of the reporting period	– 54,711	– 198	– 54,909

Realised gains and losses from the individual classes of financial instruments are reported under "Net income from available-for-sale financial assets".

Effects of alternative assumptions for financial instruments in Level 3

The analyses performed are intended to show the effects of reasonably possible alternative measurements. The assumptions and parameters used for the determination of the fair value are simulated independently, and without taking correlations into consideration.

(1) The most significant influence on the fair value is attributable to expected cash flows and the discount rate. Therefore, interests in companies for which measurement information about cash flows and discount rates are available, including the self-managed investments within the property sector, are analysed as follows:

- Changes of cash flows by +10% and simultaneous change of interest rate by –100 basis points (beneficial change)
- Changes of cash flows by -10% and simultaneous change of interest rate by +100 basis points (adverse change)

In doing so, the discount rates are derived for interests in companies. The rate range between 5% and 12%.

(2) The presentation of a beneficial and an adverse change of the fair value for investments in financial instruments which are priced by third parties (and for which, therefore, there is no data access for the analysis of the measurement parameters) is made through a change of the total fair value by +/– 10%.

To a large extent, these investments are private equity investments and investments in the property sector managed by third parties. The fair values are regularly determined using a number of various valuation techniques and combinations thereof (e. g. discounted cash flow analyses, transaction prices, references to the current fair value of other, largely similar investments).

NET EFFECT AFTER DEFERRED TAXES AND PROVISION FOR DEFERRED PREMIUM REFUNDS

	Changed assumptions and parameters	Potential changes in the income statement		Potential changes in other comprehensive income	
		Beneficial change	Adverse change	Beneficial change	Adverse change
€ 000's					
Available-for-sale financial assets					
Equity investments					
Equity investments	(1)	—	– 3,028	5,244	– 1,277
Self-managed investments in the property sector	(1)	—	– 243	7,909	– 6,770
Private equity	(2)	—	– 1,636	2,721	– 1,085
Investments in the property sector managed by third parties	(2)	—	– 316	582	– 266
Equities, shares in investment funds, and other non-fixed-income securities	(2)	—	—	598	– 598

(41) Derivative financial instruments (including maturity analysis)

Maturities 2009

€ mn	up to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years
Interest rate derivatives				
Over-the-counter				
Caps/floors	—	—	—	—
Swaps	981.0	4,592.0	4,202.1	2,017.3
Other	—	—	—	—
Exchange-traded				
Futures	373.6	—	—	—
Currency-related derivatives				
Over-the-counter				
Foreign exchange forward transactions	745.0	74.0	2.9	21.4
Options - Purchases	109.0	—	—	—
Equity-/index-related derivatives				
Over-the-counter				
Options - Purchases	139.9	—	77.6	—
Options - Sales	99.2	—	65.5	—
Exchange-traded				
Futures	171.1	—	—	—
Options	2.6	144.7	30.1	—
Other derivatives	—	70.0	—	—
Derivatives	**2,621.4**	**4,880.7**	**4,378.2**	**2,038.7**

	3 to 4 years	4 to 5 years	more than 5 years	Notional amounts, total	Positive market values	Negative market values
	400.0	—	—	400.0	2.8	2.7
	1,960.5	1,598.6	10,654.1	26,005.6	555.0	822.5
	48.0	30.0	—	78.0	—	2.5
	—	—	—	373.6	2.1	1.0
	—	—	—	843.3	4.0	17.0
	—	—	—	109.0	—	—
	—	—	—	217.5	6.2	7.3
	—	—	—	164.7	—	19.4
	—	—	—	171.1	2.2	2.1
	—	—	—	177.4	10.8	0.8
	—	—	—	70.0	—	0.1
	2,408.5	**1,628.6**	**10,654.1**	**28,610.2**	**583.1**	**875.4**

The table shows the notional amounts as well as the positive and negative market values of all derivatives of the W&W Group, i.e. derivative financial instruments that are hedging instruments of accepted hedging relationships in accordance with hedge accounting criteria as well as those derivative financial instruments reported in the sub-items of held-for-trading financial assets or liabilities.

Maturities 2008

€ mn	up to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years
Interest rate derivatives				
Over-the-counter				
Swaps	358.7	4,337.0	2,148.0	1,149.0
Other	200.0	—	—	—
Exchange-traded				
Futures	41.5	89.9	—	—
Currency-related derivatives				
Over-the-counter				
Foreign exchange forward transactions	2,361.4	732.1	0.2	—
Exchange-traded				
Futures	32.4	—	—	—
Equity-/index-related derivatives				
Over-the-counter				
Options - Purchases	—	—	68.1	—
Options - Sales	—	—	85.1	—
Exchange-traded				
Futures	1,494.5	—	—	—
Options	0.7	0.7	—	—
Other derivatives	—	20.0	70.0	—
Derivatives	**4,489.2**	**5,179.7**	**2,371.4**	**1,149.0**

	3 to 4 years	4 to 5 years	more than 5 years	Notional amounts, total	Positive market values	Negative market values
	1,358.0	1,739.5	7,678.2	18,768.4	400.8	604.6
	—	—	140.0	340.0	1.6	3.2
	—	—	—	131.4	1.6	1.7
	—	21.4	—	3,115.1	36.3	27.0
	—	—	—	32.4	—	0.3
	—	—	—	68.1	11.1	—
	—	—	—	85.1	—	4.2
	—	—	—	1,494.5	14.5	7.3
	—	—	—	1.4	0.1	—
	—	—	—	90.0	—	0.1
	1,358.0	**1,760.9**	**7,818.2**	**24,126.4**	**466.0**	**648.4**

The table shows the notional amounts as well as the positive and negative market values of all derivatives of the W&W Group, i.e. derivative financial instruments that are hedging instruments of accepted hedging relationships in accordance with hedge accounting criteria as well as those derivative financial instruments reported in the sub-items of held-for-trading financial assets or liabilities.

(42) Additional disclosures on hedging relationships

The following table shows the maturities of cash flow hedges:

€ 000's	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indefinite maturity	Total
Notional amounts as at 31 Dec 2009	20,000	35,000	685,000	2,728,500	—	3,468,500
Notional amounts as at 31 Dec 2008	77,200	272,500	225,000	678,500	—	1,253,200

The time band "1 to 5 years" can be broken down as follows:

€ 000's	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
Notional amounts as at 31 Dec 2009	30,000	45,000	400,000	210,000	685,000
Notional amounts as at 31 Dec 2008	55,000	30,000	10,000	130,000	225,000

The expected cash receipts (+) and cash payments (–) related to the hedged items of cash flow hedges can be broken down as follows:

€ 000's	31 Dec 2009	31 Dec 2008
payable on demand	—	—
up to 3 months	5,290	– 7,729
3 months to 1 year	16,300	– 11,422
1 to 2 years	22,079	– 11,549
2 to 3 years	22,160	– 8,682
3 to 4 years	21,071	– 7,677
4 to 5 years	21,113	– 7,352
more than 5 years	109,027	90,953

The expected gains (+) and losses (–) related to the hedged items of cash flow hedges can be broken down as follows:

€ 000's	31 Dec 2009	31 Dec 2008
payable on demand	—	—
up to 3 months	5,299	– 7,729
3 months to 1 year	16,405	– 9,893
1 to 2 years	22,165	– 10,571
2 to 3 years	22,167	– 8,294
3 to 4 years	21,169	– 7,567
4 to 5 years	21,392	– 3,316
more than 5 years	104,944	93,883

The ineffective portion of cash flow hedges resulted in a net gain of € 723 thousand (2008: net loss of € 775 thousand).

(43) Securities lending transactions

The following securities were lent in the framework of securities lending transactions:

€ 000's	31 Dec 2009	31 Dec 2008
Financial assets at fair value through profit or loss	2,366	—
Available-for-sale financial assets	28,623	—
Equities, shares in investment funds and other non-fixed-income securities	364	—
Fixed-income securities and receivables	28,259	—
Total	**30,989**	—

(44) Securities repurchase agreements

As at 31 December 2009, the carrying amount of securities sold under repurchase agreements of the category "Fixed-income securities and receivables" was € 1,462.1 million (2008: € 230.2 million). This resulted in liabilities to banks in the amount of € 1,484.4 million (2008: € 224.1 million) for the W&W Group as borrower.

(45) Trust activities in the banking business

The following amounts referred to the trust activities, which do not have to be reported in the statement of financial position:

€ 000's	31 Dec 2009	31 Dec 2008
Loans and advances to customers	333	376
Receivables from local authorities from property development business	292,993	298,904
Other	1,489	1,489
Trust assets	294,815	300,769
Liabilities to banks	333	376
Liabilities to local authorities from property development business	292,993	298,904
Other	1,489	1,489
Trust liabilities	294,815	300,769

(46) Additional disclosures on the effects of financial instruments on the income statement and on equity

Net gains and losses per category of financial instruments shown in the following table consist of the following components:

- Net gains include gains from disposals, reversals of impairment losses recognised in profit or loss, subsequent recoveries on financial instruments previously written off as well as currency translation gains from the measurement of debt instruments denominated in a foreign currency as at the balance sheet date.
- Net losses include losses from disposals, impairment losses recognised in profit or loss as well as currency translation losses from the measurement of debt instruments denominated in a foreign currency as at the balance sheet date.

€ 000's	1 Jan 2009 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2008
Financial assets and liabilities at fair value through profit or loss		
Held-for-trading assets and liabilities		
Net gains	617,005	1,515,735
Net losses	684,806	868,321
Financial assets and liabilities designated as at fair value		
Net gains	255,390	41,595
Net losses	14,341	397,546
Available-for-sale financial assets		
Net gains	318,960	414,236
Net losses	415,542	1,694,134
Receivables		
Net gains	173,804	214,913
Net losses	191,402	217,672
Liabilities		
Net gains	13,750	12,130
Net losses	10,304	14,150

Total interest income from financial assets and financial liabilities not measured at fair value through profit or loss amounts to € 2,433.4 million (2008: € 2,582.1 million), and the associated total interest expense amounts to € 1,023.9 million (2008: € 1,302.8 million).

The currency translation in connection with these financial assets and liabilities resulted in foreign currency gains of € 86.6 million (2008: € 185.5 million), and foreign currency losses of € 67.5 million (2008: € 193.2 million).

Disclosures on risks arising from financial instruments and insurance contracts

(47) Risk management

The W&W Group maintains a comprehensive risk management system with a risk management process that is organised in the form of an iterative regular workflow. This risk management and risk controlling system is suitable for identifying and evaluating – as far as possible – existing and foreseeable risks in good time, and is described in detail in the risk report of the management report on page 37.

The risk report also describes strategies, objectives and processes to control risks and the methods used to measure risks as well as the further development of the risk management system in the reporting period. Collective risks, operational risks and strategic risks are also presented in the risk report section of the management report. Further qualitative and quantitative disclosures to market price risks, default risks, insurance-specific risks and liquidity risks are included in the following sections.

(48) Market price risks

Interest rate risks

Interest rate risk - as a form of market price risk - is the risk that changes in market interest rates may have negative effects on expected results and the value of assets and liabilities of the W&W Group. Interest rate risk consists of interest spread or market value risk. Effects on the income statement may arise on the one hand from a change of the gross interest spread and on the other hand from the changes in the market value of assets and liabilities resulting from interest rate changes. The interest spread or income risk - also called cash flow risk - has the effect that a change in market interest rates may impact net interest income and thus the profit for the period. The interest rate elasticity is of particular importance in this context. The market value of an asset or liability is calculated based on the discounted interest and principal payments. A change in market interest rates leads to a change in discount factors which may reduce the value of an asset, or increase the value of a liability. This may have negative effects on earnings and/or equity in the current and the following periods.

Persistently low interest rates may pose a threat in the medium term to the earnings of, in particular, Wüstenrot Bausparkasse AG and Württembergische Lebensversicherung AG, as new investments and reinvestments may only be made at lower interest rates, while at the same time the interest rates previously agreed or the interest rate arrangements (guarantee risk) with customers have to be adhered to. The W&W companies address guarantee risk through active risk management within the context of duration management as well as our dynamic product and tariff approach.

The W&W Group enters into financial derivatives in order to control interest rate risks. Derivatives used for risk management purposes especially include interest rate swaps, interest rate caps, floors and collars, interest rate options (swaptions), futures and forwards. The derivatives are primarily used to hedge interest rate risks, but also to avoid risk concentrations. They are reflected as economic hedges within the framework of the risk management and control process.

If these economic hedges meet hedge accounting requirements, they are accounted for as such in the IFRS consolidated financial statements. Receivables with fixed interest rates belonging to the banking and insurance business, as well as fixed-income securities from the banking business belonging to the category "Available-for-sale financial assets", are hedged against losses in value (fair value hedge), both on individual transaction level and on portfolio level. The portfolio-based fair value hedge was introduced in 2009. In addition, receivables bearing variable interest arising in the banking business as well as securities of the category "Available-for-sale financial assets" and liabilities bearing variable interest are hedged against variations in cash flows (cash flow hedge).

The effects of a potential increase or decrease of the interest rate level by 100 and 200 basis points (parallel shift of the yield curve) on Group earnings as well as on total equity are presented in the following table. As before, there is uncertainty resulting from the financial crisis surrounding a sustainable economic recovery, despite the first positive indications of a turnaround. Inflationary trends may result in dynamic interest rate increases in conjunction with corresponding monetary and fiscal policy measures. Further interest rate decreases also cannot be ruled out due to the uncertainties in relation to economic development. Within this context, the effects of deferred taxes and, also as far as life and health insurance is concerned, the effects of the provision for deferred premium refunds were taken into account.

The main changes resulting from these effects are attributable to the positioning of the Home Loan and Savings Bank Division. The introduction of the portfolio fair value hedge at Wüstenrot Bank AG Pfandbriefbank in 2009 led to fixed rate payer swaps being the primary instrument used to hedge loans, particularly against interest rate risks. This effect resulted in a considerable reduction of the sensitivity and the related impact on the Group's profit or loss. In 2009, the portfolio of financial assets available for sale was expanded significantly so that the sensitivity increased considerably in view of the effects on other comprehensive income.

There is no asset-based interest rate risk with respect to the profit or loss for the period and other comprehensive income for receivables accounted for at amortised cost. Hedged items which are part of a fair value hedge on an individual or a portfolio basis are measured at fair value through profit or loss in relation to the hedged risk.

Net effect after deferred taxes and provision for deferred premium refunds

	Change in the consolidated income statement		Change in other comprehensive income	
€ 000's	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
+ 100 basis points	43,249	85,273	– 242,149	– 134,787
– 100 basis points	– 48,633	– 90,504	267,220	150,590
+ 200 basis points	83,224	163,331	– 461,710	– 254,411
– 200 basis points	– 102,535	– 187,895	553,472	317,323

Price risks of equity instruments

The price risk of equity instruments is on the one hand the general risk that the value of assets and thus earnings and/or equity may be negatively influenced by market movements. On the other hand, price risks also include the specific risk characterised by issuer-specific aspects.

In the W&W Group, the price risk related to equity instruments is mainly characterised by the share price risk. The share price risk is defined as the risk arising from losses resulting from changes in share prices related to open equity positions. Price risks of equity instruments are managed by means of financial derivatives such as share options and futures. Apart from that, financial derivatives, especially share options, are used to implement certain investment strategies for investment funds and to generate additional income.

Market price risks from trading transactions are monitored and managed at the home loan and savings banks and other banks of the W&W Group within the meaning of the Minimum Requirements for Risk Management (MaRisk) as well as on the basis of value-at-risk approaches, stress scenarios and internal limit systems. Company-specific internal limit systems have been established in order to limit market price risks. The individual limits are determined by taking into account the current business development based on the risk cover potential. Compliance with the defined limits is monitored regularly in the individual companies. Scenario analyses and the establishment of limit systems are also intended to avoid risk concentrations.

The insurance companies within the W&W Group analyse changes in the value of their investment portfolios on the basis of simulations and stress scenarios.

The following overview shows the effects of an increase or decrease in the market value of equity instruments by 10%, 20% and 30% on the income statement and other comprehensive income. Within this context, the effects after deferred taxes and, as far as life and health insurance is concerned, also the effects after the provision for deferred premium refunds were presented. If negative economic fundamental data fuel fears of a longer-term recession, the possible downside potential will likely result in an increasing share price risk. However, a sustainable stabilisation of the economy would send positive signals to the stock markets, which in turn would make further price increases possible.

The table shows that negative price risks of equity instruments primarily affect the income statement, while positive price changes mainly affect equity as they mainly refer to financial assets of the available-for-sale category and therefore are reflected in the revaluation reserve. In aggregate, the effects on the income statement and other comprehensive income show that an increase in market value results in a smaller positive change in value than in the previous year. At the same time, the effects from a decrease in market values are mitigated. The effects reflect our effective hedging strategies, as well as the reduction of the volume of equity instruments held.

Net effect after deferred taxes and provision for deferred premium refunds

	Change in the consolidated income statement		Change in other comprehensive income	
€ 000's	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
+ 10%	– 1,259	– 13,042	35,561	53,957
– 10%	– 11,048	– 34,633	– 25,782	– 3,408
+ 20%	– 4,466	– 25,729	71,122	107,599
– 20%	– 30,725	– 65,535	– 41,361	– 9,087
+ 30%	– 7,696	– 38,556	106,684	161,394
– 30%	– 72,486	– 122,345	– 31,680	11,551

Currency risks

The currency risk is defined as the risk arising from losses resulting from exchange rate changes. The extent of this risk depends on the amount of open positions as well as on the exchange rate change potential of the currency concerned.

The major part of the W&W Group's business is conducted in Germany. To a lesser extent, the W&W Group operates in foreign countries via branches and subsidiaries. The latter activities are partially associated with exchange rate risks.

Currency risks related to investments result from open currency positions, and mainly refer to globally operating investment funds. Currency risks are systematically recognised and analysed by fund management within the context of continuously reviewed expectations of exchange rates. If necessary, the risk-reducing measures are taken to hedge currency risks and to avoid risk concentrations, such as the foreign exchange forwards and foreign currency options.

The effects of an increase or decrease of the material exchange rates on the income statement and on other comprehensive income are presented in the following table. Within this context, the effects of deferred taxes and, also as far as life and health insurance is concerned, the effects of the provision for deferred premium refunds were taken into account.

The presented exchange rate risk results from both asset and liability items and only takes into account monetary instruments, i. e. cash funds and claims denominated in cash amounts as well as liabilities that have to be settled with a fixed or determinable cash amount. Exchange rate risks from equity instruments (non-monetary assets) are not taken into account.

Net effect after deferred taxes and provision for deferred premium refunds

	Change in the consolidated income statement		Change in other comprehensive income	
€ 000's	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
USD				
+ 10%	901	– 52	782	564
– 10%	– 1,269	52	– 782	– 564
+ 20%	1,460	– 106	1,403	1,127
– 20%	– 2,665	106	– 1,403	– 1,127
GBP				
+ 10%	– 981	679	47	86
– 10%	981	– 679	– 47	– 86
YEN				
+ 10%	186	736	161	846
– 10%	– 187	– 736	– 161	– 846
DKK				
+ 1%	1,728	185	—	—
– 1%	– 1,571	– 185	—	—

The foreign currency risk of a strategic foreign currency position denominated in Danish Krone held at insurance companies results from exchange rate fluctuations that affect the income statement, although the Danish Krone is characterised by a small range of fluctuation against the euro. The revised strategic hedge positioning results in an increased calculatory exchange rate risk compared to the previous year.

In addition, foreign exchange forward transactions and foreign currency options are used to hedge foreign currency risks and to avoid risk concentrations.

(49) Default risks

The default risk is a material risk assumed by the Group companies. It is typical for the industry. Default risk is defined as the risk of a loss or lost profit incurred as a result of the default of a contracting partner. The default risk mainly comprises the following types:

Credit risk: Credit risk is the risk that a contracting party may not fulfil its obligations after such party has received cash funds, securities or services (e. g. the risk of a default of a debtor of a receivable or a bond issuer; realisation risk of collateral provided).

Counterparty risk: Counterparty risk is the risk that unrealised profits from transactions in progress cannot be recognised due to the default of a counterparty (e. g. default of a counterparty to a swap where the swap has a positive market value).

Country risk: The country risk is defined as the credit or counterparty risk that results from the activities of a contracting party in a foreign country, rather than from its individual circumstances. This risk may be caused by a crisis with respect to political or economic developments in such countries, which may lead to transfer problems and, accordingly, to additional default risks.

Default risks within the W&W Group mainly result from the lending business of home loan and savings banks and other banks, from investment activities as well as from direct insurance and reinsurance business of insurance companies (bad debt risk).

Legal and regulatory provisions are complied with in the context of managing default risks. Default risk is limited through a broad diversification of the types of investments and by a prudent selection of issuers and reinsurance partners. Cluster risks resulting from the concentration of large investments or various investments with one issuer are addressed with limits restricting the maximum investment volume permitted per issuer. Apart from the classifications by international rating agencies, the internal assessment is also a key criterion for the selection of issuers. The W&W Group limits its selection of contracting parties and securities mainly to parties and instruments with top credit quality in the investment grade range.

The largest portion of the fixed-income securities is rated with "A" or higher. In addition, a major part of the fixed-income securities held are secured by state guarantees or deposit protection schemes. As a result of existing regulatory regulations (investment regulations for insurance companies and home loan and savings banks) and high internal requirements for creditworthiness, the W&W Group is exposed to enterprise-specific risks and, in particular, the systemic risk of the financial services sector.

In this connection, we refer to the risk report in the Group Management Report on page 37.

The W&W Group has receivables against customers mainly in the area of residential property financing in the Federal Republic of Germany. The majority of the loans are secured by charges over property. Commercial property financing activities were discontinued in 2004. The W&W Group addresses credit risks in residential property financing through risk analyses and risk management of the operating units on portfolio level by means of a credit application scoring and regular assessments of creditworthiness. The credit application scoring is supplemented by a behaviour scoring for money transmission and clearing operations.

Risks from customer credit business are measured using a stochastic loan portfolio model. In addition, credit risks on Group level are analysed, monitored and communicated to the Management Board within the scope of regular credit risk reporting which complies with the Minimum Requirements for Risk Management (MaRisk).

The issuer and counterparty limits from trading transactions within the meaning of the MaRisk are determined for all domestic banks and for Wüstenrot & Württembergische AG on a uniform basis throughout the Group. All business partners are classified into risk categories based on their creditworthiness and are assessed using a corresponding probability of default. Credit lines are granted for securities and trading transactions on that basis. The integration of the methodology existing at the insurance companies is promoted within the scope of the further development of credit risk management. Concentration risks from trading transactions are aggregated and monitored on a Group-wide basis.

The W&W Group monitors risks from the default of receivables from policyholders, agents and reinsurers by means of IT-based controls of outstanding receivables. The average default rate of the last three years as at the balance sheet date for receivables from policyholders amounts to 0.1%. The average default rate of the last three years for receivables from agents amounts to 3.0%. Receivables from reinsurance business are not subject to material risks due to the high creditworthiness of the reinsurance companies.

The allowance for credit losses is calculated using the following uniform principles throughout the Group:
Specific valuation allowances are determined for material receivables (i.e. significant exposure amount) reported under loans and advances. General valuation allowances for receivables of a minor individual significance are recognised on a portfolio basis. These valuation allowances are determined on the level of receivables portfolios with similar risk characteristics (e.g. type of credit, past-due status, probability of default), and are based on a present value analysis. The expected future cash flows are determined for the individual financial assets of a portfolio, particularly taking into account probabilities of default. For each portfolio established, the present value of future cash flows is determined and compared with the current carrying amount, taking into account historical probabilities of default.

Specific valuation allowances recognised on a lump-sum basis for undue receivables from policyholders from the direct insurance business are based on historical experience.

Reversals are made when the objective evidence of impairment ceases to exist, an unexpected repayment is received or the recoverable amount increases. The latter may, for example, take the form of an increase of the repayment amounts or an earlier maturity of the same.

Write-offs of receivables are made when the assessment of credit risk management shows that the financial assets are uncollectible. A receivable is generally directly written off when all economically reasonable measures to achieve settlement have been unsuccessful.

Reinsurance contracts are concluded with reinsurers of top credit quality, so that the risk of default is significantly reduced (see "Receivables from reinsurance business classified by rating categories", table on pages 185 et seq.).

The maximum default risk exposure from financial assets measured at fair value through profit or loss amounts to € 750.3 million (2008: € 546.1 million). This exposure is not further reduced through the use of credit derivatives.

Since the business activity of the W&W Group is mainly limited to Germany, the country risk has to be considered low. Foreign transactions primarily refer to countries of the European Union and mainly to countries with a stable political and economic environment. In order to expand and diversify our bond portfolio, targeted investments in emerging market bonds are made within the context of globally-biased investment funds. Our methodology to control country risks is supplemented by using an independent country risk database that complies with Basel II requirements.

The above-mentioned procedures and management and control measures are employed to avoid or minimise risk concentrations.

As at the balance sheet date, the following financial assets subject to some form of default risk – as well as the following assets resulting from direct insurance and reinsurance contracts and subject to some form of default risk – were reported in the consolidated statement of financial position.
Existing collateral reducing the default risk are not taken into account in the following table.

2009

€ 000's	Assets that are neither past due nor impaired 31 Dec 2009	Assets that are past due, but not impaired 31 Dec 2009	Assets subject to specific valuation allowances 31 Dec 2009	Portfolio impairment allowance 31 Dec 2009	Total 31 Dec 2009
Cash reserve	106,286	—	—	—	106,286
Financial assets at fair value through profit or loss	1,155,830	—	—	—	1,155,830
Available-for-sale financial assets	15,214,509	—	27,121	—	15,241,630
Fixed-income securities and receivables	15,169,456	—	19,033	—	15,188,489
Other available-for-sale financial assets	45,053	—	8,088	—	53,141
Receivables	43,853,217	1,081,768	808,107	– 68,899	45,674,193
Loans and advances to banks	14,992,831	—	111,058	—	15,103,889
Receivables from reinsurance business	103,799	—	—	– 2,539	101,260
Loans and advances to customers	28,681,250	1,081,766	694,832	– 65,264	30,392,584
Building loans	23,633,450	1,077,920	505,953	– 57,622	25,159,701
Loans to private customers secured by charges on real property	21,326,091	1,037,921	470,527	– 53,974	22,780,565
Loans to private customers not secured by charges on real property	2,307,359	39,999	35,426	– 3,648	2,379,136
Loans to local authorities	4,170,314	—	—	—	4,170,314
Other loans and advances to customers	877,486	3,846	188,879	– 7,642	1,062,569
Other receivables	75,337	2	2,217	– 1,096	76,460
Positive market value of hedges	239,523	—	—	—	239,523
Reinsurers' share of technical provisions	1,818,778	—	—	—	1,818,778
Total	**62,388,143**	**1,081,768**	**835,228**	**– 68,899**	**64,236,240**

2008

€ 000's	Assets that are neither past due nor impaired 31 Dec 2008	Assets that are past due, but not impaired 31 Dec 2008	Assets subject to specific valuation allowances 31 Dec 2008	Portfolio impairment allowance 31 Dec 2008	Total 31 Dec 2008
Cash reserve	143,124	—	—	—	143,124
Financial assets at fair value through profit or loss	1,520,809	4,379	—	—	1,525,188
Available-for-sale financial assets	9,883,369	—	7,239	—	9,890,608
Fixed-income securities and receivables	9,819,944	—	3,063	—	9,823,007
Other available-for-sale financial assets	63,425	—	4,176	—	67,601
Receivables	43,759,646	1,248,307	379,669	– 69,233	45,318,389
Loans and advances to banks	16,682,945	—	1,539	—	16,684,484
Receivables from reinsurance business	101,707	2,025	—	– 2,182	101,550
Loans and advances to customers	26,835,275	1,243,861	377,720	– 65,809	28,391,047
Building loans	22,854,256	1,242,049	319,868	– 59,392	24,356,781
Loans to private customers secured by charges on real property	21,147,631[1]	1,211,440	301,216	– 57,481	22,602,806
Loans to private customers not secured by charges on real property	1,706,625	30,609	18,652	– 1,911	1,753,975
Loans to local authorities	3,041,384	—	—	—	3,041,384
Other loans and advances to customers	939,635	1,812	57,852	– 6,417	992,882
Other receivables	139,719	2,421	410	– 1,242	141,308
Positive market value of hedges	10,724	—	—	—	10,724
Reinsurers' share of technical provisions	1,898,407	—	—	—	1,898,407
Total	**57,216,079**	**1,252,686**	**386,908**	**– 69,233**	**58,786,440**

1 Previous year's figure adjusted due to amendment to IAS 18.

Assets that are past due but not impaired include both past due instalments and the underlying total amount of the receivable. Existing risks of default are minimised by accepting collateral - primarily in the property financing business.

Wüstenrot Bausparkasse AG, Wüstenrot Bank AG Pfandbriefbank and Württembergische Lebensversicherung AG – as well as our Czech banks – operate in the home loan business, which is mainly secured by land charges and mortgages. Collateralisation leads to a significant reduction of the possible default. The loans granted by Württembergische Lebensversicherung AG are wholly secured by charges over property.

In addition, Group companies have entered into off-balance sheet transactions which are also associated with default risks. These transactions include irrevocable loan commitments by Group companies in the amount of € 1,313.1 million (2008: € 975.9 million) as well as guarantees with a maximum exposure to default risks of € 19.4 million (2008: € 7.2 million). The default risk from guarantees is calculated based on the maximum liability less the provisions recognised for default risks.

The carrying amounts of the building loans where the terms and conditions have been renegotiated and which would otherwise be past due or impaired, amount to € 1.4 million (2008: € 20.8million). These loans are almost completely secured by charges over property.

The following table shows the assets that were neither past due nor impaired as at the balance sheet date, based on external rating categories.

2009

	AAA	AA	A	BBB	BB	B or lower	Not rated	Total
€ 000's	31 Dec 2009	31 Dec 2009	31 Dec 2009	31 Dec 2009	31 Dec 2009	31 Dec 2009	31 Dec 2009	31 Dec 2009
Cash reserve	—	—	15,526	—	—	—	90,760	106,286
Financial assets at fair value through profit or loss	83,196	272,756	587,334	137,284	18,933	—	56,327	1,155,830
Available-for-sale financial assets	8,711,749	3,015,372	2,296,819	903,487	205,823	66,143	15,116	15,214,509
Fixed-income securities and receivables	8,711,749	3,003,305	2,263,833	903,487	205,823	66,143	15,116	15,169,456
Other available-for-sale financial assets	—	12,067	32,986	—	—	—	—	45,053
Receivables	7,856,032	8,374,729	1,968,917	304,054	58,303	31,413	25,259,769	43,853,217
Loans and advances to banks	7,112,833	4,779,583	1,903,620	230,570	5,578	—	960,647	14,992,831
Receivables from reinsurance business	448	16,305	57,336	16,912	—	—	12,798	103,799
Loans and advances to customers	742,751	3,578,822	7,937	51,236	52,725	31,413	24,216,366	28,681,250
Building loans	—	—	—	—	—	—	23,633,450	23,633,450
Loans to private customers secured by charges on real property	—	—	—	—	—	—	21,326,091	21,326,091
Loans to private customers not secured by charges on real property	—	—	—	—	—	—	2,307,359	2,307,359
Loans to local authorities	664,731	3,505,554	—	—	—	—	29	4,170,314
Other loans and advances to customers	78,020	73,268	7,937	51,236	52,725	31,413	582,887	877,486
Other receivables	—	19	24	5,336	—	—	69,958	75,337
Positive market value of hedges	—	4,441	233,049	2,033	—	—	—	239,523
Reinsurers' share of technical provisions	2,060	1,686,067	128,095	—	196	—	2,360	1,818,778
Total	**16,653,037**	**13,353,365**	**5,229,740**	**1,346,858**	**283,255**	**97,556**	**25,424,332**	**62,388,143**

2008

€ 000's	AAA 31 Dec 2008	AA 31 Dec 2008	A 31 Dec 2008	BBB 31 Dec 2008	BB 31 Dec 2008	B or lower 31 Dec 2008	Not rated 31 Dec 2008	Total 31 Dec 2008
Cash reserve	—	—	47,459	—	—	—	95,665	143,124
Financial assets at fair value through profit or loss	4,414	254,600	678,342	24,719	4,285	10,048	544,401	1,520,809
Available-for-sale financial assets	6,002,533	1,850,186	1,518,222	328,815	128,102	33,633	21,878	9,883,369
Fixed-income securities and receivables	6,002,533	1,834,322	1,490,937	328,815	128,102	33,633	1,602	9,819,944
Other available-for-sale financial assets		15,864	27,285	—	—	—	20,276	63,425
Receivables	6,382,317	8,375,332	4,559,278	737,510	40,038	—	23,665,171	43,759,646
Loans and advances to banks	6,115,353	5,398,258	4,429,901	518,571	4,253	—	216,609	16,682,945
Receivables from reinsurance business	681	55,113	30,367	142	255	—	15,149	101,707
Loans and advances to customers	266,283	2,921,311	98,120	212,582	35,530		23,301,449	26,835,275
Building loans	—	—	—	—	—	—	22,854,256	22,854,256
Loans to private customers secured by charges on real property	—	—	—	—	—	—	21,147,631[1]	21,147,631
Loans to private customers not secured by charges on real property	—	—	—	—	—	—	1,706,625	1,706,625
Loans to local authorities	139,964	2,901,385	—	—	—	—	35	3,041,384
Other loans and advances to customers	126,319	19,926	98,120	212,582	35,530	—	447,158	939,635
Other receivables	—	650	890	6,215	—	—	131,964	139,719
Positive market value of hedges	—	—	10,724	—	—	—	—	10,724
Reinsurers' share of technical provisions	1,543,704	276,253	73,529	994	234	—	3,693	1,898,407
Total	**13,932,968**	**10,756,371**	**6,887,554**	**1,092,038**	**172,659**	**43,681**	**24,330,808**	**57,216,079**

1 Previous year's figure adjusted due to amendment to IAS 18.

As at the balance sheet date, financial assets in the W&W Group that were past due, but not subject to specific valuation allowances had a carrying amount of € 1,081.8 million (2008: € 1,252.7 million). The maturity structure of these financial assets is presented in the table below:

€ 000's	Up to 1 month past due	Between 1 month and 2 months past due	Between 2 months and 3 months past due	Between 3 months and 1 year past due	More than 1 year past due	Total	Fair value of the corresponding securities
	31 Dec 2009	31 Dec 2009	31 Dec 2009	31 Dec 2009	31 Dec 2009	31 Dec 2009	31 Dec 2009
Receivables	703,129	167,247	85,713	112,741	12,938	1,081,768	3,858,036
Loans and advances to customers	703,127	167,247	85,713	112,741	12,938	1,081,766	3,858,036
Building loans	699,670	166,969	85,602	112,741	12,938	1,077,920	3,858,036
Loans to private customers secured by charges on real property	667,913	162,455	83,711	110,951	12,891	1,037,921	3,834,170
Loans to private customers not secured by charges on real property	31,757	4,514	1,891	1,790	47	39,999	23,866
Other loans and advances to customers	3,457	278	111	—	—	3,846	—
Other receivables	2	—	—	—	—	2	—
Total	**703,129**	**167,247**	**85,713**	**112,741**	**12,938**	**1,081,768**	**3,858,036**

€ 000's	31 Dec 2008	31 Dec 2008	31 Dec 2008	31 Dec 2008	31 Dec 2008	31 Dec 2008	31 Dec 2008
Financial assets at fair value through profit or loss	—	—	—	4,379	—	4,379	—
Receivables	713,387	187,906	105,216	175,527	66,271	1,248,307	4,464,381
Receivables from reinsurance business	—	241	38	1,746	—	2,025	—
Loans and advances to customers	711,360	187,665	105,151	173,781	65,904	1,243,861	4,464,381
Building loans	710,842	187,656	104,991	172,773	65,787	1,242,049	4,464,237
Loans to private customers secured by charges on real property	686,782	184,476	104,369	170,770	65,043	1,211,440	4,448,529
Loans to private customers not secured by charges on real property	24,060	3,180	622	2,003	744	30,609	15,708
Other loans and advances to customers	518	9	160	1,008	117	1,812	144
Other receivables	2,027	—	27	—	367	2,421	—
Total	**713,387**	**187,906**	**105,216**	**179,906**	**66,271**	**1,252,686**	**4,464,381**

Assets subject to specific valuation allowances

€ 000's	Gross amount 31 Dec 2009	Direct write-off 31 Dec 2009	Specific valuation allowances 31 Dec 2009	Total 31 Dec 2009	Fair value of corresponding assets 31 Dec 2009
Available-for-sale financial assets	52,645	– 25,524	—	27,121	—
Fixed-income securities and receivables	33,530	– 14,497	—	19,033	—
Other available-for-sale financial assets	19,115	– 11,027	—	8,088	—
Receivables	1,034,058	– 54,037	– 171,914	808,107	2,146,109
Loans and advances to banks	122,831	– 11,708	– 65	111,058	—
Loans and advances to customers	903,625	– 42,303	– 166,490	694,832	2,146,109
Building loans	668,827	– 2,808	– 160,066	505,953	2,146,109
Loans to private customers secured by charges on real property	615,154	– 2,808	– 141,819	470,527	2,118,891
Loans to private customers not secured by charges on real property	53,673	—	– 18,247	35,426	27,218
Other loans and advances to customers	234,798	– 39,495	– 6,424	188,879	—
Other receivables	7,602	– 26	– 5,359	2,217	—
Total	**1,086,703**	**– 79,561**	**– 171,914**	**835,228**	**2,146,109**

They major part of the assets past due but not subject to specific valuation allowances relates to receivables from building loans, which are largely secured by charges over property.
As at the balance sheet date, assets subject to specific valuation allowances had a carrying amount of € 835.2 million (2008: € 386.9 million).

The gross carrying amounts of the related assets, the direct write-offs recognised up to the balance sheet date and the specific valuation allowances recognised up to the balance sheet date are shown in the table.

Assets subject to specific valuation allowances

€ 000's	Gross amount 31 Dec 2008	Direct write-off 31 Dec 2008	Specific valuation allowances 31 Dec 2008	Total 31 Dec 2008	Fair value of corresponding assets 31 Dec 2008
Available-for-sale financial assets	39,125	– 31,886	—	7,239	—
Fixed-income securities and receivables	14,338	– 11,275	—	3,063	—
Other available-for-sale financial assets	24,787	– 20,611	—	4,176	—
Receivables	591,314	– 34,284	– 177,361	379,669	1,006,686
Loans and advances to banks	5,271	– 3,667	– 65	1,539	—
Loans and advances to customers	582,381	– 30,056	– 174,605	377,720	1,006,686
Building loans	471,719	– 2,606	– 149,245	319,868	995,232
Loans to private customers secured by charges on real property	436,755	– 2,500	– 133,039	301,216	964,372
Loans to private customers not secured by charges on real property	34,964	– 106	– 16,206	18,652	30,860
Other loans and advances to customers	110,662	– 27,450	– 25,360	57,852	11,454
Other receivables	3,662	– 561	– 2,691	410	—
Total	**630,439**	**– 66,170**	**– 177,361**	**386,908**	**1,006,686**

(50) Insurance risks

Life and health insurance

Presentation of insurance portfolio

The life and health care insurance business in the W&W Group comprises life insurance including endowment and term assurance, annuity assurance, permanent health insurance, and health care insurance. The insurance portfolio mainly consists of long-term contracts with a discretionary participation feature. Unit-linked endowment and annuity assurance are covered on a matching basis with the shares in investment funds attributable to the insurance policies.

The active reinsurance business now only accounts for an insignificant portion.

Risks of the insurance portfolio and risk management system

The distinctive feature of life insurance contracts is the long-term nature of the obligations assumed. The calculation of the guaranteed benefits is based on prudent assumptions. The calculation parameters may change significantly over time, such that material cash flows may deviate from expectations.

Risks from the life insurance business mainly result from biometric risks, interest rate risk and expense risk.

The biometric calculation parameters, such as mortality, life expectancy or invalidity probabilities are subject to fluctuation risks and risk of errors as well as long-term changes. These risks are controlled on an ongoing basis by means of actuarial analyses and reviews. As far as product development is concerned, we take into account potential changes through corresponding actuarial models.

The assessment of life expectancy (longevity risk) is of particular significance for the provision for future policy benefits in the annuity assurance business. In addition to the analysis of the Company's own findings, we also rely on research, comments and guidelines from the German Association of Actuaries in order to stabilize the information basis. Due to the insufficiently weakened trend in mortality improvement, the life assurance companies have again increased the safety margins for longevity risk in the provision for future policy benefits in the financial year 2009. Future findings with respect to mortality trends or a further increase of the safety margins as recommended by the German Association of Actuaries may lead to additional transfers to the provision for future policy benefits in future.

The calculation parameters are considered appropriate by both the supervisory authority and the German Association of Actuaries. The internal reporting to the supervisory authority includes an annual comparison with actual results. Smaller changes in the assumptions underlying the calculation with respect to biometry, interest rates and expenses are compensated for by the safety premiums included in the calculation parameters.
In case of a change of the risk, expense and/or interest rate expectations, the associated impact on earnings is significantly reduced by an adjustment of the future profit participation payable to the policyholders.

The risks are limited by suitable passive reinsurance contracts concluded with reinsurance companies with top credit quality in the investment-grade range.

Sensitivity analysis

In the life insurance segment, we use calculation parameters subject to high safety margins for the calculation of guaranteed benefits in order to take into account the long-term nature of life insurance contracts. Discretionary participation features are used to pass on unnecessary safety margins to customers. Short-term fluctuations are compensated for by reducing or increasing the additions to the provision for premium refunds intended for future profit participation. In addition, the amount of the profit participation is adjusted in case of long-term changes.

Biometric risk

An increase of mortality has a negative impact on the income statement in case of endowment and term life assurance contracts, but has positive effects on the income statement in case of annuity assurance contracts. The expected mortalities are sufficiently taken into account by the existing safety margins; any change will only have marginal effects on the income statement in accordance with the mechanism described above, even on a gross basis, when such effects cannot be compensated for completely. The passive reinsurance concluded further reduces this effect.

In the area of permanent health insurance, the invalidity probability is subject to social and economic developments, apart from medical and legal changes. The safety margins embedded in the calculation are sufficiently taken into consideration here as well, so that the underlying expectations will result in positive returns. A reasonably assumed change of the invalidity probability has only marginal effects on the income statement, both on a gross or on a net basis.

In the area of health insurance, the risk resulting from an increase of the per capita losses is provided for by an adjustment of the premium. Accordingly, this risk does not have any significant effects on the income statement.

Cancellation risk

The changes of the cancellation rates in the past do not show significant fluctuations. Accordingly, only minor changes can be reasonably expected, which means that the impact on the income statement is negligible.

In addition, negative consequences on the income statement only occur in the first years after a contract is concluded, as long as claims against the policyholder are reported that are not yet due and cannot be recovered after cancellation. Cancellations are accounted for by recognising an appropriate valuation allowance. The valuation allowances are based on prudent assumptions according to experience from prior years.

In case of a surrender in subsequent years, the cancellation discounts have a positive effect on the income statement, since the provisions include at least the surrender value. This means that the payment is simultaneously matched with a corresponding reversal of the provisions.

Unit-linked insurance policies are covered on a matching basis with the relevant funds; additional guarantee commitments are taken into account in the provision for future policy benefits. An increase or reduction of the cancellation rate does not result in any material changes in the the income statement.

An increased cancellation of contracts by customers may result in larger-than-expected outflows of liquidity.

Risk concentrations

Concentrations of insurance risks in the life and health care insurance business result from regional risk concentrations as well as from individual insurance contracts, in case of a significant level of insured risks. The emergence of regional risk concentrations is addressed by life and health insurance providers by distributing their insurance products on a nationwide basis.

Risk concentrations from individual insurance contracts (cluster risk) are reduced by passive reinsurance contracts with top reinsurance providers.

The remaining risk concentrations result from the insured risks, i.e. the mortality, longevity and invalidity risks, respectively. The following table shows the provision for future policy benefits by insured risks, to illustrate the existing risk concentrations.

Provision for future policy benefits by type of risk insured

	Gross	Net	Gross	Net
€ 000's	31 Dec 2009	31 Dec 2009	31 Dec 2008	31 Dec 2008
Life assurance	24,492,987	22,986,714	23,865,547	22,338,389
Mainly mortality risk	14,162,411	13,143,011	15,075,172	13,993,151
Mainly endowment risk (annuities)	9,833,101	9,429,343	8,316,577	7,926,429
Mainly invalidity risk	497,475	414,360	473,798	418,809
Health insurance	167,263	167,263	129,067	129,067
Active reinsurance business	34,521	34,521	34,939	34,935
Total	**24,694,771**	**23,188,498**	**24,029,553**	**22,502,391**

Individual insurance contracts are not associated with material risk concentrations, either on a gross or on a net basis. This becomes apparent in the following overview, in which the gross provision for future policy benefits of the direct insurers is classified by the sum insured (12 times the annuity in case of annuity assurance) of the underlying insurance contracts.

Provision for future policy benefits for insurance contracts with a sum insured of

€ 000's	Gross 31 Dec 2009	Gross 31 Dec 2008
< € 0.5 million	23,963,780	23,381,452
> € 0.5 million – € 1 million	258,392	262,612
> € 1 million – € 5 million	203,987	202,905
> € 5 million – € 15 million	66,828	18,578
€ 15 million – € 25 million	–	–
< € 15 million – € 50 million	–	–
> € 50 million	–	–
Active reinsurance business	34,521	34,939
Total	**24,527,508**	**23,900,486**

Risks from options and guarantees included in insurance contracts

- **Unit-linked life and annuity assurance: guaranteed minimum benefits**
  The investment risk associated with unit-linked annuity assurance contracts remains with the policyholder. There is no market risk, since all contracts are covered on a matching basis. The product design ensures that reserves are established for contribution components necessary to pay any guaranteed minimum benefits.
- **Annuity assurance: lump-sum option**
  The exercise of the lump-sum option is influenced by individual factors of the policyholder.
- **Life insurance: annuitisation option**
  The annuitisation option is carried out on the basis of the tariffs applicable to new insurance contracts concluded. This option does not have any effects on the income statement or the statement of financial position.
- **Surrender option and contribution exemption**
  The provision for future policy benefits recognised in the statement of financial position for contracts with surrender options is in each case at least equivalent to the surrender value. A contribution exemption with reduced guaranteed benefits represents a partial surrender and is therefore already accounted for in the statement of financial position by analogy.
- **Premium indexation**
  Whilst the option to increase insurance benefits by increasing the premium without additional underwriting is calculated using a fixed calculation rate, previous experience shows that the decision of the policyholders is influenced to a higher degree by the type of insurance contract or by the expectation of higher interest rates from the profit participation. The interest rate risk from this option is negligible.

Property-casualty insurance/reinsurance

Presentation of insurance portfolio

The property-casualty insurance business is carried out in the domestic market by Württembergische Versicherung AG. Württembergische Versicherung AG insures risks with a focus on the private and commercial sector. Types of insurance include the traditional segments of liability insurance, motor insurance, household insurance, legal protection insurance, casualty insurance and residential building insurance.

After the disposal of its UK branch (WürttUK), Württembergische Versicherung AG has not been exposed to any major industrial risks and has not been involved in reinsurance business since 2008. Thus, active reinsurance business with partners outside the Group is only carried out on a very limited scale by Wüstenrot & Württembergische AG, in the form of its participatory holding in some German market pools.

As a result of the almost complete discontinuation of the active reinsurance business by Wüstenrot & Württembergische AG a number of years ago, as well as due to the disposal of WürttUK, the international risk exposure of our Group has been reduced considerably. The renewal rights of the UK branch of Württembergische Versicherung AG from 1 January 2008 were sold at the end of 2007. The portfolio underwritten prior to 31 December 2007 remains with Württembergische Versicherung AG, and will be settled based on a service contract by Antares Underwriting Services Ltd. Settlement will entail specific risks. The risk-mitigating measures agreed are monitored within the scope of risk management. Settlement risks from the legacy businesses have been provided for by the W&W Group through the recognition of appropriate provisions.

Risks of the insurance portfolio and risk management system

Insurance risks result from uncertainties with respect to the future development of losses and costs from insurance contracts concluded which may result in unexpected loss adjustment and benefit obligations, possibly harming our financial performance.

In the property insurance segment, insurance risks are primarily of a short-term nature as loss adjustment may generally be made on a timely basis. In case of severe bodily injuries in the areas of general liability insurance and motor third party liability insurance (as well as casualty insurance) risks are also subject to exogenous trends, such as medical progress and the associated life expectancy. In addition, risks are influenced by legal regulations with regard to compensation for damages and liability.

Württembergische Versicherung AG selects its risks by a risk- and cost-based tariff structure and underwriting policy. The price calculation is based on actuarial calculations and statistical analyses of existing portfolios and costs. The product design is mainly based on normal market conditions and regulations and excludes – to the extent possible in the contract design – hardly estimable risks, for which there is no sufficient loss history (e.g. terror acts, asbestos). Risk underwriting is based on specified guidelines and takes into account defined maximum underwriting amounts. As far as natural hazards are concerned, risk selection and pricing is based on regional classification systems so that objects with a high exposure to loss are not insured at all or only at appropriate prices. The underwriting guidelines are regularly updated, and compliance with these guidelines is monitored on an ongoing basis.

Loss management is optimised on a continuous basis. Advising customers with respect to precautionary measures reduces the loss probability: quick and uncomplicated loss adjustment minimises costs. The loss events are processed by qualified and specialist staff.

Furthermore, Württembergische Versicherung AG has a comprehensive and appropriate reinsurance protection for the purpose of limiting negative effects from large, cumulative or long-tail damages. The reinsurance program is reviewed annually taking into consideration the risk-bearing capacity, and adapted to the relevant business development. Passive reinsurance is placed with several highly rated reinsurers.

In case of identified or expected insurance risks, we recognise provisions in a timely and appropriate manner in form of specific or general provisions in sufficient amounts.

Sensitivity analysis

Underwriting of risks is exclusively based on actuarial and statistical analyses. This means that Württembergische Versicherung AG has priced in sufficient safety premiums in its tariffs in order to cover risk fluctuations.
In order to review the adequacy of the provisions, we use actuarial opinions as well as regular simulations and stress analyses. The recognition of provisions for loss events is based on a conservative approach followed by Württembergische Versicherung AG. The objective of this approach is to meet future payment obligations at any time. Provisions are reviewed for each insurance segment on a regular basis as to their appropriateness using the internal risk-bearing capacity model. On the basis of the results of these reviews, our conclusion is that the provisions of Württembergische Versicherung AG in the property-casualty segment are sufficient.

The income statement may be negatively affected if actual loss or cost trends deviate from expectations.

The insurance risks are measured using statistical-analytical factor models customary in the industry or company-specific stochastic models. In addition, loss scenario analyses are performed.

The income statement may be negatively affected if actual loss or cost trends deviate from expectations. These negative effects are accounted for as part of insurance risks. The insurance risks are measured using statistical-analytical factor models customary in the industry or company-specific stochastic models. In addition, loss scenario analyses are performed.

Risk concentrations

Risk concentrations primarily result from the risks insured in the different insurance segments. The following table shows the claims provision by segments to illustrate the existing risk concentrations. The table shows that the portfolio is characterised by a broadly diversified segment mix, which contributes to a reduction of the risk exposures.

Provision for loss and loss adjustment expenses

€ 000's	Gross 31 Dec 2009	Net 31 Dec 2009	Gross 31 Dec 2008	Net 31 Dec 2008
Liability insurance - corporate customers	474,546	443,372	465,715	409,826
Property insurance - corporate customers	351,853	314,254	424,487	366,125
Liability insurance - private customers	96,076	89,443	130,378	120,150
Other insurance - private customers	2,233	2,026	4,096	3,853
Motor third party liability	967,632	774,998	1,038,446	856,462
Other motor insurance	1,199	1,138	939	890
Household insurance	11,556	10,959	10,195	9,300
Legal protection insurance	127,799	121,380	118,529	112,317
Hull fire/theft	4,101	3,879	5,054	3,817
Casualty	151,741	143,948	167,332	158,104
Hull all risks	26,482	25,133	24,478	21,007
Residential building insurance	40,299	37,926	38,595	31,452
Other	112,814	105,457	102,563	96,120
Total	**2,368,331**	**2,073,913**	**2,530,807**	**2,189,423**

(51) Liquidity risks

Liquidity risk is the risk that an entity will not be able to raise funds necessary to settle its obligations. Liquidity risks may also result from an inability to timely sell an asset at its fair value, or when cash funds can only be raised at less favourable conditions than expected. Accordingly, liquidity risks consist of the risk of the inability to pay, the market liquidity risk and the funding risk.

A number of Group companies, operating as financial services companies, are subject to specific legal and regulatory requirements which are intended to ensure that the related companies are able to meet their current or future payment obligations at any time. The Group companies complied with these regulatory requirements at any given time.

For the purpose of monitoring and controlling liquidity risks, the cash flows expected in future are compared with existing funds in a liquidity run-off profile. As part of a standardised approach to liquidity planning, the individual companies predict future inflows and outflows of funds. This involves taking into account and reconciling maturity structures of receivables and liabilities. The calculated surpluses or deficits then represent the basis for the investment or financing decisions. Sensitivity analyses are used to evaluate the effects and coverage potential of specific behaviours of capital markets and customers. Emergency plans are established to manage exceptional situations. This is to address concentrations of risks threatening the liquidity in the Group.

In line with the increasing importance of liquidity risk management, a Liquidity Committee was established within the Group to strengthen its governance structures. The major control and monitoring tool on Group level is a liquidity report prepared on a weekly basis. Identified or expected liquidity risks are immediately reported to central risk management. In addition, material liquidity risks are notified as part of quarterly risk reporting. Active liquidity risk management is largely based on cash flows. The maturity analysis is presented by reference to items of the statement of financial position.

The following table shows the maturity analysis with respect to selected financial instruments for the financial year 2009:

Maturity analysis 2009
Assets

€ mn	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indefinite term	Total
Loans and advances to banks	1,605.8	570.0	3,944.7	8,983.3	0.2	15,104.0
Receivables from reinsurance business	16.6	87.2	—	—	—	103.8
Loans and advances to customers	1,690.1	2,066.9	12,857.6	9,981.5	4,028.2	30,624.3
Other receivables	76.9	0.9	0.1	0.0	5.0	82.9
Allowance for credit losses	– 12.4	– 36.8	– 44.8	– 45.3	– 101.5	– 240.8
Debt securities and other fixed-income securities classified as financial assets designated as at fair value	23.5	30.9	163.6	468.4	795.6	1,482.0
Debt securities and other fixed-income securities as well as derivatives held for trading	123.4	30.0	84.9	167.3	—	405.6
Fixed-income securities and receivables available for sale	1,046.0	1,862.8	3,684.7	8,593.1	1.9	15,188.5

Maturity analysis 2009
Liabilities

€ mn	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indefinite term	Total
Certificated liabilities	36.4	129.8	695.2	432.1	—	1,293.5
Liabilities to banks	1,800.5	3,523.4	735.7	116.0	564.5	6,740.1
Liabilities from reinsurance business	36.4	52.7	—	—	1,503.8	1,592.9
Liabilities to customers	4,468.4	14,624.5	2,125.1	2,458.2	93.6	23,769.8
Other liabilities	343.7	28.4	12.2	1.1	68.5	453.9
Financial liabilities at fair value through profit or loss	147.5	6.1	128.4	214.5	—	496.5
Subordinated capital	24.8	11.5	68.8	325.6	—	430.7

As at the balance sheet date 2009, the remaining terms to maturity of financial instruments of more than one year and up to including five years can be broken down for material items into the following time bands:

Maturity analysis 2009
Assets

€ mn	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
Loans and advances to banks					
of which: Other loans and advances	658.7	641.9	1,018.6	701.2	3,020.4
Loans and advances to customers					
of which: Building loans	2,433.4	2,491.2	1,929.0	5,776.3	12,629.9
of which: Other loans and advances	3.2	3.8	3.2	3.8	14.0
Allowance for credit losses	– 8.9	– 13.2	– 12.0	– 10.7	– 44.8
Debt securities and other fixed-income securities classified as financial assets designated as at fair value	63.0	27.3	25.5	47.8	163.6
Debt securities and other fixed-income securities as well as derivatives held for trading	22.0	24.6	27.5	10.8	84.9
Fixed-income securities and receivables available for sale	1,494.7	753.2	531.2	905.6	3,684.7

Maturity analysis 2009
Liabilities

€ mn	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
Certificated liabilities	150.8	158.1	165.9	220.4	695.2
Liabilities to banks					
Miscellaneous liabilities	236.5	78.6	247.1	173.5	735.7
Liabilities to customers					
of which: Savings deposits	66.7	0.0	0.0	183.6	250.3
of which: Other deposits	656.8	333.0	258.2	475.2	1,723.2
Financial liabilities at fair value through profit or loss	37.4	37.4	33.7	19.9	128.4
Subordinated capital	40.0	0.0	28.8	0.0	68.8

The following table shows the maturity analysis with respect to selected financial instruments for the financial year 2008:

Maturity analysis 2008
Assets

€ mn	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indefinite term	Total
Loans and advances to banks	2,238.7	835.2	3,688.5	9,766.7	155.4	16,684.5
Receivables from reinsurance business	26.8	76.9	—	—	—	103.7
Loans and advances to customers[1]	2,119.3	2,161.8	9,337.7	11,258.4	3,754.2	28,631.4
Other receivables	138.1	3.2	—	—	3.9	145.2
Allowance for credit losses	– 11.2	– 25.5	– 59.2	– 51.9	– 98.8	– 246.6
Debt securities and other fixed-income securities classified as financial assets designated as at fair value	60.7	20.5	66.2	377.5	539.6	1,064.5
Debt securities and other fixed-income securities as well as derivatives held for trading	120.9	29.0	106.6	198.7	—	455.2
Fixed-income securities and receivables available for sale	1,031.0	947.9	2,081.7	5,761.6	0.9	9,823.1

1 Previous year's figure adjusted due to amendment to IAS 18.

Maturity analysis 2008
Liabilities

€ mn	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indefinite term	Total
Certificated liabilities	476.7	567.4	431.3	567.9	—	2,043.3
Liabilities to banks	2,673.5	676.0	1,008.6	276.0	576.1	5,210.2
Liabilities from reinsurance business	1,566.8	35.6	—	—	—	1,602.4
Liabilities to customers	3,591.9	12,967.9	1,766.7	2,445.9	93.4	20,865.8
Other liabilities	361.1	13.3	6.1	—	93.5	474.0
Financial liabilities at fair value through profit or loss	95.1	26.1	128.3	257.1	0.4	507.0
Subordinated capital	23.5	9.9	98.0	336.8	—	468.2

As at the balance sheet date 2008, the remaining terms to maturity of financial instruments of more than one year and up to including five years can be broken down for material items into the following time bands:

Maturity analysis 2008
Assets

€ mn	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
Loans and advances to banks					
of which: Other loans and advances	645.5	770.4	732.4	1,075.3	3,223.6
Loans and advances to customers					
of which: Building loans[1]	2,326.8	2,071.6	1,480.2	2,508.2	8,386.8
of which: Other loans and advances	2.0	3.3	2.6	51.3	59.2
Allowance for credit losses	– 21.8	– 15.5	– 9.5	– 12.4	– 59.2
Debt securities and other fixed-income securities classified as financial assets designated as at fair value	24.1	22.2	12.1	7.8	66.2
Debt securities and other fixed-income securities as well as derivatives held for trading	53.1	7.2	16.0	30.3	106.6
Fixed-income securities and receivables available for sale	611.5	887.8	318.2	264.2	2,081.7

1 Previous year's figure adjusted due to amendment to IAS 18.

Maturity analysis 2008
Liabilities

€ mn	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
Certificated liabilities	86.1	139.7	65.6	139.9	431.3
Liabilities to banks					
Miscellaneous liabilities	483.3	226.8	68.5	230.0	1,008.6
Liabilities to customers					
of which: Savings deposits	32.0	—	—	150.2	182.2
of which: Other deposits	349.4	646.4	330.0	258.7	1,584.5
Financial liabilities at fair value through profit or loss	17.5	36.9	35.8	38.1	128.3
Subordinated capital	29.2	40.0	—	28.8	98.0

The following overview shows the future contractually agreed gross payments for the financial instruments in the Group's portfolio as at the earliest possible date, as well as the expected maturity structure for the liability items resulting from insurance contracts:

Contractually agreed cash flows 2009

€ 000's	Up to 3 months 31 Dec 2009	3 months to 1 year 31 Dec 2009	1 to 5 years 31 Dec 2009	5 to 10 years 31 Dec 2009	10 to 15 years 31 Dec 2009	15 to 20 years 31 Dec 2009	More than 20 years 31 Dec 2009
Derivative financial instruments [1]	49,361	33,621	205,126	– 38,956	– 106,186	– 12,412	2,255
Derivative financial assets and liabilities at fair value through profit or loss	26,291	56,019	176,502	86,974	– 15,113	861	14,852
Positive and negative market value of hedges	23,070	– 22,398	28,624	– 125,930	– 91,073	– 13,273	– 12,597
Liabilities	5,837,991	19,247,105	4,179,141	3,057,019	534,840	131,256	57,033
Certificated liabilities	29,683	149,954	773,079	445,438	18,644	—	—
Liabilities to banks	1,069,360	4,337,699	807,342	657,985	12,138	—	—
Liabilities to customers	4,332,313	14,733,135	2,587,792	1,951,243	504,058	131,256	25,520
Deposits from home loan and savings business, and other savings deposits	1,294,256	14,296,528	289,196	36,836	—	—	—
Other deposits	3,038,057	436,607	2,298,596	1,914,407	504,058	131,256	25,520
Other liabilities	406,635	26,317	10,928	2,353	—	—	31,513
Subordinated capital	13,551	33,908	143,700	346,299	25,276	7,732	—
Irrevocable loan commitments	1,312,981	—	138	—	—	—	—
Total	**7,213,884**	**19,314,634**	**4,528,105**	**3,364,362**	**453,930**	**126,576**	**59,288**

1 Negative amounts result from net cash inflows.

Expected maturity of amounts recognised in the statement of financial position 2009

€ 000's	Up to 3 months 31 Dec 2009	3 months to 1 year 31 Dec 2009	1 to 5 years 31 Dec 2009	5 to 10 years 31 Dec 2009	10 to 15 years 31 Dec 2009	15 to 20 years 31 Dec 2009	More than 20 years 31 Dec 2009
Liabilities from reinsurance business	70,783	—	—	—	—	—	—
Liabilities to customers from direct insurance business	86,447	140,601	151,572	129,327	64,902	35,618	47,102
Technical provisions	1,086,779	2,289,482	7,771,690	6,207,213	3,506,018	1,992,082	3,601,203
Provision for future policy benefits for life insurance	475,182	1,728,074	7,290,464	5,922,728	3,337,368	1,837,141	3,204,739
Provision for loss and loss adjustment expenses	571,623	543,235	376,221	168,604	97,428	97,428	133,137
Provisions for unit-linked life-insurance contracts	16,822	16,378	105,005	115,881	71,222	57,513	263,327
Other technical provisions	23,152	1,795	—	—	—	—	—
Total	**1,244,009**	**2,430,083**	**7,923,262**	**6,336,540**	**3,570,920**	**2,027,700**	**3,648,305**

Contractually agreed cash flows 2008

€ 000's	up to 3 months 31 Dec 2008	3 months to 1 year 31 Dec 2008	1 to 5 years 31 Dec 2008	5 to 10 years 31 Dec 2008	10 to 15 years 31 Dec 2008	15 to 20 years 31 Dec 2008	more than 20 years 31 Dec 2008
Liabilities	6,360,273	15,118,158	4,842,854	3,677,105	458,096	171,555	83,057
Certificated liabilities	472,870	623,878	567,156	602,080	16,754	10,526	—
Liabilities to banks	2,764,103	996,421	1,391,955	797,057	31,418	4	—
Liabilities to customers	2,684,443	13,428,533	2,877,279	2,277,968	409,924	161,025	51,121
Deposits from home loan and savings business, and other savings deposits	1,396,520	12,392,377	659,002	25,659	—	—	—
Other deposits	1,287,923	1,036,156	2,218,277	2,252,309	409,924	161,025	51,121
Other liabilities	438,857	69,326	6,464	—	—	—	31,936
Financial liabilities at fair value through profit or loss	52,544	38,610	109,255	36,537	4,692	– 593	– 527
Negative market value of hedges	2,456	14,070	32,740	28,026	19,361	7,204	4,773
Subordinated capital	48,677	28,996	199,073	344,424	52,798	8,250	—
Irrevocable loan commitments	975,864	—	—	—	—	—	—
Financial guarantee contracts	—	—	—	—	—	—	—
Total	**7,439,814**	**15,199,834**	**5,183,922**	**4,086,092**	**534,947**	**186,416**	**87,303**

Expected maturity of amounts recognised in the statement of financial position 2008

€ 000's	up to 3 months 31 Dec 2008	3 months to 1 year 31 Dec 2008	1 to 5 years 31 Dec 2008	5 to 10 years 31 Dec 2008	10 to 15 years 31 Dec 2008	15 to 20 years 31 Dec 2008	more than 20 years 31 Dec 2008
Liabilities from reinsurance business	50,011	—	—	—	—	—	—
Liabilities to customers from direct insurance business	70,311	63,053	151,053	126,538	62,403	33,885	44,826
Technical provisions	1,056,923	2,361,003	7,852,814	6,267,995	3,554,434	1,997,344	3,420,613
Provision for future policy benefits for life insurance	464,427	1,674,605	7,107,506	5,950,660	3,357,706	1,824,693	3,068,406
Provision for loss and loss adjustment expenses	564,547	665,527	656,300	212,817	127,633	127,633	166,596
Provisions for unit-linked life-insurance contracts	6,242	18,923	89,008	104,518	69,095	45,018	185,611
Other technical provisions	21,707	1,948	—	—	—	—	—
Total	**1,177,245**	**2,424,056**	**8,003,867**	**6,394,533**	**3,616,837**	**2,031,229**	**3,465,439**

Equity management

Wüstenrot & Württembergische AG, as the holding company, is responsible for W&W Group's capital management. On the one hand, it receives dividends and profit transfers: and on the other hand, it carries out corporate actions such as capital increases and reductions, and grants loans to Group companies.

The main objectives of equity management are an efficient allocation of equity and an adequate return on equity as reported under IFRS. In order to ensure that this objective is reached, return on equity (ROE) targets are set for the W&W Group and the individual subsidiaries, with these targets being derived on the basis of the relevant IFRS equity.

As at 31 December 2009, the W&W Group's equity as reported in accordance with IFRS amounted to € 2,647.3 million (2008: € 2,337.6 million). The changes of the individual components of equity are shown in the statement of changes in equity.

Further objectives of capital management are ensuring the risk-bearing capacity on the basis of internal risk-bearing capacity models of the W&W Group as well as meeting the regulatory minimum capital requirements, which are defined by the provisions of the German Banking Act (Kreditwesengesetz, KWG), the German Insurance Supervisory Law (Versicherungsaufsichtsgesetz, VAG) and the German Solvency Regulation for Financial Groups (Finanzkonglomeratesolvabilitätsverordnung, FkSolV). Furthermore, the W&W Group has defined target solvency ratios for the major subsidiaries and on Group level in order to proactively anticipate the increasing regulatory capital requirements.

Another capital requirement is that the W&W Group in aggregate as well as the individual subsidiaries on a standalone basis must have sufficient equity so that a financial strength rating of at least "A" is possible. Within the scope of an efficient capital management, the W&W Group also employs subordinated capital for the purposes of meeting the regulatory solvency requirements.

(52) Regulatory solvency

The insurance companies and the credit and financial services institutions of the W&W Group are subject to supervision on the level of the individual company by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) and the Deutsche Bundesbank pursuant to the VAG, the KWG and the applicable provisions of the country of incorporation of the supervised foreign companies of the W&W Group. This supervision represents the basis for the capital requirements applicable to these companies.

Wüstenrot & Württembergische AG ensures that all supervised subsidiaries comply with the minimum regulatory capital requirements. In this context, equity capital, subordinated capital and profit-participation certificates represent the basis for capital management in accordance with the regulatory standards.

At Wüstenrot Bank AG Pfandbriefbank, subordinated liabilities are classified as regulatory own funds and meet the requirements of Section 10 (5a) of the German Banking Act (KWG).

The subordinated liabilities of Württembergische Versicherung AG and of Württembergische Lebensversicherung AG qualify as regulatory own funds pursuant to Section 53c (3) Number 3b of the German Insurance Supervisory Law (Versicherungsaufsichtsgesetz, VAG).

Moreover, profit-participation certificates can be used to additionally support the liable equity capital if it meets the requirements set out in Section 10 (5) of the KWG (i.e. repayment is due at least after two years).

In the year under review, all companies of the W&W Group that are subject to supervision have fulfilled the regulatory minimum capital requirements.

The following table shows the regulatory capital ratios of the material companies:

	Available own funds pursuant to VAG/KWG		Solvency requirement pursuant to VAG/KWG		Ratio	
	2009	2008	2009	2008	2009	2008
	€ mn	€ mn	€ mn	€ mn	in %	in %
Wüstenrot & Württembergische AG	1,674.9	1,528.2	41.1	40.1	4,075.0	3,811.0
Wüstenrot Bausparkasse AG	739.3	711.7	6,466.3	5,746.3	11.4	12.4
Wüstenrot Bank AG Pfandbriefbank	552.2	565.9	5,579.3	5,887.3	9.9	9.6
Württembergische Versicherung AG	305.6	323.0	190.3	200.3	161.0	161.0
Württembergische Lebensversicherung AG	1,618.8	1,751.7	979.2	969.8	165.0	181.0
Württembergische Krankenversicherung AG	14.1	7.8	7.3	6.1	193.0	128.0

In addition to supervision on individual company level, insurance companies of the W&W Group are subject to additional supervision due to the fact that they together represent an insurance group. In the year under review, the insurance group complied with the regulatory minimum capital requirements. The solvency ratio for the insurance group, including all material equity investments as at the balance sheet date, is 243%.

Based on a letter dated 23 February 2007, the BaFin classified the W&W Group as a financial conglomerate, with Wüstenrot & Württembergische AG being the controlling company. Therefore, Wüstenrot & Württembergische AG has to ensure that the regulatory requirements for financial conglomerates as defined by the provisions of the KWG, the VAG and the FkSolV are complied with. These requirements include, among other things, that the W&W Group as the financial conglomerate must hold regulatory own funds that satisfy the regulatory minimum capital requirements. In the financial year 2008, the financial conglomerate W&W Group complied with the regulatory minimum capital requirements. The solvency ratio for the financial conglomerate, including all material equity investments as at the balance sheet date, is 127%.

Internal calculations on the basis of preliminary data for 2009, as well as on the basis of the projections or planning figures for 2009 and 2010, show that the regulatory minimum capital requirements in the W&W Group as a financial conglomerate will be met.

(53) Risk-bearing capacity models

In order to reconcile the risks identified on company level to a quantitative assessment of the overall risk profile, we have developed a Group-wide risk- and present-value-based risk-bearing capacity model, which is continuously optimised and expanded upon validation. This involves aggregating material risks in the W&W Group
to a total amount and a comparison with the funds available for risk cover. As at 31 December 2009, our internal model shows, on Group level, that there are sufficient funds available for risk cover in line with the previous years.

The model enables a quantitative evaluation of all material risks and represents the overall risk profile in the W&W Group and on individual company level. Management is informed on a timely basis in case action is needed, and details for risk-compensating or risk-reducing measures are provided. The model provides the basis for the definition of risk limits and serves the purpose of achieving the goal of risk-based corporate management.

Return targets

For the year 2009, the ROE target set for the W&W Group is 9.0% (after taxes).

By continuous extrapolations and comparisons of actual and plan data during the year, we ensure that deviations from the ROE target in the Group and in the business segments are identified and corresponding measures can be initiated. For this purpose, we break down the ROE target for the entire Group to the operating business segments of the W&W Group.

(54) External rating

The W&W Group's minimum target for the financial strength rating is "A". Therefore, the target for capital management of Wüstenrot & Württembergische AG is to ensure that the overall group as well as the individual subsidiaries have the required equity capital. We refer to the Group management report for information on the W&W Group's current ratings (page 19).

Other information

(55) Assets pledged as security

The Group has pledged assets as security for the following liabilities:

€ 000's	31 Dec 2009	31 Dec 2008
Liabilities to banks	3,668,076	2,840,014

The following assets have been pledged as security:

€ 000's	31 Dec 2009	31 Dec 2008
Loans and advances to banks	306,325	218,980
Loans and advances to customers	791,488	940,706
Available-for-sale financial assets	6,837,506	4,022,121
Total	**7,935,319**	**5,181,807**

Loans and advances to banks were pledged as security for securities and forward transactions. The instruments reported as available-for-sale financial assets are securities for open-market transactions deposited at the European Central Bank.

Loans and advances to customers mainly comprise high quality residential building loans. The underlying framework agreements generally provide for an assignment of these loans to the refinancing banks.

In addition, insurance liabilities of the German direct insurers of the W&W Group are covered with assets (financial instruments as well as property) belonging to separate guarantee assets, pursuant to the legal requirements. The assets allocated to the separate guarantee assets are of senior rank, and accordingly available to satisfy the claims of policyholders.

(56) Leases

In the financial years 2009 and 2008, the Group entered into finance leases and operating leases only as lessee.

2009	Up to 1 year	1 to 5 years	More than 5 years	Total
€ 000's	31 Dec 2009	31 Dec 2009	31 Dec 2009	31 Dec 2009
Finance leases				
Minimum lease payments	3,600	12,650	14,752	31,002
Interest effects	171	1,925	4,799	6,895
Present value of minimum lease payments	3,429	10,725	9,953	24,107
Operating leases				
Minimum lease payments	32,369	60,813	–	93,182

2008	Up to 1 year	1 to 5 years	More than 5 years	Total
€ 000's	31 Dec 2008	31 Dec 2008	31 Dec 2008	31 Dec 2008
Finance leases				
Minimum lease payments	3,615	13,361	17,641	34,617
Interest effects	172	2,036	6,001	8,209
Present value of minimum lease payments	3,443	11,325	11,640	26,408
Operating leases				
Minimum lease payments	17,701	10,463	–	28,164

Finance leases only exist for properties. The lease agreements for buildings have a term of 22.5 years upon contract conclusion. Purchase options at the end of the term have been agreed.

There were no non-cancellable subleases from finance leases.

Operating leases exist for mainframe computers, mainframe-related hardware and software, printers as well as copiers. The agreements have terms of up to four and a half years, in accordance with the useful life of the devices. The increase in minimum lease payments is primarily attributable to an expanded lease agreement of W&W Informatik GmbH for hardware and software.

In the year under review, minimum lease payments from operating leases amounted to € 16.8 million (2008: € 19.0 million).

Contingent rents were not recorded in the financial years 2009 and 2008 for finance and operating leases. There were also no restrictions for these transactions imposed by lease agreements.

(57) Contingent liabilities and other obligations

Contingent liabilities

€ 000's	31 Dec 2009	31 Dec 2008
Contingent liabilities from banking business	1,268,633	924,050
Contingent liabilities from insurance business	248,301	280,275
Other contingent liabilities	29,278	20,133
Contingent liabilities	**1,546,212**	**1,224,458**

Contingent liabilities from banking business

€ 000's	31 Dec 2009	31 Dec 2008
Credit guarantees	6,804	6,706
Irrevocable loan commitments	1,261,829	917,344
Contingent liabilities from banking business	**1,268,633**	**924,050**

Irrevocable loan commitments represent remaining obligations from committed loans that were not drawn at all (or not drawn in the full amount), together with current account overdrafts. Interest rate risks with respect to irrevocable loan commitments only exist to a limited degree, due to their short terms.

Wüstenrot Bank AG Pfandbriefbank and Wüstenrot Bausparkasse AG are members of the investor compensation scheme of the Association of German Banks (Entschädigungseinrichtung deutscher Banken GmbH). In addition, Wüstenrot Bank AG Pfandbriefbank is a member of the deposit protection fund of the Association of German Public Sector Banks (Einlagensicherungsfonds des Bundesverbandes deutscher Banken) which covers liabilities to customers. Wüstenrot Bausparkasse AG is also a member of the deposit protection fund of German home loan and savings banks (Bausparkassen-Einlagensicherungsfonds e.V.). Membership in deposit protection funds and investor companies schemes may result in additional funding obligations for the members.

As in the prior year, drawdowns from placement and assumption obligations did not exist as at 31 December 2009.

Contingent liabilities from insurance business

Due to the membership of some insurance companies of the W&W Group in the German Association for Road Casualties (Verkehrsopferhilfe e. V.), these companies have obligations to provide to the association the funds necessary to achieve its purpose. The amount of the contribution corresponds to the premiums earned by the member companies from the direct insurance business in the calendar year before last.

The membership in the Institute of London Underwriters (ILU) results in a maximum contingent liability of GBP 0.6 million (2008: GBP 0.6 million) on the part of the Württembergische Versicherung AG in case that the ILU is not able to meet some or all of its obligations. Therefore, Württembergische Versicherung AG has issued a letter of credit in favour of ILU.

Pursuant to Sections 124 et seqq. of the VAG, German life and health insurance companies are required to be members of an insurance guarantee scheme (Sicherungsfonds). ARA Pensionskasse AG has become a member of the insurance guarantee scheme on a voluntary basis pursuant to Section 124 (2) of the VAG. The insurance guarantee scheme collects annual contributions in the maximum amount of 0.2 per thousand of the sum total of the net technical provisions, based on the funding regulations of the insurance guarantee scheme for the life insurance segment, until the guarantee assets have reached an amount of 1% of the sum total of the net technical provisions. The resulting future obligations amount to € 0.4 million (2008: € 6.9 million) for the life and health insurance providers of the W&W Group.

Furthermore, the insurance guarantee scheme may collect special contributions in the amount of an additional 1% of the sum total of net technical provisions; this corresponds to an obligation of € 24.6 million (2008: € 27.0 million)

In addition, the life insurers and the pension fund of the W&W Group have undertaken to provide funds to the insurance guarantee scheme or, alternatively, to the Protektor Lebensversicherungs-AG if the funds of the insurance guarantee scheme are not sufficient in case of financial reorganisation. The obligation amounts to 1% of the sum total of the net technical provisions, taking into account the contributions made to the insurance guarantee scheme up to that date. Taking into account the above-mentioned payment obligations from the contributions to the insurance guarantee scheme, the total obligation amounts to € 222.2 million (2008: € 249.6 million) as at the balance sheet date.

Waiver of recourse and declaration of indemnity

Pursuant to the existing waiver of recourse and declaration of indemnity, the Company waives any potential claims for recourse against agents if a claim is asserted due to an agent's mis-selling in connection with the brokerage of insurance products distributed by the Company or subsequent customer support services, unless it is attributable to wilful intent and the loss is covered by liability insurance. The Company also offers indemnity in the case of mis-selling with respect to the agent's individual liability in connection with the brokerage of insurance or financial services products of the W&W Group, a cooperation partner of one these insurance companies, or in the course of any further advisory services provided for one of these companies or cooperation partners. The minimum sum insured is limited to € 200 thousand per loss event and to € 300 thousand per year, in the case of losses in connection with mis-selling in connection with the brokerage of insurance policies to € 1,000 thousand per loss event and to € 1,500 thousand per year.

(58) Related party disclosures

Controlling Group company

The main shareholder of Wüstenrot & Württembergische AG is Wüstenrot Holding AG, Ludwigsburg, which owns 67.32% of the share capital of Wüstenrot & Württembergische AG. Other shareholders include Landesbank Baden-Württemberg, Stuttgart (9.37%), UniCredit S.p.A., Milan (7.54%), Schweizerische Rückversicherungs-Gesellschaft AG, Zurich (4.68 %) as well as Landeskreditbank Baden-Württemberg - Förderbank (L-Bank), Stuttgart (4.99%). The remaining 6.10% of the shares are held in free float.

Disclosures on the remuneration of the Management Board (remuneration report)

The remuneration system of the Management Board consists of a fixed salary, a fixed allowance and a performance-based bonus.

The performance-based bonus is linked to a target arrangement system. The bonus to be paid out to a Management Board member for any past financial year depends on whether the related company targets and individual targets are achieved. The company targets correspond to the annual planning as resolved by the Supervisory Board of W&W AG. The individual targets are determined mutually in cooperation with the relevant Management Board member and the Supervisory Board. Generally, the Supervisory Board and its Human Resources Committee have the right to exercise discretion with respect to the final determination of the respective bonus amount. The entire remuneration concept allows a measurement of the variable remuneration components that is more closely related to success factors and based on operational targets, resulting in a highly performance-oriented remuneration.

There are no subscription rights or other share-based remuneration components in the W&W Group.

Retirement benefits

There are various regulations on retirement benefit plans with the members of the Management Board. One member of the Management Board has a pension plan which is exclusively funded through defined contributions.

For one member of the Management Board appointed earlier, the agreed defined benefit plan still applies. The retirement benefits are measured based on a percentage of the fixed salary and are largely funded by the former employer. There are no retirement benefit arrangements with two members of the Management Board; one of these two Board members has been granted a defined benefit commitment by another Group company. Pensions are generally granted upon completion of the 65th year of age, from the 61st year of age in case of a preliminary redundancy, and in case of a disability of service. For one member of the Management Board appointed earlier, pensions are agreed to be granted from the 62nd year of age. This rule also applies in case of a preliminary redundancy and in case of a disability of service.

Current service costs for the retirement benefit commitments amounted to € 220 thousand (2008: € 163 thousand) in the year under review. Past service costs were not incurred in the year under review. These benefits represent long-term post-employment benefits. There are no benefits for which a third party has made a commitment in favour of a member of the Management Board to be paid in return for his or her service for the Group, or which were granted in the year under review or in the prior year.

Non-cash remuneration/ancillary benefits

Ancillary benefits to members of the Management Board consist of a company car, a group casualty insurance policy, as well as baggage insurance.

Other arrangements

Against the backdrop of the change in governance structures in the W&W Group as at 1 August 2009 and the resulting conclusion of contracts, severance payment caps were agreed with Dr Michael Gutjahr and Klaus Peter Frohmüller applying in cases of an early termination of a contract not for cause. In this case, the payments to the members of the Management Board, including ancillary benefits, each correspond to an amount not exceeding the value of remuneration for two years (severance payment cap) and do not exceed the remuneration for the remaining term of the contract. The severance payment cap is calculated on the basis of the entire remuneration paid for the calendar year (fixed salary, allowance and performance-based bonus) preceding the calendar year in which the Board activity ends.

In addition, a change-of-control clause has been agreed with Klaus Peter Frohmüller. If the Company's ownership situation changes to the extent that one shareholder who today holds no shares or less than 50% of the shares, acquires more than 50% of the shares, Klaus Peter Frohmüller is authorised to early terminate his contract unilaterally and early. In this case, he will receive a one-off payment for the termination of the contract in the amount of the remuneration to be paid until the regular end of the contractual term, but not more than 150% of the severance payment cap.

Based on the resolution of the Annual General Meeting on 14 June 2006, we elect not to disclose the individual remuneration of the members of the Management Board for a period of five years, beginning with the financial year 2006, pursuant to Section 286 (5) of the HGB.

The expense for the total remuneration of the Management Board in the financial year 2009 amounted to € 2,496 thousand (2008: € 2,906 thousand). The breakdown of these short-term benefits into performance-based and non-performance-based remuneration is presented in the table below.

€ 000's	Non-performance-based remuneration	Performance-based remuneration	Other	Total
Active members of the Management Board	1,364	792	340	2,496

In the year under review, provisions for expected remuneration were recognised in the amount of € 1,213 thousand (2008: € 1,250 thousand). An amount of € 254 thousand (2008: € 312 thousand) relates to the remuneration for activities as Supervisory Board members in Group companies.

In the financial year 2008, remuneration payments totalled € 2,279 thousand (2008: € 2,072 thousand), of which € 1,554 thousand (2008: € 1,293 thousand) related to non-performance-based components, € 640 thousand (2008: € 731 thousand) to performance-based components and € 85 thousand (2008: € 47 thousand) to ancillary benefits. A provision of € 1,250 thousand had been recognised in the financial year 2008 for remuneration paid in 2009. In addition, the Company did not grant or pay any other not yet disbursed remuneration, remuneration converted into claims of another type, remuneration used to increase the amount of other claims or other remuneration that have not yet been disclosed in previous annual financial statements.

As before, the Company has not extended advances or loans to members of the Management Board. There were no contingencies.

The total remuneration attributable to former members of the Management Board amounted to € 1,788 thousand (2008: € 1,977 thousand) in the year under review, of which € 202 thousand (2008: € 225 thousand) relates to the remuneration of surviving dependents. There were no other obligations of the W&W Group with respect to benefits in favour of former members of the Management Board, members of the Supervisory Board and their surviving dependents in form of severance pay, pensions, remuneration to surviving dependents or other related benefits in the year under review.

An amount of € 19,485 thousand (2008: € 19,086 thousand) was recognised as a provision for retirement benefit obligations to former members of the Management Board and their surviving dependents.

The period of service of Dr Alexander Erdland, Chairman of the Management Board, ends in February 2011, that of Klaus Peter Frohmüller, Management Board member, in September 2011, and that of Management Board members Dr Michael Gutjahr and Dr Jan Martin Wicke in August 2012, unless the contracts are prolonged.

Disclosures on the remuneration of the Supervisory Board

The remuneration of the Supervisory Board is generally paid in form of a fixed remuneration subject to top-up amounts for the Chairman, the Deputy Chairman and membership in committees as well as a variable, performance-based bonus. The fixed remuneration payable after the end of the financial year amounts to € 7.5 thousand. The bonus amounts to € 0.8 thousand for each 0.5% of the dividend to be paid out to the shareholders for the past financial year that exceeds 2% of the share capital. Remuneration and bonus for the Chairman and the Deputy Chairman are twice the fixed remuneration amount for the Chairman and 1.5 times the fixed remuneration amount for the Deputy Chairman.

The fixed remuneration is increased by one third of the fixed amount for each membership in one or more Supervisory Board committees. The additional remuneration for committee membership is equivalent to twice the above-mentioned top-up amount for the Chairman and 1.5 times the amount for the Deputy Chairman.

For the financial year 2009, the members of the Supervisory Board of Wüstenrot & Württembergische AG received a total remuneration from the Company in the amount of € 512 thousand (2008: € 469 thousand). Of that amount, € 222.3 thousand (2008: € 200 thousand) relates to fixed remuneration and € 38 thousand (2008: € 59 thousand) to further offices held in Group companies. In line with the dividend proposal, the Company has recognised a provision in the amount of € 252.2 thousand (2008: € 210 thousand) for bonuses for the financial year 2009, which are paid in the following year 2010. Former members of the Supervisory Board of Wüstenrot & Württembergische AG received a pro-rata remuneration from the Company in the amount of € 19.7 thousand for the financial year 2009. These benefits represent short-term benefits.

Expenses incurred and the value-added tax attributable to the Supervisory Board remuneration are additionally reimbursed to the members of the Supervisory Board upon request. However, they are not included in the above-mentioned expenses.
Advances and loans to members of the Supervisory Board of Wüstenrot & Württembergische AG were granted in an amount of € 536 thousand (2008: € 593 thousand). The loans were granted by Group companies at interest rates ranging from 3.3% to 6.3%. Repayments received for loans granted to members of the Supervisory Board amounted to € 18 thousand (2008: € 83 thousand) No contingencies existed in favour of these persons.

There are no subscription rights or other share-based remuneration components for members of the Supervisory Board in the W&W Group. No provisions had to be recognised for current pension payments or benefits for Supervisory Board members or their surviving dependents.

No remuneration was paid or benefits granted by the Company to members of the Supervisory Board in return for services provided individually, such as consulting and arrangement services.

Name	Wüstenrot & Württembergische AG				Group	Total
	Fix basic remuneration	Remuneration for committee activities	Variable remuneration	Total remuneration		
€ 000's	2009	2009	2009	2009	2009	2009
Hans Dietmar Sauer (Chairman)	15.0	35.0	28.8	78.8	—	78.8
Rolf Henrich (Deputy Chairman)	11.3	11.3	21.6	44.2	26.0	70.2
Christian Brand	7.5	2.5	14.4	24.4	—	24.4
Hans Peter Braun	7.5	2.5	14.4	24.4	—	24.4
Wolfgang Dahlen	7.5	2.5	14.4	24.4	—	24.4
Gunter Ernst	7.5	—	14.4	21.9	—	21.9
Dr Rainer Hägele	4.7	3.1	9.0	16.8	—	16.8
Dr Reiner Hagemann	7.5	2.5	14.4	24.4	—	24.4
Kirsten Hermann	7.5	2.3	14.4	24.2	—	24.2
Dr Wolfgang Knapp	4.7	1.6	9.0	15.3	—	15.3
Dr Ulrich Ruetz	7.5	7.5	14.4	29.4	—	29.4
Matthias Schell	7.5	2.3	14.4	24.2	—	24.2
Joachim E. Schielke	7.5	2.5	14.4	24.4	—	24.4
Walter Specht	7.5	5.0	14.4	26.9	—	26.9
Frank Weber	7.5	4.8	14.4	26.7	12.0	38.7
Christian Zahn	7.5	2.5	14.4	24.4	—	24.4
Subtotal	**125.7**	**87.9**	**241.2**	**454.8**	**38.0**	**492.8**
Helmut Schieber (former member)	2.9	1.9	5.5	10.3	—	10.3
Prof Dr Adolf Wagner (former member)	2.9	1.0	5.5	9.4	—	9.4
Total remuneration of the Supervisory Board	**131.5**	**90.8**	**252.2**	**474.5**	**38.0**	**512.5**

Total remuneration for key executive staff

The total remuneration for key executive staff of Group Management (Management Board and Supervisory Board of Wüstenrot & Württembergische AG) amounted to € 4,191 thousand (2008: € 3,538 thousand). Of that amount, € 3,845 thousand (2008: € 3,375 thousand) related to short-term benefits, € 346 thousand (2008: € 163 thousand) to long-term benefits and € 276 thousand (2008: € 0 thousand) to termination benefits.

Other disclosures

Within the course of its ordinary activities concerning the Group companies, transactions are entered into with members of key executive staff of Wüstenrot & Württembergische AG. The transactions referred to business relationships in the areas of home loan and savings and the banking business, as well as life and property casualty insurance. Premiums amounted to € 65.9 thousand (2008: € 62 thousand). In addition, there was one transaction within the property development business in the amount of € 830 thousand (2008: € 0 thousand).

All transactions were entered into on an arm's length basis at preferential terms and conditions customary in the industry.

Receivables from and liabilities to related companies

The companies of the W&W Group maintain various business relationships with related companies.

An agreement has been concluded between Wüstenrot Holding AG and W&W AG on the assignment and use of trademarks. W&W AG pays an annual fee of € 2.5 million plus VAT for the use of Wüstenrot trademarks to Wüstenrot Holding AG. The agreement on the assignment and use of trademarks results in a financial liability of € 30.1 million (2008: € 31.2 million) to Wüstenrot Holding AG as at 31 December 2009.

In addition, the business relationships with Wüstenrot Holding AG entirely relate to banking services rendered by Wüstenrot Bank AG Pfandbriefbank. The transactions were carried out at an arm's length basis.

Receivables from and liabilities to the other related companies are also based on banking services received and, to a lesser extent, other services received, which were also carried out at an arm's length basis.
The balances of receivables and liabilities as at the reporting date are as follows:

€ 000's	31 Dec 2009	31 Dec 2008
Loans and advances to customers	188	197
Wüstenrot Holding AG	—	4
Related companies	188	193
Other receivables	17,005	18,492
Wüstenrot Holding AG	233	52
Related companies	16,772	17,444
Associates	—	996
Receivables from related companies	17,193	18,689
Liabilities to customers	19,757	24,609
Wüstenrot Holding AG	3,430	4,233
Related companies	16,327	11,451
Associates	—	8,925
Other liabilities	47,910	50,930
Wüstenrot Holding AG	30,094	31,159
Related companies	17,816	19,771
Liabilities to related companies	67,667	75,539

Expenses and income from transactions with related companies and other related persons

As is the case with receivables from and liabilities to related companies and other related parties, expenses (–) and income (+) mainly result from banking and other services based on an arm's length basis.

€ 000's	31 Dec 2009	31 Dec 2008
Wüstenrot Holding AG	– 1,818	– 2,715
Related companies	2,673	10,408
Associates	—	12,911
Other related parties	149	22

(59) Number of employees

The W&W Group employed 8,267 (2008: 8,134) employees (full-time equivalents). The number of employees as at the balance sheet date was 9,819 (2008: 9,806).

In the year 2009, 8,157 (2008: 8,265) persons were employed on average. This average figure is calculated as the arithmetic mean of the end-of-quarter figures between 31 March 2009 and 31 December 2009, as well as in the relevant prior-year period. The change in the average number of employees is largely attributable to the reduction of full-time equivalents at Wüstenrot Bausparkasse AG and Württembergische Versicherung AG.

Of the people employed on average for the year, 2,108 (2008: 2,406) employees were attributable to the Home Loan and Saving segment, 961 (2008: 959) to the Banking Business segment, 4,134 (2008: 4,227) to the Property/Casualty Insurance segment and 953 (2008: 672) to other segments.

(60) Auditors

The Supervisory Board of Wüstenrot & Württembergische AG has appointed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft as auditors of the consolidated financial statements. Expenses for services of the auditors in the W&W Group amounted to € 4,694 thousand (2008: € 4,838 thousand) in the year under review. Of that amount, € 3,316 thousand (2008: € 3,509 thousand) related to the audit of financial statements, € 1,132 thousand (2008: € 796 thousand) to other assurance and valuation services, € 0 thousand (2008: € 17 thousand) to tax advisory services and € 246 thousand (2008: € 516 thousand) to other services.

(61) Events after the balance sheet date

The losses incurred for the W&W Group from the Xynthia storm on 28 February 2010 is expected to amount to € 7-11 million after taxes. This estimate is associated with a high degree of uncertainty as the loss event is very recent.

(62) Corporate governance code

The members of the Management Board and of the Supervisory Board of our listed companies Wüstenrot & Württembergische AG, Stuttgart, and Württembergische Lebensversicherung AG, Stuttgart, have issued the declaration of compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz, AktG). The declaration has been made permanently available to shareholders on the website of the W&W Group, at www.ww-ag.com/corporate-governance.

(63) Group affiliation

The consolidated financial statements of Wüstenrot & Württembergische AG, Stuttgart, represent subgroup consolidated financial statements and are included in the consolidated financial statements of Wüstenrot Holding AG, Ludwigsburg, which holds the majority in Wüstenrot & Württembergische AG, Stuttgart. The consolidated financial statements of Wüstenrot Holding AG, Ludwigsburg, and the subgroup consolidated financial statements of Wüstenrot & Württembergische AG, Stuttgart, are published in the German electronic Federal Gazette.

List of companies included in the consolidated financial statements

The scope of consolidation includes, apart from the parent company Wüstenrot & Württembergische AG, the following subsidiaries as well as mutual and special funds. In addition, the associates shown in the table thereafter are included in the consolidated financial statements using the equity method.

Subsidiaries

Name and registered office	Share in capital[1]	Proportion of voting power held[2]
in %		
3B Boden-Bauten-Beteiligungs-GmbH, Ludwigsburg	100	100
Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart	100	100
Berlin Leipziger Platz Grundbesitz GmbH, Stuttgart	100	100
City Immobilien GmbH & Co. KG der Württembergischen, Stuttgart	100	100
Karlsruher Lebensversicherung AG, Karlsruhe	82.3	82.3
LP 1 Beteiligungs-GmbH & Co. KG, Stuttgart	100	100
Wohnimmobilien GmbH & Co. KG der Württembergischen, Stuttgart	100	100
Württembergische Immobilien AG, Stuttgart	100	100
Württembergische Krankenversicherung AG, Stuttgart	100	100
Württembergische Lebensversicherung AG, Stuttgart	72.42	72.42
Württembergische Versicherung AG, Stuttgart	100	100
Wüstenrot Bank AG Pfandbriefbank, Ludwigsburg	100	100
Wüstenrot Bausparkasse AG, Ludwigsburg	100	100
Wüstenrot Haus- und Städtebau GmbH, Ludwigsburg	100	100
Wüstenrot stavební spořitelna a.s., Prague	55.92	55.92
Wüstenrot hypoteční banka a.s., Prague	100	100
Wüstenrot životní pojišťovna a.s., Prague	74	74
W&W Advisory Dublin Ltd., Dublin	100	100
W&W Asset Management Dublin Ltd., Dublin	100	100
W&W Asset Management GmbH, Ludwigsburg	100	100
W&W Asset Management AG, Luxembourg	100	100
W&W Europe Life Limited, Dublin	100	100
W&W Gesellschaft für Finanzbeteiligungen mbH, Stuttgart	100	100
W&W Informatik GmbH, Ludwigsburg	100	100
W&W Service GmbH, Stuttgart	100	100

1 Share in capital = shares held directly and indirectly, including indirect non-controlling interests.
2 Proportion of voting power held = ratio of the total nominal value of ordinary shares held and voting share capital.

Mutual and special funds

Name and registered office	Share in capital[1]
in %	
BWK-Fonds 15, Stuttgart	100
BWK-Fonds 69, Stuttgart	100
BWK-Fonds 93, Stuttgart	100
BWInvest-76, Stuttgart	100
BWInvest-94, Stuttgart	100
BWInvest-Südinvest 160, Stuttgart	100
BWInvest-WVCorp Bonds Fonds, Stuttgart	100
Credit Suisse-WV Immofonds, Frankfurt	98.88
DEVIF-Fonds Nr. 13, Frankfurt	100
DEVIF-Fonds Nr. 130, Frankfurt	100
DEVIF-Fonds Nr. 203, Frankfurt	100
LBBW AM-AROS, Stuttgart	100
LBBW AM-WSV, Stuttgart	100
UIN-Fonds Nr. 567, Frankfurt	100
W&W Emerging Markets Bonds-Fonds 1, Frankfurt	100
W&W Emerging Markets Bonds-Fonds 2, Frankfurt	100
W&W Global Strategies European Equity Value, Dublin	100
W&W Global Strategies Asset-Backed-Securities Fund, Dublin	93.59
W&W Global Strategies South East Asian Equity Fund, Dublin	99.26
W&W Global Strategies US Equity Fund, Dublin	99.39
W&W International Europa Aktien Premium II Fonds, Luxembourg	87.37
W&W International Global Convertibles Fonds, Luxembourg	97.88
W&W International US Aktien Premium Fonds, Luxembourg	100

1 Share in capital = shares held directly and indirectly, including indirect non-controlling interests.

Companies included in the consolidated financial statements using the equity method

Name and registered office	Share in capital[1]	Proportion of voting power held[2]
in %		
BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart	35	35
V-Bank AG, Munich	49.99	49.99
Tertianum Besitzgesellschaft Berlin Passauer Str. 5-7 mbH, Munich	25	25
Tertianum Besitzgesellschaft Konstanz Marktstätte 2-6 und Sigismundstr. 5-9 mbH, Munich	25	25
Tertianum Besitzgesellschaft München Jahnstr. 45 mbH, Munich	33.33	33.33
Wüstenrot stambena štedionica d.d., Zagreb	25.63	25.63
Wüstenrot stavebná sporiteľňa a.s., Bratislava	40	40

1 Share in capital = shares held directly and indirectly, including indirect non-controlling interests.
2 Proportion of voting power held = ratio of the total nominal value of ordinary shares held and voting share capital.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stuttgart, 5 March 2010

Dr Alexander Erdland

Klaus Peter Frohmüller

Dr Michael Gutjahr

Dr Jan Martin Wicke

A piece of history on wheels.

Protect your belongings – just in case.

Risk protection

"Best for Cars" is Württembergische's special insurance cover for vintage cars, 'youngtimers' and exotic vehicles. The right solution for your vintage car – whether you like to take it out on the road, or keep it on display in a museum. With "Best for Cars", you are protected, should the unthinkable happen – so you can continue to enjoy your piece of automotive history.

Wüstenrot and Württembergische: together, we've got it covered.

Auditors' Report

We have audited the consolidated financial statements prepared by Wüstenrot & Württembergische AG, Stuttgart, comprising the statement of financial position, statement of comprehensive income, statement of cash flows and notes, together with the Group Management Report, for the financial year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch – "HGB") are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report, based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the HGB, observing the generally accepted German standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – "IDW"). These standards require that we plan and perform the audit such that mis-statements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework, and in the Group Management Report, are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible mis-statements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group Management Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting policies and consolidation principles used, and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group Management Report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, 16 March 2010

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Werner Hölzl
Wirtschaftsprüfer
(German Public Auditor)

Reinhard Knüdeler

Wirtschaftsprüfer (German Public Auditor)

Office addresses

Wüstenrot & Württembergische AG
Gutenbergstrasse 30, 70176 Stuttgart
Phone +49 711 662-0, Fax +49 711 662-721334
www.ww-ag.com

Karlsruher Lebensversicherung AG
Friedrich-Scholl-Platz, 76137 Karlsruhe
Phone +49 721 353-0, Fax +49 721 353-2699
www.karlsruher.de

Home Loan and Savings Bank Division

Wüstenrot Bausparkasse AG
Hohenzollernstrasse 46, 71638 Ludwigsburg
Phone +49 7141 16-0, Fax +49 7141 16-3637
www.wuestenrot.de

Wüstenrot Bank AG Pfandbriefbank
Hohenzollernstrasse 46, 71638 Ludwigsburg
Phone +49 7141 16-0, Fax +49 7141 16-4337
www.wuestenrot.de

Wüstenrot Haus- und Städtebau GmbH
Hohenzollernstrasse 12 – 14, 71638 Ludwigsburg
Phone +49 7141 149-0, Fax +49 7141 149-100
www.wuestenrot.de

Insurance Division

Württembergische Lebensversicherung AG
Gutenbergstrasse 30, 70176 Stuttgart
Phone +49 711 662-0, Fax +49 711 662-722520
www.wuerttembergische.de

Württembergische Versicherung AG
Gutenbergstrasse 30, 70176 Stuttgart
Phone +49 711 662-0, Fax +49 711 662-722520
www.wuerttembergische.de

Württembergische Krankenversicherung AG
Gutenbergstrasse 30, 70176 Stuttgart
Phone +49 711 662-0, Fax +49 711 662-722520
www.wuerttembergische.de

Allgemeine Rentenanstalt Pensionskasse AG
Gutenbergstrasse 30, 70176 Stuttgart
Phone +49 711 662-0, Fax +49 711 662-722520
www.wuerttembergische.de

Service entities

W&W Asset Management GmbH
Im Tambour 1, 71638 Ludwigsburg
Phone +49 1803 115500, Fax +49 1803 1155-05
www.wwasset.de

W&W Informatik GmbH
Hohenzollernstrasse 46, 71638 Ludwigsburg
Phone +49 7141 16-0, Fax +49 7141 16-3637
www.ww-informatik.de

W&W Service GmbH
Gutenbergstrasse 30, 70176 Stuttgart
Phone +49 711 662-0, Fax +49 711 662-723970
www.ww-service-gmbh.de

Czech Republic

Wüstenrot stavební spořitelna a.s.
Na Hřebenech II 1718/8, CZ-14023 Praha 4
Phone (+420) 257092-155, Fax (+420) 257092-159
www.wuestenrot.cz

Wüstenrot hypotecní banka a.s.
Na Hřebenech II 1718/8, CZ-14023 Praha 4
Phone (+420) 257092-604, Fax (+420) 257092-605
www.wuestenrot.cz

Wüstenrot životní pojišt'ovna a.s.
Na Hřebenech II 1718/8, CZ-14023 Praha 4
Phone (+420) 257092-535, Fax (+420) 257092-596
www.wuestenrot.cz

Wüstenrot pojišt'ovna a.s.
Na Hřebenech II 1718/8, CZ-14023 Praha 4
Phone (+420) 257092-535, Fax (+420) 257092-596
www.wuestenrot.cz

Publication and contact details

Our Annual Report is published in English and German. Both language versions, together with further annual reports published by W&W Group entities are available for download from www.ww-ag.com/finanzberichte.

Please do not hesitate to contact us to discuss any specific financial issues – we look forward to talking with you.

Investor Relations

Frank Weber
Director, Group Development and Communications
Head of Investor Relations
Phone +49 711 662-721470

Ute Jenschur
Group Development & Communications
Manager, Investor Relations
Phone: +49 711 662-724034
E-mail: ir@ww-ag.com

Published by

Wüstenrot & Württembergische AG
Gutenbergstrasse 30
70176 Stuttgart, Germany
Mailing address: 70163 Stuttgart, Germany
Phone +49 711 662-0
Fax: +49 711 662-722520

To obtain copies of annual and interim reports, and current W&W Group financial information, please contact:

Group Development & Communications
Phone: +49 711 662-724035
Fax: +49 711 662-721334
E-mail: kk@ww-ag.com

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