

Annual Group Report 2008 in accordance with IFRS

Württembergische Lebensversicherung AG

The English version of the Annual Report is in accordance with the examined German Annual Report.



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KEY FIGURES AT A GLANCE

WÜRTTLLEBEN – GROUP (IN ACCORDANCE WITH IFRS)

		2008	2007
Consolidated Balance Sheet			
Assets	in € million	26 030.8	27 472.6
Technical Provisions	in € million	25 286.7	26 273.3
Consolidated Income Statement			
Gross premiums written	in € million	2 243.7	2 328.7
Investment result, excluding investments for the account and risk of life-insurance policyholders	in € million	387.2	1 079.6
Claims (gross) to customers	in € million	2 197.8	3 130.3
Gross underwriting expenses	in € million	307.1	298.7
Consolidated profit for the year	in € million	12.9	21.3
Earnings per share	in €	1.05	1.74
Other figures			
Annual Premium Equivalent (APE)	in € million	216.5	221.6
Insurance portfolio – direct –			
Annual premium income for one year	in € million	1 916.7	1 979.9
Number of contracts		2 979 934	3 084 129
Administration cost ratio	in %	3.1	3.1
Acquisition cost ratio	in %	6.1	6.1
Employees of the WürtttLeben Group¹		1 033	1 340
Württemberg share			
Dividend per share ²	in €	1.00	1.65
Amount paid out	in € million	12.2 ²	20.1
Share price at year end	in €	17	27
Market Capitalization at year end	in € million	207	329
Return on equity (ROE) after tax	in %	10.4	14.1

¹ Average number of employees over year.

² Subject to shareholders' approval of the proposed allocation of profit at the Annual General Meeting.

FINANCIAL CALENDAR

GENERAL MEETINGS

General meeting of Württembergische Lebensversicherung AG	Tuesday, 5 May 2009	Tuesday, 5 May 2009
General meeting of Wüstenrot & Württembergische AG		Tuesday, 19 May 2009

FINANCIAL REPORTS

Interim management statement as at 31 March		Friday, 15 May 2009
Interim report as at 30 June		Friday, 14 August 2009
Interim management statement as at 30 September		Friday, 13 November 2009

WÜRTTEMBERGISCHE LEBENSVERSICHERUNG AG – THE ROCK IN THE WAVES

Originating in 1833 as „Allgemeine Rentenanstalt zu Stuttgart“ (ARA), Württembergische Lebensversicherung AG was the first company in Germany to engage in pension insurance business. Today, 175 years later, Württembergische Lebensversicherung AG offers tailor-made insurance concepts based on its wide range of classic and unit-linked life and pension insurance as well as „Riester“ and basic pension products, educational and occupational disability insurance, and the ARA products for company pension schemes.

In 2005, Württembergische Lebensversicherung AG acquired a majority shareholding in Karlsruher Lebensversicherung AG and, since then, has integrated it completely. Thanks to a carefully conceived set of products and high-quality service, Württembergische Lebensversicherung AG, as the „Rock in the Waves“ has grown to become one of the eight largest life insurance companies in Germany.

Württembergische Lebensversicherung AG is one of a group of companies that includes Württembergische Versicherung AG, Württembergische Krankenversicherung AG, ARA Pensionskasse AG and Karlsruher Lebensversicherung AG (formerly Karlsruher Hinterbliebenenkasse) and forms the Württembergische Insurance Group. The latter has been part of Wüstenrot & Württembergische, the specialist in provision for the future, since 1999. From its overall range of products as an insurer and building society, Wüstenrot & Württembergische can put together a personalized package of provisions that is matched to each customer's needs and can be composed of asset building, housing and financial security aspects as well as protection against risks. The Württembergische therefore sees its range of insurance products as a component of tailor-made all-round provision for the future, thus combining tradition and orientation to the future.

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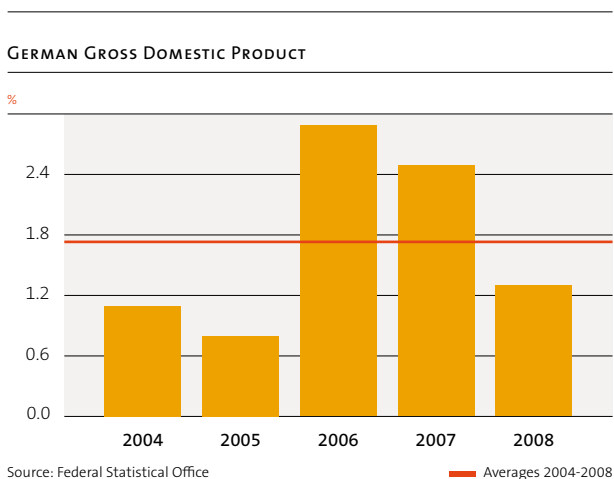
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GENERAL ECONOMIC CONDITIONS

Overall economic environment

In 2008, the German economy experienced only moderate growth. According to the initial calculations of the federal office of statistics, the gross domestic product, after correction for prices, was 1.3% above the preceding year. In 2007, it had grown by 2.5%. One of the main reasons for this drop in economic activity was the global financial crisis with its massive effects on all players in the national economy.



The investment volume, that had seen very high levels of growth at the beginning of the year, diminished towards the end of the year. The hope still cherished at the beginning of the year that demand from private consumers would shoot up in 2008 was also disappointed. Unexpectedly high inflation rates due to the rapid increase in energy prices by the middle of the year ensured that the real disposable income of households hardly increased at all in spite of above-average wage rises. Finally, the previously most dynamic growth area of the economy, namely export business, suffered increasingly under the strong euro and especially under the diminishing demand from important countries.

Development of the industry

Last year, the German insurance industry was less affected by the financial crisis than other sectors in the finance industry. Thanks to the careful investment policy that is usual in this branch, the financial products that had triggered the crisis did not play the same role as they did in banking. In view of low share ratios, the impact of the drop in share prices on insurers was limited.

In 2008, the business done by life insurance companies in Germany was robust on the whole. According to provisional figures of the Gesamtverband der Deutsche Versicherungswirtschaft e.V. (GDV = umbrella association of the Germany insurance industry), the growth in premium income increased slightly by 0.9 (0.7)%. The gross premiums written of the pension fund companies remained almost at the preceding year's level and only rose by 0.2% according to the GDV figures available up to now.

The „Riester“ pensions allowance, which was upgraded again in 2008, led to a rise in new life insurance contracts with annual premium payment. The associated new premium income improved by 7.0% after the 1.7% drop in the previous year recorded by the industry as a whole. Without the increase due to the Riester effect, last year also saw a 6.9% drop in new premium income from annual premiums.

In order to secure an annuity income for their entire life, policyholders again used single-payment types of insurance that are especially suitable for this purpose. In new premium income, they reached a provisional level of € 12.3 (11.9) billion, 3.3% more than in the same period in the year before.

(Figures in brackets relate to the previous year unless indicated otherwise).

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Due to more flexible methods of making contributions, new latitude opened up by the law on income in old age and expanding gaps in provision in old age, annuity assurance has become more attractive and important. This class of product therefore has a potential for growth in the coming years. Last year, more customers again covered their needs for provision for old age accordingly by taking out insurance with pension-like pay-outs. Their share of insurance with annual premium payments increased again to around 59 (54) %. Especially the new premium income of unit-linked annuity assurance rose by 19.0% compared to 2007 (28.9%). These contracts accounted for 27.2 (24.6) % of new business in 2008.

Last year, the life insurance sector sold a total of 1.6 (2.1) million new Riester contracts, according to the initial information received from the GDV. The required maximum contributions were raised in 2008. If at least € 2,100 or 4% of income is paid into a Riester contract, the maximum state allowance is now counted. As this means that the last of four stages of increases has been reached, the industry can now expect further stimulus to growth from the adaptation of existing Riester contracts. Last year, numerous basic annuity contracts were again entered into. With 288,360 new contracts, the growth was less than the 320,000 new basic annuity contracts in the year before.

In the case of the pension fund companies, the figures for new business decreased last fiscal year. The annual premium income from new business fell by 14.1%. In the case of the single premiums, the decrease amounted to 13.7%. This was primarily due to the market-wide saturation in corporate pension schemes through pension fund companies.

In spite of the stable development in 2008, life insurance companies have been suffering for several years from an overhang of contracts coming to an end, measured in terms of new contracts, the reason being that the high growth rates of business in the past are now resulting in numerous regular premium-payment expiries. These are associated with a loss of premium income for life insurance companies due to the comparatively smaller increase in new business.

As regards the pension fund companies, expiries and an associated erosion of the portfolio are of subordinate importance because, at the moment, the portfolios of the companies mainly contain pension insurance that is not due for pay-out for some time.

DEVELOPMENT OF BUSINESS

Overview of the year under review

PROGRAMS FOR THE FUTURE

„Württembergische 2009“, a program of renewal that encompasses the Württembergische insurance companies, has been integrated into the Group-wide „W&W 2009“ program for more growth, efficiency and profitability, started in 2006. Within this framework, there are plans to achieve cost savings amounting to around € 225 million in the entire W&W Group by the end of 2009. From the „Württembergische 2009“ program alone, € 90 million will come. The W&W Group is on schedule in its implementation of „W&W 2009“.

In the „Württembergische 2009“ program, integration of the Karlsruher insurance companies was concluded. The cost effects of the merger of Karlsruher Lebensversicherung AG with Württembergische Lebensversicherung AG and Karlsruher Versicherung AG with Württembergische Versicherung AG occurred earlier than planned and are higher than predicted.

SOLID BUSINESS MODEL

In the year of financial crisis, the solidity of the business model of the German life insurance companies proved its worth. They profited from the increased trust that customers of the industry placed in them as a reliable partner when it comes to providing for old age. The Württ-Leben Group also took an active stance towards the challenges brought about by the global financial crisis. This is demonstrated by the solvability ratios of the individual companies, all of which continue to be above the legally required level.

- Allgemeine Rentenanstalt Pensionskasse AG: 242%
- Karlsruher Lebensversicherung AG: 141%
- Württembergische Lebensversicherung AG: 181%

Württembergische Lebensversicherung AG, ARA Pensionskasse AG (ARA PK) and Karlsruher Lebensversicherung AG – formerly Karlsruher Hinterbliebenenkasse AG (KHK) – are the insurance companies of the WürttLeben Group. The Group has strengthened its market position due to the successes of the programs for the future and of the general „SPRING“ growth program of the W&W Group. WürttLeben therefore continues to occupy a place among the top ten of the German life insurance industry, including pension fund companies and pension funds.

INVESTMENTS ADVERSELY IMPACTED BY FINANCIAL CRISIS

The considerable fluctuations and downturns on the share markets as well as the substantially increased risk surcharges on interest-bearing securities – so-called spreads – put a strain on the investment result and reserves of the WürttLeben Group. In the course of 2008, consistent hedging measures for shares were implemented and the Group's share commitment was reduced.

RELIABLE PROVISION FOR OLD AGE FOR LIFE INSURANCE CUSTOMERS

All companies in the WürttLeben group offer their customers a high overall rate of interest for 2009 in spite of the ongoing financial crisis and a slight decrease compared to the preceding year. With their attractive overall benefits for life and annuity assurance contracts, the companies of the WürttLeben Group continue to be well-positioned in the market.

STABLE COST SITUATION

The cost savings associated with the integration of Karlsruher Lebensversicherung AG exceeded the extra expenses that were needed for the integration in relation to marketing, consultancy and project costs as well as old age provisions for the Karlsruher employees. The efficiency targets for 2008 from the „Württembergische 2009“ program were achieved quicker than had been planned. The administration costs of the Group remained stable at a ratio of 3.1 (3.1) %.

Assets, financial situation and earnings

DEVELOPMENT OF PREMIUM INCOME

Drop in premium income due to maturing portfolios

Due to the expansive business development of the life insurance industry in earlier years, Württembergische Lebensversicherung AG and Karlsruher Lebensversicherung AG – like many other life insurers in Germany – have numerous contracts in their portfolio for which the premium payments or the contracts all ended in 2008 and the customers received a capital pay-out. In order to compensate for this natural shrinkage of the portfolio, new business has to grow constantly. The entire life insurance industry is faced with this challenge, which is not an easy to master.

This erosion of the portfolio is also affecting Württembergische Lebensversicherung AG, which achieved gross written premium amounting to € 2 095.6 (2 167.6) million and thus had to accept a decrease of 3.3 (market: +0.9) %. In the WürtttLeben Group, premium income decreased by 3.7% to € 2 243.7 (2 328.7) million. Annual premiums accounted for € 1 930.9 (1 979.4) million and single premiums accounted for € 312.8 (394.4) million of this total.

DEVELOPMENT OF NEW BUSINESS

Good sales performance in spite of crisis

In the business they acquired, the sales organizations and the cooperating partners of the WürtttLeben Group profited from the special trust accorded to life insurance companies and pension fund companies in the year of the financial crisis. Nevertheless, there was a noticeable amount of uncertainty and reserve among consumers when making financial decisions and investments to provide for the future.

The aggregate premium of new business rose by 3.1% to € 3 866.3 million. Altogether, the performance of the sales organizations was therefore respectable in view of the great challenges that the financial services sector faced in the crisis year 2008.

Fall in single-premium income impacts new business

The new business of the WürtttLeben Group – measured in terms of the Annual Premium Equivalent (APE = annual premiums plus 10% of the single-premiums) – decreased slightly by 2.3%, from € 221.6 million to € 216.5 million in 2008. The reason for this reduction was the special situation in new business with single-premium life insurance. The banking sales channel, whose strengths include business with single-premium insurance, was more heavily affected than other sales organisations by the financial crisis in 2008. With regard to the development of single-premium income, the reluctance of customers to invest large sums in provisions for old age was also especially noticeable. There were also some special influences and decreases in new business in externally managed insurance business where Württembergische Lebensversicherung AG is a partner in a consortium. The WürtttLeben Group therefore recorded a decrease of 11.0% in new premium income compared to the year before.

With new annual premium income of € 185.2 (186.4) million, including added business for the Riester upgrade, the WürtttLeben Group came just short of reaching the previous year's level. Compared to the year before, the total new premium income of the WürtttLeben Group fell by 7.4% to € 498.0 (537.9) million.

Sales force expanded further

The exclusive organisation continues to be the most important sales channel of the WürtttLeben Group. After 64.1% in the previous year, the new business of local consultants in the field organisations of Württembergische and Wüstenrot achieved a total share of 66.3%. The aggregate premium grew by 6.6% to € 2 563.4 (2 403.7) million. The field sales organization is being enlarged and placed on a broader basis.

Due to build-up of the decentralised sales network of Württembergische Vertriebsservice GmbH for brokers and free agents in 2008 and the intensive processing of the broker market that became possible as a result, there are now signs of a notable re-animation of new business. The share of new business increased from 5.0% to 6.3%. This corresponds to a 29.8% rise in the aggregate premium to € 242.2 (186.5) million from sales through brokers and free agents.

In 2008, the sale of life insurance products by way of the cooperative agreements with banks was adversely impacted by the mood of crisis, under which the banks had to suffer more than the insurance companies. In dealings with our banking partners, respect for the relationships of association are the basis of the business model.

New business resulting from bank sales went down last year by 5.8% to € 639.0 (678.4) million in the WürttLeben Group, measured in terms of aggregate premium. The sales campaigns in the banks in 2008 were mainly aimed at investment products and not so much at insurance due to the impending introduction of the flat rate withholding tax. In the fourth quarter, the sales activities were additionally hindered by the financial crisis, which made many bank customers very worried. The result of all this was that both single-premium and annual-premium business decreased.

Annuity assurance as a core product in 2008 as well

Annuity assurance, which enjoys a good position in the market, made up the largest part of total new business in 2008 and amounted to € 74.3 (69.3) million. Due to the rise in the Riester grant to its highest level, the Riester annuity was the focal point of business. Its share in the aggregate premium of annuity assurance amounted to 30.6 (19.0) %. In the WürttLeben Group, the aggregate premium of annuity assurance rose by 7.9% to € 2 873.0 (2 677.7) million.

Unit-linked policies make further gains

New business in unit-linked life insurance products was expanded again in 2008 after the strong preceding year. Its share of the aggregate premium achieved in new business amounted to 30.6 (25.0) % in the WürttLeben Group. The aggregate premium of new business rose by 26.3% to € 1 182.9 million.

Company pension schemes still in demand

In 2008, the share of corporate pension provisions in the aggregate premium remained unchanged for the WürttLeben Group at 20.5%. This was particularly contributed to by ARA Pensionskasse AG, which increased its aggregate premium by 12.5% to € 376.1 million, thus gaining market shares and increased its share to 6.7%. Even measured in terms of new premium income, ARA PK grew by 9.9% to € 16.6 million. The pension fund companies in Germany, in contrast, recorded an 11.8% drop in the aggregate premium and a minus of 14.0% in new premium income.

Average aggregate premium still on a high level

The average aggregate premium of the contracts entered into by the companies of the WürttLeben Group amounted to € 27 000 and was therefore slightly above the previous year's value of € 26 378. The mostly low average aggregate premium of the Riester contracts is gradually being compensated for by the rising number of basic annuity contracts being offered since 2006. The average aggregate premium of the basic annuity in 2008 was € 60 032 was above that of the year before (58,991).

DEVELOPMENT OF THE PORTFOLIO

Erosion of the portfolio compared to preceding year not yet stopped

The situation described in relation to the development of premium income and the mature life-insurance portfolios for the life-insurance sector also made itself noticeable in the development of the life insurance portfolios of the WürttLeben Group in 2008. The new business achieved was unable to completely absorb the erosion of the portfolio.

The insurance portfolio of direct business added up to € 1 916.7 (1 979.9) million – measured in terms of the annual premium income for a year – thus falling by 3.2%. The growing important of annuity assurance, which has been observable in new business for many years, has increased further since the law on income in old age came into force in 2005. Its share in the total annual premium income for year rose again in 2008 and is now 36.0 (33.6) %.

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Cancellation rate below level for market

In 2008, the cancellation rate of the WürttLeben Group increased by 0.4 percentage points to 4.8%, in respect of the average portfolio of the statistical annual premium income. The cancellation rate, therefore, continued to be below the approximately 5.2% average for the market. This confirmed the high quality of advice given to customers by the sales organisation. The slightly increased cancellation rate, however, also reflects the uncertainty of consumers caused by the economic situation.

DEVELOPMENT OF THE COST SITUATION

Cost reductions due to „Württembergische 2009“

In fiscal 2008, the „Württembergische 2009“ program was moved forward consistently. The cost savings aimed at were substantially higher than foreseen, as they had been in the preceding year. With regard to personnel costs, the savings are primarily based on a socially acceptable reduction of staff without enforced layoffs. This was achieved faster than had been planned in the „Württembergische 2009“ program.

Stable cost ratio

The administration costs were lowered again in fiscal 2008. Due to the simultaneous decrease in the gross written premium income, the administration cost ratio, calculated in respect of the premium income, remained at the same level as the preceding year, namely 3.1%. The acquisition cost ratio of the WürttLeben Group was also unchanged at 6.1%.

INVESTMENTS

Financial crisis of unexpected dimensions

In the course of 2008, development on the capital markets was infused with the effects of the financial crisis. Triggered by a crisis in the US subprime sector, its effects became more and more apparent in the second half of 2008. The consequences were a massive collapse of confidence among financial institutions and a considerable lessening of business activity among the banks. This was accompanied by a deep economic downturn that gave the issuing banks reason to introduce substantial interest-rate reductions. After the European Central Bank (ECB) had

raised its refinancing rate by 25 base points to 4.25% in the first half of the year in view of the clear rise in inflation, it then saw itself compelled to engage in an expansive monetary policy. At the end of the year, the prime rate of the ECB was 2.50%. The prime rate of the US Federal Bank was between 0.0% and 0.25%.

Due to the dramatic dimensions of the financial crisis and the economic consequences which were becoming more and more obvious, international investors were less prepared to take risks. Following this, the Dow Jones Euro Stoxx 50 underwent severe fluctuations in the course of the year and fell by a total of 44.3%. After a level of 4 400 points at the end of 2007, the European stock market index lost more than 50% before reaching a low of 2 166 points in November. The last time the index had been at this level was in 2003. The US share market suffered a similar fate. Here, the S&P 500 index lost 38.5% in the course of the year.

In the first six months of 2008, the yield on ten-year German federal bonds increased significantly from 4.31% to 4.68% in June due to the initially still dynamic economic situation in Europe and inflation driven by the rising price of oil. In the course of the worsening financial crisis during the summer months and the beginnings of recession in the EU and the US, investors increasingly turned to safe fixed-interest government bonds. The yield on ten-year federal bonds then fell to 2.95% at the end of December 2008, a low last reached in the year 2005.

In the US, the yield on ten-year US treasury bonds fluctuated between 3.3% and 4.3% in the first half of the year. From October 2008 to the end of the year, the drop in interest was steeper, going down to around 2.2%.

As a result of the financial crisis, the risk surcharges for interest-bearing securities of issuers from financial and industrial companies increased considerably compared to government bonds and the swap rates. There were also substantial risk surcharges in the case of subordinate securities.

Influence of the financial crisis

The WürttLeben Group traditionally pursues an investment policy that pays close attention to risks and is aligned to a high level of debtor quality. Nevertheless, the severely exacerbated international financial crisis also

affected the investments of the Group in the course of 2008. The drastic price decreases on the share markets as well as substantial interest surcharges on interest-bearing securities of emitters from the sector of financial and industrial companies exerted an adverse impact on the value of the investment portfolio. In the case of banks that were to be seen as critical in the course of the financial crisis, the WürtttLeben had only invested to a manageable extent, especially in the subordinate range. There were only minor defaults of € 7.2 million in this area.

Against this background, the balance sheet value of investments fell by 5.2% to € 26.0 billion in the Württt-Leben Group despite the flow of liquidity from insurance business. With a ratio of 65.5%, loans as an investment category were the largest item in relation to total investments.

Lower investment result

In 2008, the current yield on investment of the Württt-Leben Group rose by 2.1% to € 1.14 billion. After recognition profits and losses from disposals of shares and share funds, however, there was a loss of € 373.7 million after the positive result of € 59.8 million in the year before. The balance off profits and losses from disposals in the annuity area amounted to –€ 13.2 million after –€ 35.6 million in the preceding year. Unscheduled write-downs – so-called impairment – on shares and share funds had to be carried out to the amount of € 720.8 million. In the case of bonds, there was unscheduled impairment to the amount of € 98.2 million.

The result of the trading portfolio, which amounted to € 649.0 million, had a positive effect within the financial instruments to be posted at fair value through profit and loss. This was mainly due to hedging transactions in the area of shares, interest and currency. The investment result, which underpins unit-linked insurance products, fell from € 261.2 million to –€ 249.2 million.

The result on real estate decreased from € 65.0 million to € 43.5 million compared to the previous year. This reduction resulted from the lower profits on disposals, which fell from € 48.1 million to € 10.4 million, and losses on disposals amounting to € 5.8 (0.6) million. Depreciation on real estate decreased from € 66.7 million to € 48.2 million, the reason being that, in 2007, depreciation on the portfolio of the former Karlsruher insurance group had been necessary.

Due to the financial crisis, the overall result on investments fell from € 1.1 billion in the preceding year to € 137.9 million in 2008. The result on investments is described in detail under note no. 33 in the notes.

Reduction of share exposure

Due to the enormous risks and the high degree of uncertainty on the share markets, share exposure was reduced in 2008 in view of the risk-bearing capability of the WürtttLeben Group. The share of the balance sheet value of shares in investments as a whole contracted from 12.2% in the preceding year to a mere 6.4%. In view of the permanently deteriorating health of the share markets, the WürtttLeben Group successively expanded its share hedging activities through futures and options in the course of the year. Out of the total share volume of Württembergische Lebensversicherung AG, 92.4% was hedged by means of options and futures at the end of the year under review.

Real estate

In the greater Stuttgart area, Württembergische Lebensversicherung AG purchased some high-quality objects with a current trading value of € 54.4 million. On the site of the former head offices of Allgemeine Rentenanstalt, the predecessor of Württembergische Lebensversicherung AG, in Tübinger Strasse in Stuttgart, a new attractive inner-city shopping centre (the „S Quarter“) is to be built. In order to prepare for the new building and set the boundaries of the area, the company purchased three pieces of land for a total of € 16.7 million. Württembergische Lebensversicherung AG also directly acquired residential objects to the value of € 21.5 million after the dissolution of some existing real estate companies. Following considerable disposals from the real estate portfolio in the year before, only a small amount of real estate was sold in 2008.

Participations

In the course of optimisation of the participation structures within the W&W Group, Württembergische Lebensversicherung AG sold its 10% participation in Wüstenrot Bausparkasse AG to Wüstenrot & Württembergische AG. The purchase price was based on the valuation of an external assessor. With this transaction, Württembergische Lebensversicherung AG achieved a profit of € 67.8 million.

In 2008, Württembergische Lebensversicherung AG augmented its investments in the private equity sector as planned by stocking-up existing commitments and entering into new pledges to the amount of € 37 million. In this class of assets, higher returns are still expected in the long term. Any risks that they involve are monitored continuously.

Reclassification of financial assets

In October 2008, the European Union approved amendments to IAS 39 and IFRS 7 (Reclassification of Financial Assets). This enables a reclassification from the available-for-sale category of financial instruments to the loan category. A precondition is that the company has the intention and the ability to hold the securities for the foreseeable future or until they become due. In line with these amendments, certain financial assets with a book value of € 325.5 million for which an active market did not exist and which the WürtttLeben would like to hold until further notice were reclassified in October 2008, with retrospective effect as of 1 July 2008. As a result of this reclassification, there were shifts within the result on investments between the result on available-for-sale financial instruments and the result on loans. Moreover, this brought about a slight improvement of € 14.4 million in equity as well as a € 129.2 million increase in the latent reserve for premium refunds. The reclassification had no significant effects on the result.

Stress tests of BaFin passed

All the stress tests prescribed by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin = federal office for financial services supervision) were passed.

Derivative financial instruments

In 2008 as well, the companies of the WürtttLeben Group made use of derivative financial instruments in the form of futures, options, swaps and forward exchange transactions. These transactions were aimed at securing the portfolios and, in particular, controlling the share exposure, whereby all the regulations of the Insurance Supervisory Law were complied with. The requirements regarding organizational structures were adhered to at all times, especially the strict separation of trading and administration.

Liquidity

The development of liquidity of the WürtttLeben Group is shown in the section entitled „Cash Flow Statement for Fiscal 2008 - Consolidated“ in the notes. A detailed portrayal of how liquidity is ensured is provided in the risk report.

SUMMARY OF ASSETS, FINANCIAL SITUATION AND EARNINGS

Compared to the preceding year, the Group profit decreased by € 8.4 million from € 21.3 million to € 12.9 million. This was primarily due to the steep drop in the result on investments. As a result, there were lower transfers to the reserve for premium refunds, which represent part of the benefits we pay to our customers.

As at 31 December 2008, the Group equity amounted to € 116.4 million as opposed to € 163.5 million at the end of the previous year. This substantial change in equity occurred in the earned capital before minorities interest in the equity. This reduction, apart from being due to the reduced Group profit, was caused by the fall in the revaluation reserve resulting from the financial crisis. Further details on the development of equity can be found in the equity table in the notes.

The reduced Group profit and the decrease in Group equity lead to a fall in the return on equity (ROE) from 14.1% in the preceding year to 10.4% in the year under review.

Employees

In fiscal 2008, our employees continued to work on the „W&W 2009“ and „Württembergische 2009“ programs in their usual committed manner. „Growing together and reaping the benefits together“ was the slogan of the first meeting of all managers of the W&W Group, during which the image being aimed at as „THE provisions specialist“ was introduced officially. Following the event, managers and their staff took part in workshops so that, on a Group level, they could work together on implementation of the image being aimed at.

A high degree of dedication and willingness to contribute is required by the „W&W 2009“ and „Württembergische 2009“ program, which will enter their concluding phase in the course of the current fiscal year. The good evaluations achieved during the KUBUS study and in the competition entitled „Germany's most customer-focused service provider“ are a great encouragement for the employees of the Württembergische insurance companies.

Personnel work in 2008 was characterized by restructuring measures, which are part of the renewal program of the W&W Group and are creating the foundations for more growth, efficiency and profitability. For establishment of the new W&W Service GmbH, for example, an in-house wage-tariff agreement and a transfer contract were entered into, on the basis of which employees of other consolidated companies have transferred to the new service company. The basic labour-law foundations for the new administration office structure of the Württembergische were also created. The number of processing locations was then reduced from 15 to seven. Since May 2008, the first specialist consultants in the area of building savings/banking have been working in the main district offices of the Württembergische. They provide intensive specialist support to local consultants with the aim of giving a substantial boost to cross-selling activity. In return, business-acquisition specialists of the Württembergische support the Wüstenrot sales organization in insurance business.

The „Step 2009“ project (strategic development personnel) for uniform and efficient realignment of personnel work is going according to plan. Personnel development and personnel management are being centralised in W&W AG.

NUMBER OF EMPLOYEES

As at 31 December 2008, the Württembergische insurance companies employed 4706 (4864) people (not including trainees), calculated in terms of active employees. The Württembergische insurance companies include Württembergische Lebensversicherung AG, Württembergische Versicherung AG, Württembergische Krankenversicherung AG, ARA Pensionskasse AG and Karlsruher Lebensversicherung AG. 1 630 (1 739) jobs were accounted for by permanent field sales staff. The total number of personnel - calculated in terms of the number of contracts of employment - was 5 653 (5 820) people as at 31 December 2008, excluding trainees, and thus decreased by around 3% (reduction of 7% in the preceding year). The reduction was carried out faster than had been planned in the „Württembergische 2009“ program.

BASIC AND FURTHER TRAINING

The 246 (273) trainees of the Württembergische insurance companies mainly work in the commercial area. This level is to be maintained in the coming years as well. In the Württembergische insurance companies, 20 (19) young employees are studying to acquire a Bachelor of Arts degree, mainly in insurance, in collaboration with the professional academies in Karlsruhe and Stuttgart. Apart from basic and further specialist training, the W&W Group offers systematic programs for the development and advancement of new potential managers. In 2008, for example, the W&W Premium Talent program was called into being. For advanced training of the top management staff of the W&W Group, there is an understanding with a business school, which provides training for our management staff in the area „General Management for Executives“.

THANKS TO OUR EMPLOYEES

At this point, we would like to thank our employees for their commitment and exceptional dedication in the completed fiscal year. The performance and competence of our employees are crucial for ensuring the success of our Group in future.

We also thank the employees' representatives and their committees as well as the spokespersons' committees of the management staff for their trusting collaboration and constructive support for measures aimed at securing the future of the company.

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Provision for the future and responsibility in the Württembergische insurance companies

The W&W Group – as well as the WürtttLeben Group as part of the W&W Group – feels that it has a special responsibility for society. This awareness derives from the history of its subsidiaries, Wüstenrot and Württembergische. After all, they arose out of an interest in helping people in the medium and low income brackets to create, multiply and protect their assets. This basic idea is still alive and topical in the way the W&W Group sees itself as THE provisions specialist. At a time when state provisions are being cut back, the W&W Group is its customers' first partner in all questions of private provision for the future and offers reliable advice in this increasingly complex area. In this way, the W&W Group places its business activities in the service of social responsibility. Through its contribution to the best possible means of providing financially for the future among the wide population, the W&W Group has, for generations, been enabling people to achieve personal freedom with maximum security and is thus, in effect, promoting peaceful coexistence.

The W&W Group also feels that it is part of its corporate policy to ensure an intact environment by means of environmental protection within the company. The energy saving measures started in 2007 were consolidated in 2008. Environmental guidelines applicable throughout the Group are currently being drawn up. After the Stuttgart location's acquisition of ECOfit certification in 2007, there are plans to introduce the same standard in Karlsruhe and Ludwigsburg in 2009. An important component of corporate environmental protection is to systematically identify potential for the reduction of energy consumption.

The Wüstenrot & Württembergische not only assumes responsibility for its customers through its products that enable them to make provisions for the future but is also strongly committed to furthering the interests of society and the environment.

Research and development – Innovative and attractive range of products that provide for the future

As part of the provisions specialist W&W, Württembergische Lebensversicherung AG makes an important contribution to financial provisions for the future of its customers. The shared range of insurance and building savings/banking services is being successively expanded by means of innovative developments and newly designed product combinations in order to cover all customers' needs. For example, endowment insurance with simplified access combined with financing provides risk protection for home buyers according to their particular needs. This example shows how the WürtttLeben Group works with the building savings/banking area of business of the W&W. Due to harmonisation of the business areas with each other and due to the transfer of know-how between product development in the building savings/banking area and in the WürtttLeben Group, it was also possible to introduce the home-ownership Riester products last year. Due to the possibilities of financing and provisions for the future enabled by these tariffs, the products differentiate themselves from those of competitors and customer ties to the company are strengthened even more.

Ratings

The W&W Group starts fiscal 2009 with a stable outlook for its ratings. In December 2008, the Standard & Poor's rating agency (S&P) confirmed all the ratings of the W&W Group as „outlook stable“. The „BBB+“ rating of Württembergische Lebensversicherung AG therefore continues to be applicable.

In March 2008, FitchRatings (Fitch) confirmed all the ratings of the W&W Group but, in December 2008 in the course of the financial crisis, they lowered each of them by one notch. The reasons given for this by Fitch were not only the current situation in the industry but also the profit warnings announced by Wüstenrot & Württembergische AG and Württembergische Lebensversicherung AG in October 2008, among other things. As the decisive reason, the rating agency referred to the weaker development of new business of Württembergische Lebensversicherung AG. The outlook of all ratings of the W&W Group remained stable for Fitch as well.

In 2008, the agencies paid tribute to the improved risk management of the W&W Group, its success in cross-selling and the restructuring measures implemented in the framework of the „W&W 2009“ program. Moreover, the strong business position of Württembergische Lebensversicherung AG and its sister company, Württembergische Versicherung AG, was taken into account.

HIGH FINANCIAL STRENGTH CONFIRMED

Like Württembergische Krankenversicherung AG, both companies again received from Fitch the seal of financial strength, which is only awarded to financially strong insurance companies.

The rating of the public subordinate loan issued by Württembergische Lebensversicherung AG and amounting to € 130 million was also downgraded from „BBB+“ to „BBB“ due to the downgraded rating of the life insurance company. S&P, in contrast, confirmed the „BBB-“ rating of the loan issue.

RATINGS

	STANDARD & POOR'S		FITCH RATINGS	
	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
Württembergische Versicherung AG Hybrid capital loan		BBB-		
Württembergische Lebensversicherung AG Hybrid capital loan		BBB-		BBB

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GENERAL INFORMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with § 315 a Para. 1 HGB, consolidated accounts must be drawn up for Württembergische Lebensversicherung AG (WürttLeben) in accordance with the International Financial Reporting Standards (IFRS).

In the year under review, Wohnimmobilien GmbH & Co. KG of the Württembergische as well as five other specialised funds were included as new entities in the scope of consolidation.

On the balance sheet date 31 December 2008, the consolidated accounts of WürttLeben thus included Allgemeine Rentenanstalt Pensionskasse AG (ARA PK), Berlin Leipziger Platz Grundbesitz AG, Karlsruher Lebensversicherung AG, LP 1 Beteiligungs-GmbH & Co. KG and Wohnimmobilien GmbH & Co. KG of the Württembergische as operating companies. In addition, mutual and specialised funds as well as all important associated companies are included in the scope of consolidation.

The report (consolidated) of the Management Board of WürttLeben reflects the development of business and the opportunities and risks of future development of the Group.

Wüstenrot & Württembergische AG (W&W), Stuttgart, holds 72.4 per cent of our share capital. W&W AG, on its part, is in a relationship of dependency with Wüstenrot Holding AG (WH).

In accordance with § 312 AktG, the Management Board drew up a report on relationships with affiliated companies (dependency report), concluding the report as follows:

„According to the conditions known to us during the time when legal transactions took place as indicated in the report on relationships with affiliated companies, our company received an adequate return on such transactions. Measures at the request of or in the interest of the controlling companies or the companies affiliated with them were neither taken nor refrained from.“

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The paid-up capital of Württembergische Lebensversicherung AG amounted to € 32 000 000 as at 31 December 2008 and is divided into 40 000 fully paid-in bearer-owned no-par-value shares and 12 137 920 fully paid-in registered no-par-value shares. Transfer of the registered no-par-value shares requires the agreement of the Management Board, whereby such agreement can be refused without any reasons being given. In the case of registered shares, according to German share law, a shareholder in relation to the company is only someone who is entered as such on the shares register. This is important for participation in annual general meetings and for exercising the voting right. There are no further restrictions which concern the voting rights or the transfer of registered or bearer-owned no-par-value shares.

During the annual general meeting, each share represents a vote. The shares of the shareholders in the profit of the company is determined according to their share in the paid-up capital (§ 60 AktG = German share law). If the paid-up capital increases, the profit participation of new shares can be determined differently from the way prescribed by § 60 Paragraph 2 of share law. The right of the shareholder to embodiment of his share in a document is ruled out by § 5 Paragraph 3 of the articles of association.

W&W AG is the major shareholder of WürttLeben, holding 72.4 per cent of the shares. Ten per cent of the shares are held by Landesbank Baden-Württemberg and 3.6% by Schweizerische Rückversicherungs-Gesellschaft AG. The free float amounts to 14.0 per cent.

The appointment of members to and their removal from the Management Board takes place in line with §§ 84, 85 AktG.

Alteration of the articles of association is in line with §§ 133 Para. 1, 179 Para. 1 Clause 1, Para. 2 Clause 1 AktG and requires a decision of the annual general meeting with a majority of at least three quarters of the paid-up capital represented during the decision-making procedure. In accordance with § 179 Para. 1 Clause 2 in conjunction with § 10 Para. 10 of the articles of association, the Supervisory Board has the power to make changes to the articles of association whereby such changes only concern the wording.

The Management Board does not possess any powers beyond the general legal tasks and powers of a management board according to German share law.

For a duration of five years from 31 July 2006 onwards, the Management Board has the power to increase the paid-up capital with the agreement of the Supervisory Board through the issue of new no-par-value shares against cash deposits. It can do so once or several times but not by more than € 16 000 000, whereby the shareholders must be granted an option on the new shares. The new shares can also be offered to one or more credit institutions with the obligation to offer them as an option to the shareholders (indirect option to buy). The Management Board has the power to except fractional amounts from the shareholders' option to buy. In the case of a capital increase, registered no-par-value shares are issued.

There are also no significant agreements which are subject to the condition of a change of control following a takeover bid. Moreover, there are no compensation agreements which have been made with the members of the Management Board or employees and apply in the event of a takeover bid. For further details, please refer to the emolument report, note number 50 in the notes.

RISK REPORT

The aims and underlying principles of risk management

We consider risk management to be the totality of all organizational regulations and measures relating to (early) risk detection and how the risks involved in our business dealings are handled. We define risk as the danger that the WürttLeben Group will not achieve its goals or will not be able to implement its strategy successfully.

Risk controlling is part of risk management and involves the detection, analysis, assessment and communication of risks as well as the monitoring of measures taken in order to control risks.

Risk controlling is part of risk management and includes detection, analysis, evaluation and communication of risks as well as the monitoring of risk-control measures. In the WürttLeben Group, risk controlling has been incorporated into the W&W Group's overall risk management and risk controlling system, which standardises and combines the systems and methods that are used by the individual companies and that are organised according to the respective business requirements.

With regard to qualitative analysis and portrayal of the risk situation of the WürttLeben Group, we refer to the section entitled „Information on risks arising from financial instruments and insurance contracts“ in the notes. In the following, we refer separately to some specific facts and tables in our notes.

Our risk management activities are aimed at securing the financial strength of the WürttLeben Group and helping the decision-makers to control the company effectively. We also regard risk management as involving far more than simply compliance with the legal requirements. We see risk management as an elementary component of corporate culture and pursue the goal of creating added value for our customers and shareholders by means of an efficient risk organisation as well as risk instruments and methods appropriate to actual needs.

In the risk strategy, we have defined the strategic framework for risk management and alignment of the risk policy of the WürttLeben Group. Derived from the higher-level

business strategy, the risk strategy describes the nature and extent of the main risks of the WürttLeben Group. It defines objectives, measures and instruments for dealing with risks that have been or will be taken. In the process, the aim is always to achieve a suitable balance between the exploitation of business opportunities and the taking of risks, whereby the prime concern is to ensure the continued existence of the WürttLeben Group. Risks that endanger the existence of the company or cannot be calculated are avoided.

As a supplement to the risk strategy, we have defined fundamental goals and guidelines for risk management as well as standards for their organisational implementation. They are included in the Württ Risk Policy, which contains stipulations for the risk management of all companies that are active in the insurance area of business of the W&W Group.

Organisation of risk management

The Management Board bears the responsibility for risk management in the WürttLeben Group. It is responsible for compliance with existing regulations relating to risk management that are laid down by law and specified by the Insurance Supervisory Authority and the company itself. This responsibility cannot be delegated. In the year under review, the Württ Risk Board was implemented in the insurance area of business in order to support and strengthen risk management in respect of its processes and structure. Standing members of the Württ Risk Board are management boards and executives who are responsible for risk management and bordering topics in the insurance area of business as well as representatives of the central risk management apparatus. The task of this board is to coordinate the sometimes different risks of the insurance companies in consultation with the Management Board.

The central risk management apparatus in the WürttLeben Group is responsible for evaluating the overall risk situation. It also ensures ongoing communication and cross-coordination of the risk situation, the monitoring of general and cumulative risks, regular reporting to the management and supervisory boards of Würtembergische Lebensversicherung AG and coordination with the group risk management apparatus of W&W AG.

In the year under review, the areas of controlling and risk management of the German insurance companies belonging to the W&W Group were placed together in one department.

All risk-controlling functions, including reporting duties from the area of investments/financial controlling, are bundled together in this department. Due to the restructuring measures and the functional separation of risk taking and risk controlling, the minimum requirements placed on risk management in insurance companies (MaRisk VA) are complied with.

The functionality, appropriateness and effectiveness of our risk management system are checked regularly by our internal auditing department.

Risk management process

The risk management process in the WürttLeben Group consists of several main components: risk identification, risk assessment, risk taking, risk monitoring and risk reporting.

In the framework of drawing up an inventory of risks, the WürttLeben Group regularly records, updates and documents any risks taken and potential risks. The significance of risks that are detected is assessed on the basis of probabilities of occurrence and possible negative effects on the assets, financial situation and earnings. This includes an estimation of whether individual risks that are of subordinate importance – considered in isolation – can become significant due to the way they interact with each other or due to accumulation over time. In order to obtain a better overview of our risks, we bundle similar risks together to form so-called risk areas. For the WürttLeben Group, we have identified the following main risk areas:

- Market-price risks
- Default risks
- Insurance risks
- Operational risks
- Strategic risks
- Liquidity risks
- Concentration risks

The individual risk areas have been demarcated from each other and are explained in more detail in the following sections.

For quantitative assessment and evaluation of risks, we use different measuring methods, depending on the type of risk. If possible, risk measurement is carried out by means of stochastic methods and the Value at Risk (VaR) measure. In addition, we use analytical mathematical models or standard procedures of the Insurance Supervisory Authority. Scenario calculations and stress tests as well as analyses of key data complement the range of instruments. In the year under review, intensive work was also done on further development of an internal risk model that will satisfy the standards in respect of Solvency II.

The risk-taking decisions were made and risks were controlled by the decision-makers in the WürttLeben Group on the basis of the risk strategy.

Apart from return on equity (ROE), key data specific to the various areas of business are used as control variables to evaluate market performance, cost efficiency and the financial situation of the company. In order to create a link between profit control and risk control in future, we will make use of a risk-oriented and value-oriented approach as a supplement to ROE-based corporate control. In order to implement this goal, a project has been initiated in the framework of central risk management.

Adherence to the general stipulations relating to risk strategy and risk organisation as well as the appropriateness and quality of risk control are monitored continuously. Recommendations for action that lead to early corrective intervention and thus to achievement of the objectives formulated in the business and risk strategy are derived from the monitoring activities for quantifiable and non-quantifiable risks. A measures-controlling procedure has been set up in order to keep a check on the recommendations for action.

All significant risks of a company are quickly reported to the Management Board and the Supervisory Board of Württembergische Lebensversicherung AG and to the Management Board of the W&W Group.

The central medium of information is the quarterly published risk report for each operative company in the Württ-Leben Group. It provides a comprehensive overview

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of the entire risk situation and risk-bearing capability of each company as well as of important individual risks and how they are being handled. The Group-wide reporting system for early recognition of the need to take action is supplemented by a procedure that has been implemented for ad-hoc risk communication. Significant new risks or exceptional changes in the risk situation are reported to the Management Board of Württembergische Lebensversicherung AG and the Management Board of the W&W Group immediately after they have been detected.

In the following section, the individual risk areas and their significance in the company are explained in more detail.

MARKET PRICE RISKS

We define market price risks as possible losses arising from uncertainty regarding the future development of market risk factors such as interest, share prices, currency exchange rates or real-estate prices. Market price risks constitute the dominant risk area due to the volume of our investment portfolios.

In our investments, we comply with the requirements of the Insurance Supervisory Authority for individual companies and pursue a safety-oriented investment policy that focuses on ensuring the necessary minimum yield and on the provision of sufficient liquidity. We exploit opportunities in the framework of a calculable and appropriate risk-to-profit ratio. The strategic investment goals are monitored continuously and limited by means of limiting and line systems. We make sure that our investments are mixed and widely spread according to type, region and risk class.

The opportunities and risks of the future development of earnings are evaluated and analysed in the form of plans and projections made during the year. In the case of significant risks, measures adequate to the risk are initiated and their implementation is monitored.

In order to assess market price risks in the WürttLeben Group, we continually perform simulations for our shares and fixed-interest investments. These simulations show us the change in value of our portfolio in relation to market fluctuations. The effects of possible market price scenarios on the result and the equity of the Group are shown and explained in detail under note number 42 in the notes to our annual report.

Moreover, we regularly carry out the stress tests prescribed by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin = federal institute for financial services supervision). In the WürttLeben Group, all variants of these tests were passed.

The international financial crisis also affected the development in value of our investment portfolio. We counter the risks on the share markets with extensive hedging strategies. There is an ongoing monitoring process with at least monthly reporting on the status of the investments. This makes it possible to observe the effects of current developments on the capital market. If necessary, corresponding measures are defined and implemented, such as changes in the level of share exposure or additional hedging measures.

In fiscal 2008, we also made use of derivative financial instruments such as futures, options, swaps, forward currency exchange transactions in our direct portfolio and in the security funds. These transactions served to hedge our portfolios and control the level of share exposure. In the framework of sub-portfolios, options for generating additional earnings were used.

The share hedges existing at the end of 2008 are part of a holistic hedging strategy that has been adapted and implemented for 2009 accordingly. Here, the aim was to ensure comprehensive risk limitation and the acquisition of future opportunities for profit.

Preemptions on fixed-interest investments were used within the framework of the regulations of the supervisory authority. At the same time, the regulations of the Insurance Supervisory Law and the circulars of BaFin were complied with in all transactions.

Our insurance liabilities, which are recorded in euros, are always covered in the matching currency. Within the framework permitted by the supervisory regulations, however, we also hold foreign-currency investments in the form of annuities, shares and long-term investments. These items are monitored constantly, with some of them being hedged by means of forward current exchange transactions.

DEFAULT RISKS

We define default risks as possible losses resulting from the default or deterioration in solvency of borrowers and debtors.

The receivables from public debtors in direct and indirect business amount to approximately 14% of the investments, whereby there are commitments in countries affected by crisis in the two-digit million range. The receivable from credit institutions in direct and indirect business of the WürttLeben Group account for around half of its investments and, out of this share, a little more than one third is accounted for by items covered by law.

The ten largest investments with credit institutions (from a Group point of view) in direct business amount to around 26% of the Group's entire investments and their ratings are mostly „A“.

Due to the financial crisis, there is an increased risk of default in respect of low-ranking commitments and commitments that are not protected. This is due to solvency problems and is mainly apparent in relation to investments in the financial sector. In the WürttLeben Group, the investments in low-ranking bank capital was less than 5% of total investments.

In this area, there were only minor shortfalls. A Group-wide project to limit the default risks even further has been started and has made considerable progress. In the framework of this project, a comprehensive credit-portfolio model will be introduced in the first quarter of 2009 as a regular feature of business transactions.

We limit default risks by spreading the different types of investment widely in compliance with the applicable stipulations of the supervisory law and by selecting issuers carefully. We counter the creation of correlation risks resulting from the concentration of risks with one issuer by means of lines that limit the maximum investment volume permitted for each issuer. We subject the solvency of the important issuers and counterparties to continuous checking.

In order to limit solvency risks, evaluating the soundness of the respective individual investments is of central importance. By far the largest number of bonds have an „A“ rating or better. A list of the rating classes of fixed-interest securities is given under note 43 in the notes.

New investments are primarily made in state, federal or government bonds or bonds of local government bodies. In addition, protected securities or receivables from banks which are protected by deposit protection systems are purchased.

We have no direct or indirect investments in the US sub-prime segment. All in all, the financial crisis influenced our result due to the reclassification of credit risks and the general uncertainty on the investment markets.

We monitor and analyse our investments exactly in order to speedily identify risks that can arise from development of the markets and then take countermeasures.

We counter the risks arising from the default of debtors in insurance business by means of IT-based checks of outstanding amounts and suitable protective mechanisms. For purposes of risk provision, we make necessary value allowances on receivables once a year.

Information on receivables from insurance policyholders and agents as well as accounts receivable arising for reinsurance business according to rating classes is provided in the notes.

The procedure for risk provision and value allowance as well as their development in 2008 is shown under note number 43 in the notes. There, categorisations of our asset values according to rating classes are shown as well. The structure of due dates of our asset values are shown in the respective section of the notes from page 113 onwards.

INSURANCE RISKS

Insurance risks arise from the uncertainty regarding the future development of benefits and costs arising from concluded insurance contracts as a consequence of which unexpected obligations can lead to an adverse situation in terms of earnings and competitiveness. In life insurance, such risks are mainly composed of the cost risks and the biometric risk.

The long-term nature of the obligations entered into are characteristic of life insurance. The guaranteed benefits are therefore costed with correspondingly cautious assumptions. In the course of time, however, the basis of such calculations can change considerably.

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The biometric principles of calculation such as mortality, life expectancy or the probabilities of becoming an invalid are mainly subject to long-term changes in trends and exogenous developments, for example medical progress. There are also short-term risks of fluctuation and error. We monitor these risks continuously by means of actuarial analyses and checks. For product development, we take these risks into account by means of corresponding actuarial models.

Evaluation of the longevity risk is of special importance for the aggregate reserve in pension and annuity assurance. In addition to observation of its own results, the WürttLeben Group also relies on the knowledge, information and guidelines of the DAV (Deutsche Aktuarvereinigung = German association of actuaries) in order to stabilise its information base. Due to the still insufficiently diminished trend in mortality improvement, the companies in the WürttLeben Group have increased the safety margins for the longevity risk in the aggregate reserve. It is possible that future considerations concerning the development of mortality or the increase in the safety margins recommended by the DAV will lead to further transfers to the aggregate reserve.

In addition to the biometric principles of calculation and the cost assumptions, special attention is paid to interest rate developments which are relevant to long-term guaranteed benefits and also to the level of profit participation which is specified on a yearly basis. Comprehensive Asset Liability Management (ALM), for which the actuarial and investment departments jointly create scenarios and perform analyses, is the core of the processes established for this purpose in the WürttLeben Group.

In view of the severe drop in the interest in the last few months of 2008, we are currently watching the market with extreme care. If new investments have to be made in a low-interest environment for a long time to come, the risk of guaranteed benefits increases considerably. Reduction of the guaranteed interest for new business to 2.25% has a medium to long-term risk-limiting effect. Taking into account the guarantee requirements, we control and optimise our investments by increasing the duration of the asset side, for example, in order to reduce this risk as far as possible. With regard to the different scenarios, measures are developed to enable early and appropriate

reaction. In addition, asset allocation, which is optimised according to profit/risk aspects and takes into account long-term market developments as well as the individual portfolio and product structure on the assets side and liabilities side of the individual companies in the WürttLeben Group, is decided on.

Other measures to counter risks that can endanger the portfolio are, for example, an underwriting policy adequate to the risks, appropriate reinsurance of risks with reinsurance companies of excellent financial standing as well as comprehensive controlling measures on the risk, product and sales levels.

OPERATIONAL RISKS

We define operational risks as possible losses arising from the inappropriateness or failure of internal procedures, people and systems or from externally driven events. We also count legal and tax risks as operational risks.

Within the WürttLeben Group, a series of behavioural guidelines, corporate directives and company regulations have been agreed. Procedures, systems and checks that are aimed at ensuring a correct, efficient and smooth mode of working have also been set up. Our aim is to sensitise the employees to possible hazards and establish a suitable risk culture that makes it possible to detect potential weaknesses and gaps at an early stage and then take speedy remedial action.

Last year, we engaged in several Group-wide projects in order to work on optimisation of our internal monitoring system as well as on the establishment of a Business Continuity Management apparatus. We are continuing the work consistently in 2009. Regular quality audits as well as the provision of information to our employees and their ongoing training ensure that the safety level reached is maintained and form the basis for further improvements.

Risks of information technology

IT development, IT operations and IT service are all bundled together in W&W Informatik GmbH. W&W Informatik GmbH has its own risk management system that also maps the IT risks of the individual companies it looks after and regularly reports on them. Detailed test and back-up procedures for application and computer systems, redundant design of the internal and external telecommunications structure as well as other protective measures minimise the risk of IT failure.

Legal risks

The general legal situation is continually monitored by the corporate legal department of W&W AG and checked to find out whether any action is necessary. If necessary, this department works to ensure compliance with the legal requirements in the framework of legal consultations, contracts and negotiations.

Tax risks

The tax department of W&W AG continuously monitors and checks any changes in the general legal situation to see if there is any need to take action. This department also works to ensure that the tax obligations are complied with.

STRATEGIC RISKS

We define strategic risks as possible losses arising from strategic misalignment of the Group or failure to achieve the set strategic goals, in other words losses arising from the general business risk. Strategic risks include not only hazards arising from changes in the legal, political or social environment but also risks resulting from the marketing and procurement markets (sales risks) as well as reputation risks. In the year under review, the financial crisis left us exposed to greater reputation and sales risks, in our opinion.

This is one of the reasons why we pay special attention to all sales channels and their interactions from risk points of view in order to promote optimum sales performance. We counter the sales risks with intensive and practically focussed training measures, extensive support and information as well as with the quality and functionality of locally used IT, among other things. In the WürttLeben

Group, therefore, the rulings resulting from the reform of the insurance contract law were implemented successfully in the year under review and the new requirements were integrated in business operations.

On top of all this, the project portfolio was expanded and systematically bundled in the sales area. Within this framework, a new sales strategy was developed and the system of commission was reformed. This means that we can continue to guarantee a high degree of orientation to the customer.

In order to assess the strategic risks, we intensively monitor and analyse exogenous market influences. With the help of sensitivity analyses, we also evaluate risks which are foreseeable in the medium to long-term and judge the options that are available to us to take countermeasures. We strive to detect strategic risks at an early stage so that we can develop and implement suitable strategies and measures to control the risks.

We evaluate strategic risks with the help of event-related scenario calculations and expert assessments. In future, we will take the results into account in our internal risk model by positing an appropriate global amount for these risks on the basis of these analyses.

With regard to legislation and the Insurance Supervisory Authority, we are observing an increasing degree of harmonization and expansion of creditor and consumer rights in Europe, as a consequence of which stricter requirements for transparency, documentation and communication, as well as monitoring of company operations, are being stipulated. We are happy to take on this challenge and feel that our organisation and the structures that have been created are well positioned to successfully implement these requirements.

LIQUIDITY RISKS

For the WürttLeben Group, the liquidity risk primarily consists of not having sufficient liquidity to fulfil its payment obligations arising from insurance business. Due to the permanent flow of liquidity from premium income, earnings on capital and repayments of loans, this risk is currently of minor significance.

The companies of the WürtttLeben Group have a liquidity-planning and liquidity-control system. For operative control of liquidity, there is a standardised method of reporting between cash trading and cash allocation planning. In this way, the necessary liquidity for serving all payment flows arising from insurance business, investments and other obligations is ensured. In order to nevertheless enable a need for liquidity to be covered at short notice, there are sufficient investments that can be easily turned into cash for this purpose. In addition to this, a balanced maturity structure with a corresponding share of short remaining periods is ensured in the case of interest-bearing investments.

CONCENTRATION RISKS

We define concentration risks as possible losses that can arise either due to the accumulation of risks of the same kind or due to the accumulation of different risks relating to a single counterparty and that are large enough to endanger the solvability or general financial situation of the WürtttLeben Group. Concentration risks typically arise from market price risks, default risks, insurance risks or a combination of these risks.

We limit the concentration risks by spreading our investments, using limit and line systems, applying clearly defined acceptance and underwriting guidelines in insurance business and procuring adequate reinsurance protection.

Summary of risk management

Württembergische Versicherung AG is integrated in the risk-management and risk-controlling system of the W&W Group, which enables it to detect existing and foreseeable future risks in good time, to assess them appropriately and to control them by means of suitable measures. The risks of Württembergische Versicherung AG must be covered by sufficient equity at all times. Coverage of the solvability requirement by means of balance-sheet equity as stipulated by the insurance supervisory law is regularly checked and sustainably ensured in the context of risk monitoring. As at 31 December 2008, the key solvability figures for the companies of the WürtttLeben Group were as follows:

	SOLVABILITY RATIO
<i>in %</i>	
Company	
Allgemeine Rentenanstalt Pensionskasse AG	242
Karlsruher Lebensversicherung AG (formerly KHK)	141
Württembergische Lebensversicherung AG	181

The solvability requirements according to the insurance supervisory law are thus more than met by all operative companies in the WürtttLeben Group.

Further development of the risk-management and risk-controlling system has not only strengthened risk management organisationally but has particularly served as a reaction to future requirements in respect of insurance supervisory law as a consequence of Solvency II. In addition to the already mentioned further development of an internal risk model, a Group-wide Solvency II project was started at an early stage. In order to implement MaRisk, an analysis of the desired situation compared with the actual situation was carried out by an independent agency. Important areas of action were identified and recommendations for action were drawn up. The project work will be continued in 2009 as planned.

In order to achieve a uniform inventory of risks in the W&W Group, another project has been set up and a large part of data has already been acquired in the newly implemented web-based Risk Assessment software tool.

Moreover, the Group-wide project for documentation of our internal monitoring system has not been completed successfully.

The modular structure of our re-designed risk reporting system enables a depth of information appropriate to the receiver, a detailed system of key data and improved analysis of the risk situation.

By continually developing and improving our systems, procedures and processes, we do justice to the changes in internal and external general parameters and their effects on the risk situation of the W&W Group and the individual companies.

Risk outlook

In the past few years, the criteria for risk management have become considerably stricter within the Group but, externally as well, the requirements placed on insurance companies have increased continually.

The current developments on the finance markets and the growing business need to make provisions for risks and, at the same time, maintain a value-orientation continues to necessitate considerable efforts in risk management. The supervisory authorities and external partners such as rating agencies also contribute to this by means of stipulations that are, in part, new and expanded as well as by means of stricter requirements.

In the context of a world financial summit in the middle of November, heads of state and government from leading industrial and threshold countries ratified a plan of action with measures for better supervision of financial markets. For the next few years, we are therefore expecting further growth of national and international initiatives for the expansion of risk management. Within the European Union, the introduction of Solvency II will fundamentally re-shape state supervision of the insurance business.

Due to the substantial decrease in interest in the last few months of fiscal 2008 and the continuation of the low interest level in 2009 up to now, the risk-bearing capability of Württembergische Lebensversicherung AG has diminished considerably in line with the internal model. In tune with the alignment involved in the framework of our asset allocation for 2009, we have already decided on and implemented measures to lengthen the duration on the asset side. Other optional action that could be taken to lessen the adverse effects of a continuing low level of interest are currently being examined and analysed intensively.

We are keeping a close eye on the changes in the internal and external environment in order to be able to react flexibly and at an early stage. In fiscal 2009, we want to further improve the standards we have reached in our risk management system and do so continuously and consistently with the aim of achieving our internal objectives. In developing the risk management system further, we are paying special attention to optimisation of risk measurement and expansion of the internal risk model. The aim is to create the necessary basis for a form of company controlling that is adequate to needs and oriented to both risk and value.

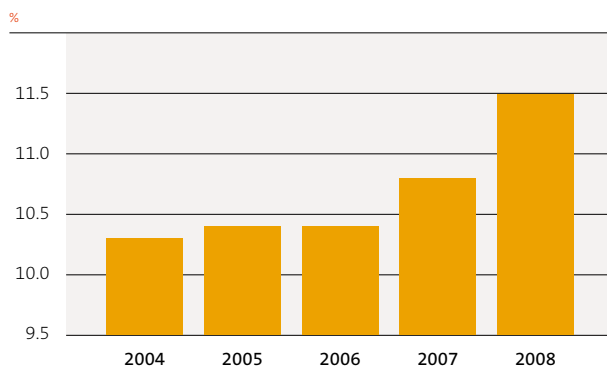
On the whole, we feel that our measures have created solid foundations that will enable us well to meet the internal and external expectations regarding risk management.

OUTLOOK

Expected overall economic development

The outlook for 2009 will be marked by the current economic and financial crisis. According to an estimate of the federal government, Germany is facing the deepest recession since the second world war. This means that, from the point of view of 2009 as a whole, a drop of at least 2.25% in the gross domestic product compared to last year must be assumed. The first important stress factor will be lower company investments. Due to considerably worsened terms of credit and the massive deterioration in business prospects, a substantial decrease is to be expected in this regard. The second important stress factor will be foreign trade, which, in preceding years, was till the strongest engine of growth in the German economy. Due to the drop in demand in important customer countries such as the US and Great Britain as well as in threshold countries such as China, export business is expected to be very weak compared to previous years.

SAVINGS RATIOS IN GERMANY



Source: Federal Statistical Office

Private consumption will profit from a drop in inflation induced by energy prices and there will therefore be an improvement in real disposable income but it is to be expected that the unemployment rate will be around 8% again in Germany in the first half of 2009. This, in turn, will probably lead to a loss of confidence among consumers and a rise in the saving rate. The latter could rise to around 12% of disposable income. A positive stimulus for economic growth will only come from an expansive monetary and fiscal policy. Here, reductions in the prime

rate by the European Central Bank and economic stimulus packages from the European governments can be expected.

Due to the very weak economic start to the year and inflation rates that continue to fall, the yield on long-term German government bonds reached a new historic low in January 2009. Not until the end of the year will there be a moderate rise in interest against a background of slightly improved economic expectations and increasingly long-term inflation worries. The short-term interest rates, in contrast, will probably freeze at a historically low level for the entire year because the European Central Bank will adopt a passive stance until the end of the year after the drops in the prime rate expected for spring.

In view of the financial crisis and the resulting economic downturn, the planned course of our business plans will have to face special challenges. These are explained in the following and in the risk report.

Expected development of the industry

In 2009, the considerably worsened overall economic situation will also affect the life insurance companies, including pension companies and pension funds, according to an estimate of the GDV (umbrella association of German insurance companies), and will lead to an approximately 1.0% decrease in premium income.

The high number of contracts for which premium payments end or which expire completely will rise again in 2009. In the case of many contracts that were entered into in the boom year 2004 before the law on income in old age came into force, the five years of premium payment ends in the course of 2009.

The life insurance industry continues to enjoy a high level of trust among its customers due to the high degree of security, the guarantees provided and the attractive yield on their products. Due to the withdrawal tax that came into effect on 1 January 2009, life and annuity assurance have become even more attractive compared to other products that make provisions for the future. In the market for products that provide for the future, the industry is exposed to very intensive competition with other providers of financial services. For products with a single premium payment, the association expects new business to

increase by around 3% compared to 2008. If the pension companies and pension funds are added, the growth rate will probably be somewhat lower.

„Württembergische 2009“ program for the future

The stage of the „Württembergische 2009“ program for the future that has been most important for the WürttLeben Group, namely the integration of Karlsruher Lebensversicherung AG (KLV) into Württembergische Lebensversicherung AG, has now been completed. In conjunction with its sister company Württembergische Versicherung AG, Württembergische Lebensversicherung AG will continue with the next steps of the program, which is integrated in the Group-wide „W&W 2009“ program for the future. and the „SPRING“ sales project that encompasses the whole Group and will do so consistently and according to schedule until the end of 2009. The goals and measures of the program were defined in our plans under general economic circumstances that differ from those prevailing today.

In 2009 and 2010, the focus will also be on promoting sustainable growth. To this end, more work will be done to strengthen the sales force with improved support for the sales staff, new products and more efficient processes. The strategic sales channels of exclusivity, banks and brokers play the central role. New life insurance business acquired by the Wüstenrot field sales organisation is also very important.

Altered general legal situation

On 1 January 2008, the law on the obligation to disclose information came into force as the last stage of reform of the insurance contract law (Versicherungsvertragesgesetz = VVG). It places the contractual relationship between the customer and the insurance company on a new basis and improves the comprehensibility of insurance products. On 1 July 2008, Württembergische Lebensversicherung AG, Karlsruher Lebensversicherung AG and ARA Pensionskasse AG added extra information to the information leaflets for customers as required since the reform. They thus satisfied the requirements of the information disclosure law and also improved customer service.

New-business expectation

In view of the demographic development whereby society is becoming older, the need to make provisions for old age will continue to rise in the future. This will be an important stimulus for new business in the coming years for the WürttLeben Group in connection with the position of the W&W Group as THE specialist in provision for the future. The investments and initiatives for more growth will also make it possible to exploit the potential.

In 2008, the range of tariffs was revised in order to optimally position the products on the market after introduction of the withdrawal tax on 1 January 2009. In particular the unit-linked tariffs were developed. In the next two years, a further growth in new business is expected in this product segments. In the middle of 2009, there will be a new generation of products that will better meet the wishes of our customers for individual guarantees.

The sales activities for the state-sponsored Riester annuity have been intensified since the home annuity law came into force. In conjunction with Wüstenrot Bausparkasse AG, Württembergische Lebensversicherung AG is offering a flexible Riester module which is aligned to customer needs and is unique on the market due to the options of changing over between Riester building savings and the Riester annuity, for example.

Development of earnings and the financial situation

The good business of earlier years made itself felt in 2008 as well in the shape of numerous expiries of mature contracts. The expiring premium payments in the WürttLeben Group amounted to € 145.9 million and thus above the previous year's value of € 134.2 million. In 2009, they will increase sharply again because the five-year premium payment period for many contracts from 2004 will come to an end. These expiries must be balanced out by a higher level of new business. Measures to enhance growth in new business on a lasting basis have been started. In the coming years, new business with single premiums will continue to grow strongly as far as can be foreseen but is nevertheless burdened by the financial crisis.

General Economic Conditions
Development of Business
General Information on the Consolidated
Financial Statements
Information in accordance with § 315 Para. 4 HGB
Risk Report
Outlook

The administration cost ratio – in respect of the gross written premium income – amounted to 3.1% in 2008. This shows that the efforts of the „Württembergische 2009“ efficiency program are bearing fruit. By continuing the cost-reduction measures and stabilising the gross written premium income, we intend to reduce the administration cost ratio to below 3% in the medium term.

Given the volatile financial markets, among other things, a consistently risk-oriented investment policy is essential. We have drawn up extensive hedging strategies and implemented them accordingly. The low yield that can be achieved on new interest-bearing investments will influence the level of the investment result.

Default risks are to be kept low by ensuring a wide spread in respect of debtors, adopting a corresponding line and limit system and by continuous monitoring. Due to the hedging instruments employed, a wide diversification of investments and a strong emphasis on the quality aspects with regard to new investments, fulfilment of the guarantee obligations towards our insurance customers is ensured.

Development of the result

Compared to the preceding year, the profit of the WürttLeben Group fell sharply due to the difficult situation on the capital markets in 2008 and amounted to € 12.9 (21.3) million.

However, the continuation of the measures started in the framework of „Württembergische 2009“ is particularly aimed at increasing profitability and, at the same time, protecting the shareholders of Württembergische Lebensversicherung AG as well as the investors in the subordinate loan issued by Württembergische Lebensversicherung AG.

The objective is to increase the profit of the WürttLeben Group in 2009. This will largely be dependent on developments on the capital markets. The opportunities the latter offer will be exploited in relation to risk-bearing capability in order to continue achieving a stable investment result appropriate to the market in times of low interest. The reserves are to be built up again and strengthened.

We will continue to implement internal measures that can contribute to this. Whether we reach our goal given the financial and economic crisis, however, depends on external influences that are not under our control. This signifies a considerable risk for achievement of the goals.

Prognoses for 2010 are associated with substantially higher levels of uncertainty and unreliability than existed before the financial crisis started. In particular, 2010 will depend on whether the overall economic situation recovers in 2009 and to what extent the interest level and stock-exchange prices rise. Given the fact that a dependable outlook is not possible from today's point of view, the WürttLeben Group refrains from concretely making an outlook of the result in 2010.

Opportunities and risks – Reservations regarding statements about the future

As always, our estimations of the future are subject to the following reservations: prognoses and expectations expressed in this report or statements regarding the future can be associated with known and unknown risks and uncertainties but also with opportunities. How we deal with these and other risks is shown in detail in the risk report.

Report of the Supervisory Board on the Consolidated Financial Statements

Württembergische Lebensversicherung AG is making good progress in its implementation of the „Württembergische 2009“ and „SPRING“ strategy programs although the general situation is very difficult. The strategy programs are part of the „W&W 2009“ program for the future which was initiated throughout the Group in Spring 2006 in order to boost growth, efficiency and profitability. The first important milestones and progress in implementation for the future development of the financial services group on the way to attainment of a position on the market as THE successful specialist in provision for the future have been achieved.

The Supervisory Board of Württembergische Lebensversicherung AG is composed of twelve members. There are two committees of the Supervisory Board: the audit committee and the personnel committee. The audit committee, establishment of which is recommended by the German Code of Corporate Governance, performs auditing tasks. In addition, it has taken over the tasks of the former investment committee. The personnel committee performs the tasks of the previous management board committee. In 2008, two audit committee meetings and two personnel committee meetings took place in which issues relating to the respective tasks were discussed in detail.

In four ordinary meetings and one extraordinary meeting which took place in 2008 and were prepared in writing, the Supervisory Board closely examined the development of the company and the Group and was continually informed by the Management Board both verbally and in written form about all matters which were relevant to the company and concerned the strategic alignment, planning, the development of business, the risk situation and risk management as well as the rating of the company, the financial crisis and the associated economic downturn in Germany and abroad. The business strategy and risk strategy were presented to and discussed with the Supervisory Board. The Management Board submitted the internal audit report to the Supervisory Board and the report of the compliance officer to the audit committee and informed the chairman of the Supervisory Board on im-

portant measures relating to business policy. The Management Board and completely fulfilled its legal and statutory duties towards the Supervisory Board.

The main theme of the Supervisory Board meetings was continuation of the „Württembergische 2009“ and „SPRING“ programs. Close consideration was given to how challenges identified throughout the Group were analysed by the Group companies and were being approached with a detailed package of measures. The Supervisory Board was also kept fully informed on these matters by the Management Board without delay and was directly involved in issues of fundamental importance to the company. Thanks to the work done and the considerable efforts made, the company has made significant advances on the way to greater efficiency and improved profitability.

All the measures requiring approval according to the law and the regulations of the company were submitted to the Supervisory Board for approval, whereby they were intended to refer to the following especially important issues:

The activities taking place in the insurance area of business in the framework of the overall „W&W 2009“ program were a central topic of the Supervisory Board meetings. In this connection, the projects to increase the sales force, payment oriented to potential, the new sales reporting system and activities to improve the re-investment ratio were dealt with in particular. The re-alignment of the sales channels was also paid close attention.

The Supervisory Board discussed cross-selling as a joint responsibility of the two areas of business of the W&W Group and its intensified implementation by means of corresponding sales structures, products and incentives, for example.

The Management Board informed the Supervisory Board about the fact that measures to limit the risk involved in shares had been taken after analysis of the risk situation and that the measuring mechanisms in this regard were to be further refined.

In addition, the development of investments was an important issue in the Supervisory Board last year. Apart from share hedging measures, future risk-bearing capability and competitiveness were considered.

The issue of risk management was also dealt with in detail. For this purpose, a detailed risk report was drawn up and submitted to the Supervisory Board for their attention.

In its extraordinary meeting in October 2008, the Supervisory Board discussed the participation of the W&W Group in the stabilisation package of the federal government and the German banking and insurance industry for Hypo Real Estate AG, Munich.

The Supervisory Board closely examined the consolidated financial statements as well as the Group report of the Management Board dated 31 December 2008. The consolidated financial statements and the Group report of the Management Board are complete and comply with the assessments of the Management Board in the reports to be submitted to the Supervisory Board in accordance with § 90 AktG.

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Stuttgart, appointed as the auditors for the consolidated financial statements by the Supervisory Board, has examined the 2008 consolidated financial statements drawn up by the Management Board and the Group report of the Management Board with reference to the regular accounts and found them to be in order without any reservations.

The auditors reported to the Supervisory Board verbally and in writing on the main results of their audits. The audit report was sent to each member of the Supervisory Board. The auditors were also available for questions in the meeting of the audit committee on 25 March 2009, in the balance-sheet meeting of the Supervisory Board on 27 March 2009 and in the time during which preparations were made for the meetings. The audit report submitted accords with the legal requirements of § 321 HGB and was taken into account by the Supervisory Board in the context of its own examination of the financial statements.

The report on relations with affiliated companies (dependency report) was submitted to the Supervisory Board and the auditors by the Management Board for examination immediately after it was drawn up. The Supervisory Board examined the dependency report and the report of the auditor. The report is in accordance with the legal stipulations and gives a complete and factually correct picture of existing relationships of the company with affiliated companies. The result of the auditors' examination of the dependency report agrees with the result of the examination carried out by the Supervisory Board. The auditors expressed the following opinion:

„In accordance with our examination and assessment, which we performed according to our duties as auditors, we confirm that

1. the actual information provided in the report is correct
2. the performance of the company in the legal transactions referred to in the report was not inappropriately high or disadvantages were balanced out.“

After the final result of the examination of the consolidated financial statements, the Group report of the Management Board and the report on relationships with affiliated companies, the Supervisory Board raised no objections and, in its meeting on 27 March 2009, endorsed the Group annual report drawn up by the Management Board.

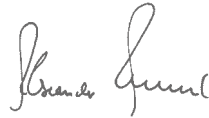
With effect from 30 June 2008, Willy Köhler retired from the Supervisory Board as did Rolf Henrich and Wolfgang Prade on 28 May 2008. Rosemarie Schröder and Herwig Cetto have been members of the Supervisory Board since 28 May 2008 and the same applies to S.K.H. Friedrich Herzog von Württemberg since 1 December 2008. Dr. Wolfram Gerdes was appointed a member of the Management Board with effect from 1 April 2008. No other changes in personnel occurred in the Supervisory Board and Management Board in the course of fiscal 2008. In accordance with clause 5.4.7 of the German Code of Corporate Governance, the Supervisory Board announced that the retired member of the Supervisory Board, Willy Köhler, was unable to take part in more than half of the Supervisory Board meetings during his time in office for reasons of time.

In September 2008, the Supervisory Board and the Management Board jointly ratified an updated statement of compliance with the German code of corporate governance. During auditing of the financial statements, the auditors uncovered no facts that could have contradicted the declaration of conformance. In 2008, there were no conflicts of interest which had to be disclosed.

Last year placed severe demands on the management and workforce. The Supervisory Board thanks the Management Board as well as the managers, the employees' committee and the employees for their personal dedication and their contribution towards attainment of the shared goals.

Stuttgart, 27 March 2009

For the Supervisory Board



Dr. Alexander Erdland
Chairman

Corporate Governance

In the WürttLeben Group, corporate governance stands for responsible corporate management and supervision aligned to the long-term creation of wealth. Our aim is to confirm and continually strengthen the confidence placed in us by investors, financial markets, business partners, employees and the public. Three elements are essential for this: good relations with the shareholders, transparent accounting procedures and speedy reporting as well as effective collaboration between the Management Board and the Supervisory Board.

The Management Board bears responsibility for management of the WürttLeben Group and represents the company in dealings with third parties. Its main tasks are to be found in the strategic alignment and control of the WürttLeben Group and in the compliance and monitoring of an efficient risk management system. The work of the Management Board is elucidated in more detail in a set of corporate statutes.

The Management Board reports to the Supervisory Board regularly, speedily and comprehensively on planning, the development of business and the risk management of the company and agrees on the strategic alignment of the WürttLeben Group with the Supervisory Board.

The Supervisory Board appoints the members of the Management Board and supervises and advises the Management Board in respect of its management of the company. The independence of the Supervisory Board in its supervision of the Management Board is ensured at all times by the fact that a member of the Supervisory Board cannot simultaneously belong to the Management Board and that the two boards are strictly separated from each other in accordance with the competence assigned to them. Further details of how the work of the Supervisory Board is regulated are also given in a set of corporate statutes.

Last revised on 6 June 2008, the code formulated in 2002 for the first time by the government-appointed German Corporate Governance Code Committee set up by the Federal Ministry of Justice is intended to make the rules applicable to corporate management and supervision

transparent for national and international investors in order to strengthen their trust in the corporate management of German companies. The code contains recommendations and suggestions for dealings with shareholders, for the interaction of management board and supervisory board, for the avoidance of conflicts of interest, for a high level of transparency and for the informative presentation of accounts.

Implementation of the Code of Corporate Governance at WürttLeben is checked once a year by the Management Board and Supervisory Board and, if necessary, adapted. On 22 September 2008, the Management Board and Supervisory Board of WürttLeben recognized the stipulations of the version of the German Code of Corporate Governance dated 6 June 2008 as binding and issued the statement of compliance in accordance with § 161 Aktiengesetz (law on shares). The Supervisory Board and the Management Board of the WürttLeben Group have declared that, since the last declaration of compliance on 25 September 2007, they have complied with the recommendations of the German Code of Corporate Governance as set out in the version dated 14 June 2007 with the restrictions indicated in it.

The company complies with the version of the code dated 6 June 2008 with only four exceptions.

1. According to section 3.8, Clause 4, an agreement on an appropriate level of self-retention of liability should be agreed in the case of D&O insurance for members of the Management Board and the Supervisory Board. WürttLeben does not accord with this because a high level of self-retention, which can only be uniform because of the principle of equality which has to be observed, would affect the members of the Management Board and Supervisory Board to very different extents, depending on their private income and assets. In severe cases, a less affluent member of the Supervisory Board could encounter serious existential difficulties. This cannot be considered fair in view of the fact that all members have equal duties.

2. According to section 4.2.2, clause 1, the Supervisory Board plenum should decide on and regularly check the system of remuneration for the Management Board, including the important contractual elements, when this is proposed by the committee that deals with the contracts of the Management Board. The WürttLeben Group does not follow this recommendation because the Supervisory Board has formed a personnel committee which prepares the Supervisory Board's decisions on personnel and is authorised to decide on contractual issues. This method of working has proven itself to be effective.
3. According to code section 5.3.3, the Supervisory board should form a nomination committee which is entirely composed of representatives of the shareholders and suggests suitable candidates to the Supervisory Board for its election proposals during the Annual General Meeting. The company does not accord with this. In view of the shareholder structure, no need is seen for such an additional body.
4. According to code section 5.4.6, clause 4, the members of the Supervisory Board should receive a success-based emolument in addition to fixed payment. The company does not adhere to this. The members of the Supervisory Board receive a fixed payment payable at the end of the fiscal year, the amount being decided by the Annual General Meeting. If the Annual General Meeting does not specify an amount, the amount of the preceding year is applicable. This method of reimbursement appears appropriate for the Supervisory Board of a life insurance company, given the business model on which it is based.

The current statement of compliance was immediately and permanently made accessible to the shareholders and the public by presenting the declaration on the company's website at www.wuerttembergische.de/corporate-governance. In addition, the website contains the statements of compliance from the years 2002 to 2007. Our shareholders are regularly informed of important dates by means of a financial calendar which is published in the annual report and on the company's website. All the documents and information regarding the Annual General Meeting, the annual report and interim reports as well as press releases and ad hoc announcements are also available on the website. Our communication activities are aimed at providing all target groups with the same infor-

mation at the same time. Interested parties can find out about current developments in the Group at any time in the Internet.

Compliance

The WürttLeben Group works with Wüstenrot & Württembergische AG to ensure compliance with the legal requirements and internal corporate guidelines by means of a Group-wide compliance organisation. In order to enhance the efficiency of compliance, a Group Compliance Committee has been set up which is composed of the head of corporate law, the head of corporate risk management, the compliance officer, the money-laundering officer and the head of corporate auditing. The committee meets regularly every quarter and also conducts ad hoc meetings if necessary. This ensures close collaboration and an ongoing exchange of information between the relevant compliance areas in the company.

Subsidiaries

Our German subsidiaries which are not listed on the stock exchange also comply with the recommendations of the Code of Corporate Governance at all times.

Remuneration report

With regard to the details of emoluments for the Management Board and Supervisory Board, we refer to the notes of the consolidated financial statements.

Proposal for the allocation of profit

From the total profit for the year of € 12 177 920, the Supervisory Board and the Management Board have not made any transfers to the other profit reserves.

We propose that the balance-sheet profit of € 12 177 920 be used to pay a dividend of € 1.00 per no-par-value share.

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CONSOLIDATED BALANCE SHEET

ASSETS

in € thousand	cf. Note No.	31.12.2008	31.12.2007
A. Intangible assets	1	170 070	183 606
B. Investments		26 030 821	27 472 601
I. Real estate held as an investment	2	1 249 161	1 172 930
II. Financial investments evaluated according to the equity method	3	70 862	116 261
III. Financial instruments		24 710 766	26 183 339
Loans	4	17 055 712	17 022 551
Securities which are available for sale at any time	5	6 602 356	7 629 715
Measured (through profit or loss) at fair value	6	1 052 698	1 531 073
Trading assets		61 740	72 940
Fair value option		990 958	1 458 133
IV. Retained deposits arising from assumed reinsurance business		32	71
C. Share of reinsurers in the insurance reserves	7	1 563 300	1 605 218
D. Accounts receivable	8	369 291	395 375
I. Receivables from direct insurance business		171 024	140 290
II. Accounts receivable from clearing transactions arising from reinsurance business	9	6	9
III. Tax refund claims	10	35 708	26 414
IV. Other receivables		162 553	228 662
E. Latent tax refund claims	11	160 945	51 476
F. Other assets	12	51 233	53 286
I. Equipment and stocks		24 528	25 841
Company equipment		1 879	2 631
Stocks		3	6
Real estate used internally		22 254	22 789
Leasing assets		392	415
II. Other assets		26 705	27 445
G. Long-term assets and disposal groups held for sale	13	8 997	75 336
H. Current deposits with credit institutions, cheques and cash	14	661 650	386 542
TOTAL ASSETS		29 016 307	30 223 440

Consolidated Balance Sheet
 Consolidated Income Statement
 Statement of Income and Expenses
 Cash Flow Statement
 Notes to the consolidated financial statement

LIABILITIES

in € thousand	cf. Note No	31.12.2008	31.12.2007
A. Equity	15–17	116 449	163 500
I. Subscribed capital		32 000	32 000
II. Capital reserve		58 166	58 166
III. Retained profit reserves		41 115	40 238
IV. Other reserves		– 28 345	11 218
V. Consolidated profit for the year		12 799	21 195
VI. Minorities interest in the equity		714	683
B. Subordinate liabilities	18	133 483	133 429
C. Insurance reserves		25 286 697	26 273 285
I. Unearned premiums	19	209 390	238 754
II. Aggregate reserve	20	23 402 807	23 276 873
III. Reserve for outstanding claims	21	89 984	103 798
IV. Reserve for premium refunds	22	1 582 568	2 651 251
V. Other insurance reserves	23	1 948	2 609
D. Insurance reserves in the area of life insurance in so far as the investment risk is borne by the policyholders (gross)	24	516 816	674 000
E. Other reserves		99 115	122 349
I. Pension reserves	25	62 103	71 852
II. Other reserves	26	37 012	50 497
F. Other liabilities	27	2 561 374	2 713 465
I. Liabilities arising from direct insurance business		641 500	725 840
II. Clearing liabilities arising from reinsurance business		7 739	9 912
III. Retained deposits arising from ceded reinsurance business		1 556 063	1 597 981
IV. Amounts payable to credit institutions		71 972	4 379
V. Tax debts	28	60 699	108 042
VI. Other liabilities		223 401	267 311
G. Trading liabilities	29	83 515	25 596
H. Derivates held for hedging purposes with a negative market value	30	4 138	2 398
I. Latent tax debts	31	214 720	115 418
TOTAL LIABILITIES		29 016 307	30 223 440

Further information concerning several items on the balance sheet is provided in the following note numbers:

- 41 to 45: Information on risks arising from financial instruments and insurance contracts
- 48 to 61: Other details

CONSOLIDATED INCOME STATEMENT

<i>in € thousand</i>	cf. Note No.	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007
1. Gross premiums written	32	2 243 676	2 328 747
2. Earned premiums (net)		2 273 040	2 346 638
3. Ceded premiums arising from reinsurance, incl. share in transferred amounts		- 129 956	- 133 198
4. Premiums from the reserve for premium refunds		137 974	138 180
5. Result on investments	33	137 932	1 091 559
Including: Result on financial investments evaluated according to the equity method	34	- 7 584	- 18 374
6. Other earnings	35	256 706	118 654
Total earnings (2. to 6.)		2 675 696	3 561 833
7. Benefits paid to customers (net)	36	- 2 045 443	- 2 978 449
8. Underwriting expenses (net)	37	- 297 947	- 277 291
9. Financing expenses	38	- 8 080	- 7 508
10. Other expenses	39	- 303 870	- 301 888
Total expenditure (7. to 10.)		- 2 655 338	- 3 565 136
11. Operative result before income tax		20 356	- 3 303
12. Tax expense/incom	40	- 7 482	24 578
13. Consolidated profit		12 874	21 275
Including profit to be allocated to the shareholders of WürttLeben AG		12 799	21 195
Including profit to be allocated to minority interests in the company		75	80
Undiluted (at the same time diluted) earnings per share in €		1,05	1,74

LIST OF RECORDED EARNINGS AND EXPENSES

<i>in € thousand</i>	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007
<i>Evaluation profits and losses arising from financial instruments available for sale at all times – included in the equity</i>	– 41 020	– 15 812
<i>Actuarial profits and losses</i>	1 448	207
<i>Changes in the scope of consolidated companies</i>	– 35	206
<i>Components – neutral in respect of success – of the financial assets evaluated according to the equity method</i>	– 181	– 210
<i>Balance of equity changes which have no effect on income</i>	– 39 787	– 15 609
Consolidated profit for the year	12 874	21 275
Including amount to be allocated to shareholders of WürttLeben AG	12 799	21 195
Including amount to be allocated to other partners in the company	75	80
TOTAL EXPENSES OR EARNINGS FOR THE PERIOD	– 26 913	5 666
Including amount to be allocated to shareholders of WürttLeben AG	– 26 988	5 586
Including amount to be allocated to minority interests in the company	75	80

CONSOLIDATED CASHFLOW STATEMENT

The consolidated cashflow statement indicates the change in cash amounts held in the Württemberg Group during the year. To this end, three cash flows are determined. These are the cash flows from ongoing business activity, investment activity and financing activity. The effects of changes regarding which companies belong to the range of consolidated companies are eliminated by means of consolidation and de-consolidation.

The flow of funds from ongoing business activity is determined according to the indirect method. The consolidated profit is adjusted by the items that have no effect on payment such as evaluation results and changes in the reserves as well as changes in the receivable and payable.

The flow of funds from investment activity mainly includes incoming and outgoing payments relating to the purchase and sale of investments as well as incoming and outgoing payments relating to the purchase and sale of consolidated companies or companies evaluated according to the equity method.

Within the flow of funds from financing activity, dividend payments, interest payments for borrowed subordinate capital and changes in the subordinate capital are shown.

The remaining cashflows are accounted for by ongoing business activity.

The cash funds in the fiscal year consist of current deposits with credit institutions, cheques and cash. They correspond to balance-sheet item H.: „Current deposits with credit institutions, cheques and cash“.

The flow of funds from ongoing business activity mainly consists of premium income and earnings on investments as well as payments for services and commission and for the associated internal costs.

In the current fiscal year, the cashflow from interest received amounted to € 847 831 (757 413) thousand, from received dividends € 191 073 (156 369) thousand and from paid taxes € 57 920 (22 436) thousand. These are included in the cash flow arising from ongoing business activity.

CONSOLIDATED CASHFLOW STATEMENT

<i>in € thousand</i>	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007
1. Consolidated profit for the year	12 874	21 275
2. Change in the insurance reserves (net)	- 1 101 856	453 246
3. Change in deposits retained by others and retained by us	- 41 878	10 042
4. Change in deposits due and accounts receivable on clearing transactions	- 2 169	7 591
5. Change in other accounts receivables and other liabilities	- 81 919	- 219 147
6. Profits/losses on the disposal/valuation of investments	431 495	- 87 488
7. Change in other balance-sheet items	- 5 745	537
8. Other non-payable expenses and earnings as well as corrections of the results for the period	1 079 310	156 347
9. Cash flow from current business activity	290 112	342 403
10. Outgoing payments for the purchase of subsidiaries and other business units	—	- 6 613
11. Incoming payments from the sale and final maturity of other investments	9 602 727	10 049 110
12. Outgoing payments for the purchase of other investments	- 9 541 826	- 10 301 868
13. Incoming payments arising from the sale of investments of unit-linked life insurance	3 763	46 620
14. Outgoing payments for the purchase of investments of unit-linked life insurance	- 102 253	- 134 926
15. Other incoming payments	97	23 304
16. Other outgoing payments	- 913	- 2 993
17. Cashflow arising from investment activity	- 38 405	- 327 366
18. Dividend payments	- 20 137	- 15 266
19. Incoming and outgoing payments arising from other financing activity	- 6 988	- 6 988
20. Cashflow arising from financing activity	- 27 125	- 22 254
21. Changes in financial funds having an effect on payment (total of 9, 17 and 20)	224 582	- 7 217
22. Changes due to the scope of consolidated companies	50 526	954
23. Financial funds at the start of the period	386 542	392 805
24. FINANCIAL FUNDS AT THE END OF THE PERIOD	661 650	386 542

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

The Management Board of WürtttLeben drew up the consolidated accounts on 11 March 2009 and released them for publication. The consolidated financial statements will be submitted to the ordinary Annual General Meeting on 5 May 2009 for approval.

BASIC ASPECTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Regulations governing the presentation of accounts

APPLIED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Württembergische Lebensversicherung AG has drawn up its consolidated financial statements on the basis of § 315 a Para. 1 HGB in conjunction with Article 4 of directive (EU) No. 1606/2002 of the European Parliament and Council of 19 July 2002 concerning the application of international standards to the presentation of accounts in accordance with IFRS in the way such standards are to be applied in the European Union.

All the international financial reporting standards published by the International Accounting Standards Board (IASB) and having been adopted by the European Commission for application in the European Union at the time when these consolidated financial statements were drawn up were complied with, in so far as they were relevant for the WürtttLeben Group. The consolidated financial statements meet all the requirements of the IFRS.

Our consolidated financial statements include the

- consolidated balance sheet,
- the consolidated income statement,
- the list of earnings and expenses,
- the consolidated cash flow statement and
- the notes to the consolidated financial statements.

In addition, a consolidated report of the Management Board was drawn up.

STANDARDS, INTERPRETATIONS AND CHANGES OF STANDARDS AND INTERPRETATIONS TO BE APPLIED FOR THE FIRST TIME IN THE FISCAL YEAR

The methods of accounting, valuation and presentation are applied according to the principle of constancy. Changes became necessary due to new or altered IFRS. When drawing up these consolidated financial statements, we complied with all the new and altered IFRS and IFRICs whose application became obligatory for the first time in fiscal 2008.

IIAS 39: FINANCIAL INSTRUMENTS (USE AND EVALUATION) AND IFRS 7: INFORMATION ON FINANCIAL INSTRUMENTS

In October 2008, the IASB published amendments to IAS 39 and IFRS 7 that were incorporated in European law by the European Union in October 2008. The amendments to IAS 39 enable certain financial assets that are not derivative assets and that are measured at fair value to be re-classified as loans.

A precondition for this reclassification is that the corresponding financial instruments fulfil the requirements for assignment to the category of loans at the time of reclassification and that, in addition, WürttLeben has the intention and the ability to hold the corresponding financial instruments for the foreseeable future or until they mature. Reclassifications are carried out at the fair value of the financial instruments at the time of reclassification. The fair value at the time of reclassification then represents the new acquisition costs of the corresponding financial instruments.

In the case of reclassifications that have been carried out in tune with the changes in IAS 39, the altered IFRS 7 stipulates additional obligations of disclosure. The changes in IAS 39 and IFRS 7 came into effect with retrospective effect as of 1 July 2008. They are applied prospectively from the time of reclassification.

The WürttLeben Group has applied the altered standards with retrospective effect as of 1 July 2008. The effects of application of the altered standards are described in note number 5 in the notes.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IRFS) AND INTERPRETATIONS (IFRIC) WHICH HAVE BEEN PUBLISHED BUT ARE NOT YET OBLIGATORY

In November 2008, the IASB ratified the revised version of **IFRS First-time Application of the International Financial Reporting Standards**. The revised version of IFRS 1 has not yet been incorporated in European law. The revised IFRS 1 is to be applied to fiscal years that begin on or after 1 July 2009.

In January 2008, the IASB ratified the altered version of **IFRS 2 Share-based Payment: Vesting conditions and Cancellations**, which was incorporated in European law by the EU in December 2008. There are important changes in connection with the balance-sheet treatment of vesting conditions and cancellations of share-based payment plans. The altered version is to be applied to fiscal years that begin on or after 1 January 2009.

IFRS 8 Operating Segments contains rules governing reporting on segments and is to be applied from 1 January 2009 onwards.

IAS 1 Presentation of Financial Statements, which contains rules on the presentation of financial statements, is to be applied on 1 January 2009 at the latest and was incorporated in European law by the EU in December 2008. The most important new aspects of this standard are the definitions of the components of financial statements, the definition and presentation of the success of the period, the statement of changes in equity and the portrayal of dividends.

IAS 23 Borrowing Costs, which was incorporated in European law by the EU in December 2008, regulates the recognition of borrowing costs as part of the acquisition of qualified assets. The main change in the standard is that, as of 1 January 2009, borrowing costs are to be recognised as the costs of the assets. Previously, the borrowing costs were recognised as an expense.

In January 2008, the IASB published the revised standard **IFRS 3 Business Combinations** and the revised standard **IAS 27 Consolidated and Separate Financial Statements**. The main changes in IFRS 3 compared to the current version are as follows:

- For the treatment of non-controlling interests on the balance sheet, there is the option of measuring them at their fair value or measuring the proportional identifiable net assets.
- In the case of a successive or staggered company acquisition, the already existing shares in the purchased company must be re-evaluated through profit and loss at the time of purchase or at the time when control of the company is acquired. The good will is therefore determined as the difference between the re-evaluated book value of the participation plus purchase-price payments for acquisition of the new shares less the acquired net assets.
- In future, historical costs must be fully recognised as expenses in the consolidated income statement in the period they are incurred as expenses.
- A possible later adaptation of what is given in payment for the company in relation to future events which are to be shown on the balance sheets as a liability at the time of purchase is to be shown as expense or income in the subsequent period in the consolidated income statement. Subsequent evaluation of good will is not to be carried out any more.
- In addition, there are rules for transactions that are to be handled separately from the combination of companies. For example, business relationships that already existed before combination of the companies are not part of acquisition of the company.
- For re-purchased rights, rights which the purchaser transferred to the purchased company before the combination of companies and fall back under the control of the purchaser when the companies are combined, there are rules in respect of how they are carried and evaluated.

The amended standard IFRS 3 is to be applied prospectively to company combinations, whose acquisition time falls within annual reporting periods that commence on or after 1 July 2009.

The main amendments to IAS 27 are as follows:

- If the ratio of the participation changes without there being any loss of control, this transaction between the parent company and the non-controlling shareholders is to be recognised solely as an equity transaction.
- If a parent company loses control over a subsidiary, the assets and debts of the subsidiary must be removed from the books. A remaining investment in a former subsidiary is to be shown at fair value at the time of loss of control. Any difference which results is to be posted through profit and loss in the consolidated income statement.
- If the losses attributable to non-controlling interests exceed the share of the non-controlling interests in the equity of the subsidiary, they are to be attributed to the non-controlling interests even if a negative balance is created.

The revised IAS 27 is to be applied prospectively to annual reporting periods that begin on or after 1 July 2009.

On 14 February 2008, the IASB published changes to **IAS 32 Financial Instruments: Disclosure and Presentation** and **IAS 1 Presentation of Financial Statements** that were incorporated in European law by the EU in January 2009. These changes mainly concern questions regarding demarcation between equity and borrowed capital. Due to the new version of IAS 32, particularly financial instruments that can be terminated and that currently meet the definition of a financial liability will in future be classified as equity if certain preconditions are met. The changes to IAS 32 are to be applied to fiscal years that begin on 1 January 2009 or later.

In July 2008, the IASB ratified an amendment to **IAS 39 Financial Instruments: Recognition and Measurement**. The changes to IAS 39 have not yet been incorporated in European law. The clarifying amendments are aimed at ensuring that only cash flow or fair value changes of a basic transaction above or below a certain price or another variable can be classified and shown as a hedging transaction. The amendments to IAS 29 are to be applied to fiscal years that begin on 1 July 2009 or later.

In the framework of its **Annual Improvements Process Projects**, the IASB published changes to a series of IFRS standards in May 2008. The changes were divided into two areas:

- Alterations of balance-sheet presentation methods, i.e. changes in respect of how items are presented, recognised and evaluated
- Terminological changes or editorial changes with small or minimal effects on the way balance sheets are presented.

Unless specified otherwise in the respective standard, the changes are to be applied to fiscal years that begin on 1 January 2009 or later. The first Annual Improvement Process Project was incorporated in European law by the EU in January 2009.

In June 2007, the IASB ratified the interpretation **IFRIC 13 Customer Loyalty Programs**. In December 2008, IFRIC 13 was incorporated in European law by the EU. IFRIC 13 deals with the balance-sheet treatment of customer loyalty programs, whereby the customers receive bonus points that allow them to obtain goods or services from a seller or third party free of charge or at a reduced price. The interpretation is to be applied to fiscal years that begin on 1 July 2009 or later.

In July 2008, the IASB published the interpretation **IFRIC 15 Agreements for the Construction of Real Estate**. IFRIC 15 has not yet been incorporated in European law. IFRIC 15 concerns the realisation of sales in connection with real-estate construction contracts. IFRIC 15 is to be applied to fiscal years that begin on 1 January 2009 or later.

In July 2008, the IASB published the interpretation **IFRIC 16 Hedges of a Net Investment in a Foreign Operation**. IFRIC 16 has not yet been incorporated in European law. IFRIC 16 is concerned with hedging transactions in connection with new investments in foreign business operations. In particular, the risk that can be hedged is specified in concrete terms and how the hedging instrument is handled on the balance sheet is explained. IFRIC 16 is to be applied to fiscal years that begin on 1 January 2009 or later.

In November 2008, the IASB published the interpretation **IFRIC 17 Distribution of Non-Cash Assets to Owners**. IFRIC 17 has not yet been incorporated in European law. IFRIC 17 contains rules and how liabilities are carried and evaluated on the basis of paid-out material dividends. IFRIC 17 is to be applied to fiscal years that begin on or after 1 July 2009.

In January 2009, the IASB published the interpretation **IFRIC 18 Transfer of Assets from Customers**. IFRIC 18 has not yet been incorporated in European law. IFRIC 18 contains clarifications of the way in which the transfer of a material asset by a customer is handled on the balance sheet. IFRIC 18 is to be applied to business transactions that begin on or after 1 July 2009.

In the WürttLeben Group, the effects that follow from implementation of these standards and interpretations and impact the portrayal of assets, the financial situation and earnings of the company as well as the cash flows are currently being examined.

Voluntary premature application of the published but not yet obligatory IFRS and IFRIC rulings has been refrained from.

Presentation of financial statements

The consolidated accounts are presented in euros. They have been drawn up in thousand euros. For a better overview, the explanations are always given in million or billion euros. Due to the figures being rounded off, there can be divergences from the posted amounts which have not been rounded off.

CONSOLIDATION

Consolidated companies

WürttLeben is the parent company of the Group. The consolidated financial statements include the financial statements of Württembergische Lebensversicherung AG as well as all important subsidiaries, mutual funds, specialised funds and the important associated companies unless they are of minor significance for the presentation of the Group's assets, financial standing and earnings. On the balance-sheet date, 5 subsidiaries (4 last year) as well as 25 (21 last year) mutual funds and specialised funds as well as 4 (5 last year) associated companies were included in the consolidated financial statements in addition to the parent company.

A complete list of the shareholders of the WürttLeben Group are published in the electronic registry of companies.

A list of all companies included in the scope of consolidated companies is given in note number 57 in the notes.

Changes in the scope of consolidated companies

In fiscal 2008, there were the following changes in the scope of consolidated companies:

In addition to the newly established Wohnimmobilien GmbH & Co. KG of the Württembergische, the following companies were included in the scope of consolidated companies in the fiscal year: W&W Global Strategies US Equity Fund, Dublin, BWK-Fonds 93, Stuttgart, DEVIF-Fonds Nr. 203, Frankfurt, W&W European Equity Value, Dublin and W&W Emerging Markets Bonds-Fonds 1. The specialised fund, BWinvest-54, was removed from the scope of consolidated companies and dissolved.

Due to the loss of a controlling influence, VV-Immobilien GmbH & Co. US City KG, Munich, is no longer carried on the balance sheet according to the equity method.

Principles of consolidation

The consolidated accounts were drawn up on in accordance with accounting principles uniform within the Group.

Capital consolidation takes place according to the acquisition method. The assets, debts and contingent liabilities of the acquired company are evaluated at their fair value at the time of purchase or at the time when control over the acquired company is obtained and compared to the costs of acquisition (purchase price allocation).

A resulting difference in the amount on the assets side is posted as good will under intangible assets. A different amount on the liabilities side is posted in the consolidated income statement through profit and loss in the period in which it originated.

The book value of the good will is checked at least once a year to determine whether it has retained its value (impairment test). If there are any signs of a possible impairment, an impairment test is also carried out at other times during the year. If an impairment of good will is determined, extraordinary depreciation is carried out.

The shares in the fair values of assets, debts and contingent liabilities, whereby these shares are held by non-consolidated third-party entities, are posted in the item „Minority interests in the equity“. The shares of non-consolidated third-party entities in the profits and losses of the companies included in the consolidated financial statements are posted in a sub-item of the consolidated profit as „Result to be allocated to minorities interest“ in the income statement.

Differences arising from capital consolidation of the companies fully consolidated on 1 January 2004 in accordance with HGB have been offset against the profit reserves neutrally as to success in accordance with IFRS 1.

Receivables and liabilities inside the Group as well as expenses arising from financial transfers and transfer of services within the Group, in addition to income, interim profits and interim losses, are eliminated in the framework of debt consolidation, expense and income consolidation, and elimination of the interim result.

All important associated companies have been included in the consolidated accounts according to the equity method. If a company that is included in the consolidated accounts according to the equity method makes use of accounting principles different to those stipulated for companies by the IFRS standards, adaptations to the accounting principles uniform throughout the Group are carried out.

Shares in subsidiaries that are not included in the consolidated accounts by way of full consolidation due to their minor significance are posted in the item „Financial instruments available for sale at any time“.

Balance sheet date

The consolidated financial statements were drawn up on the balance sheet date of the parent company (31 December 2008). The financial statements of the parent company, the included subsidiaries and associated companies were drawn up on 31 December 2008 as the balance sheet date.

Companies belonging to the Group and disclosure

Wüstenrot Holding AG, Ludwigsburg, holds the majority of shares in Wüstenrot & Württembergische AG, Stuttgart. The latter in turn holds the majority of shares in Württembergische Lebensversicherung AG, Stuttgart. The consolidated accounts of Wüstenrot Holding AG, Wüstenrot & Württembergische AG as well as Württembergische Lebensversicherung AG are published in the electronic register of companies (Bundesanzeiger).

Currency conversion

The functional currency and the currency of the report of Württembergische Lebensversicherung AG is the euro.

Foreign currency transactions are booked at the currency exchange price at the time of the transaction. Monetary assets and debts, whose currency is not the functional currency are converted into the functional currency at the reference rate of the European Central Bank (ECB) on the balance sheet date. Non-monetary items which are carried at fair value are also converted into the functional currency at the reference rate of the European Central Bank (ECB) on the balance sheet date. Other non-monetary assets and debts are valued at the rate on the day of the business transaction (historical value).

Conversion differences of equity instruments that are held in foreign currency and have been classified as financial instruments available for sale at any time are recorded in the equity neutrally as to success. Other conversion differences are booked in the income statement through profit and loss.

Report on the segments

A report on the segments in accordance with IAS 14 is dispensed with as the Group only engages in life insurance business and the area of business is restricted to Germany.

ESTIMATIONS AND ASSUMPTIONS DURING BALANCE-SHEET ACCOUNTING

The estimations and judgements necessary in the framework of accounting and evaluation in accordance with IFRS are made in line with the respective standard. The estimations are updated continually. They are based on experience and expectations regarding future events that appear reasonable in the circumstances. If a large number of estimations were necessary, this is noted in the items in question dealt with below.

The important estimations concern the fair values and impairments of financial instruments, the aggregate reserve, the reserves for pensions and the latent taxes.

Determination of the aggregate reserve

The aggregate reserve is calculated according to actuarial methods and is determined as the balance of the cash value of future obligations less the cash value of future premiums. When the value of the reserve is being determined, the assumptions regarding costs, guaranteed interest, mortality and other biometric principles applicable at the time the contracts were closed are used.

Changes in costs, mortality and investment yields achieved on the capital market can mean that the principles of calculation have to be adapted and that the aggregate reserve has to be increased.

Measurement at fair value

Financial instruments that are traded on an active market have been evaluated at the stock-exchange or market price or at the fair values derived from these prices. If no prices are quoted on active markets, the fair value is determined on the basis of recognised valuation methods with the parameters observable on the market (e.g. interest, currency exchange rate, volatility).

In exceptions, the fair values for financial instruments for whose evaluation neither market prices nor market parameters are available on active markets are also determined with recognised valuation methods with parameters that cannot be observed on the market.

The methods of valuation include recognised evaluation model such as the cash value method, whereby the cash flows to be expected in future are discounted at the rates of interest applied to the corresponding remaining periods and markets.

These valuation methods are used for the evaluation of receivables and liabilities, securities with fixed agreed cash flows, subordinate capital, interest swaps and non-optional futures.

The fair values of options are calculated with the corresponding recognised option price models (Black 76 for interest options, Black Scholes for share options) for the respective types and the underlying base values of options. The models are used on the basis of generally recognised assumptions. The value of options is especially determined according to the value of the underlying base object and its volatility, the agreed base price, the interest rate or index, the non-risk interest rate as well as the remaining period of the contract. Apart from the interest structures and market prices, the respective market and solvency risks, liquidity risks, risk

structures and, if relevant, volatility are taken into consideration. In addition, the fair values are determined through comparison with comparable financial instruments for which observable market prices exist.

Composite financial instruments or structured products are evaluated as a whole or are evaluated through aggregation of the evaluation results of the individual components. The fair values of means of payments of means of payment and equivalents to means of payments, of short-term receivables and liabilities, approximately correspond to the book value, which is primarily due to the short period of these instruments.

The valuation results are significantly influenced by the underlying assumptions and especially by the cash flows determined and the discounting factors.

The spread of credit and solvency is determined by means of a comparison of the financial instrument with a corresponding financial instrument that does not carry a credit risk.

Accounting principles

CONSOLIDATED BALANCE SHEET

Intangible assets

The intangible assets consist of good will, the value of purchased insurance portfolios and purchased and self-created software.

The positive difference between the costs of acquiring a subsidiary and its share in Group equity after revelation of the hidden reserves and burdens at the time of purchase is posted as good will. There is no time limit on the duration of use of good will. Posting on the balance sheet is carried out at the cost of purchase, less accumulated extraordinary depreciation. The impairment expenses result from an impairment test to be carried out at least once a year on the basis of cash-generating units. The WürttLeben Group uses the legal units as the cash-generating units.

Within the framework of the impairment test, the recoverable value of the respective cash-generating unit is compared with the book value (including good will) of the cash-generating unit. In respect of the cash-generating unit, the WürttLeben Group used the fair value determined on the basis of the stock-exchange price on the balance sheet date as the recoverable amount while taking the costs of disposal into consideration. In the WürttLeben Group, the IFRS equity of the respective subsidiary or parent company is used as the book value. If the book value (including good will) exceeds the recoverable value, the value of the good will is reduced accordingly. Depreciation which has been carried out is not reversed.

Purchased or self-created software is always depreciated according to the straight line method over a period of three to five years. The value of the other intangible assets is examined annually on the balance sheet date and always when there are signs of impairment. In the event of impairment, non-scheduled depreciation is carried out on the recoverable value.

The portfolio value of purchased life insurance contracts is the cash value of the expected net payment flows from the purchased insurance contracts at the time of purchase (PVFP – Present Value of Future Profits). Depreciation of the portfolio value is carried out according to the straight-line method over a period of 15 years. The portfolio value is subjected to an impairment test on the balance-sheet date and, in the event of impairment, it is written down.

Borrowing costs are not carried on the assets side as costs of acquisition or construction of qualified assets in the Group.

Write-down and impairment of insurance portfolios purchased for cash are posted under Other expenses. The write-down and impairment of the intangible assets, in contrast, are posted under Administration expenses.

Real estate held as an investment

The balance sheet item „Land and buildings held as financial investments“ includes land and buildings which are kept in order to achieve rental income or for the purpose of increasing their value. The real estate held as a financial investment is evaluated at its costs of acquisition or construction, including transaction costs, with the help of external publicly appointed assessors. Balance sheet accounting and evaluation are carried out at the time of construction or acquisition, and in subsequent periods, according to the historical cost model. Each part of an item of real estate with a significant historical value compared to the value of the entire piece of real estate is depreciated separately. Here, a minimum distinction is made between various components such as the shell of the building and the interior structures/technical features.

The individual periods of use of the components such as the shell of the building, the interior structures and the technical features are estimated by architects and engineers from the real-estate section of the W&W Group and is a maximum of 80 years for the shell of the building and a maximum of 40 years for commercial buildings. For the interior structures and technical features, a maximum period of use of 25 years is assumed.

On the balance-sheet date, a check is made to find out whether there are any signs of impairment in the case of „real estate held as an investment“. If this is the case, the foreseeably recoverable proceeds (higher value of net selling price and use value) is determined. The use value is determined as the cash value of the forecast cash flows arising from continued use and later disposal of the asset. The discounting interest rates take into account the risks associated with the asset and the entitlement to interest. The discounting interest rates are adapted to the current conditions on each balance sheet date. If this value is below the amortised cost, the foreseeably recoverable amount is subjected to extraordinary depreciation.

Financial investments evaluated according to the equity method

The shares in associated companies are carried on the Group balance sheet at the historical costs at the time of acquisition. In subsequent years, the equity value on the balance sheet is revised according to the proportional changes in the part of the equity held by the participating company. The proportional result for the year of the participating company flows into the item „Result on financial investments evaluated according to the equity method“ in the consolidated income statement.

If there are any signs of impairment of the shares in a company shown on the balance sheet at equity, they are checked and, if necessary, depreciation is carried out. The value is increased if the reasons for extraordinary depreciation cease to exist due to value additions. Impairments and increases in value are recorded through profit and loss under the item „Result on financial investments evaluated according to the equity method“.

Profits and losses on sales arising from the disposal of financial assets evaluated according to the equity method are also posted under „Result on financial investments evaluated according to the equity method“.

Financial instruments

PRINCIPLES OF EVALUATION AND POSTING OF FINANCIAL INSTRUMENTS

All financial assets and obligations, including all derivative financial instruments, are posted on the consolidated balance sheet in accordance with IAS 39.

Additions and disposals of financial instruments are always taken into account on the balance sheet on the day of fulfilment at fair value. Excepted from this are derivative financial instruments that are recorded at their fair value at the time the contract is signed. They are booked out as soon as the contractual rights and obligations arising from the financial instrument expire or if the financial instrument is transferred and the criteria for a disposal have been met.

IMPAIRMENT

On every balance sheet date, the WürttLeben Group carries out a check to find out whether there is impairment of a financial asset. Only assets that are not measured at fair value through profit and loss are examined.

The level of risk provision is dimensioned according to principles that are uniform within the Group. The uniform Group principles for the determination of value allowances are described in the section „Information on risks arising from financial instruments and insurance contracts“.

If impairment is detected, individual specific value allowances and globalised specific value allowances are formed. Specific value allowances are used to cover acute counterparty default risks in case there is a probability that not all interest payments and capital repayments can be made in accordance with the contract.

For receivables for which specific value allowances are not made, value allowances are formed on the basis of the portfolio. Portfolio value allowances for solvency risks are intended to cover impairments that have already occurred but are not yet known on the balance sheet date in the case of loans. If there is a probability verging on certainty that no further payments can be expected, a receivable is classified as irrecoverable. Irrecoverable receivables for which value allowance has already been carried out are booked out through the use of value allowance. If there are no value allowances for irrecoverable receivables, they are directly written off through profit and loss. Incoming payments on receivables that have already been written off are posted through profit and loss.

After the formation of specific value allowances, there can be a recovery of value in the context of subsequent evaluation with the result that the specific allowances formed have to be partially or completely cancelled. The level of the specific allowance is always determined from the difference between the book value of the receivable and the cash value of the expected future payment flows, with account being taken of the collateral.

In the case of receivables for which specific allowances have been formed singly or globally, the actual interest payments are no longer to be recognised or deferred as interest income but as the interest income from the change in cash value (cash value effect, interest effect).

The impairments are recognised by means of value allowances or direct depreciation with an effect on the expenses. Dissolutions of value allowances and incoming payments on receivables that have been written off are posted through profit and loss. Impairment is carried out if one or several events have occurred after the first time an asset was carried, there are objective indications of impairment and the event has an effect on the future flows of payment of the asset, it being possible to estimate this effect reliably. Objective indications are

- significant financial difficulties of the debtor
- breach of contract
- concessions to the debtor in connection with the financial difficulties
- increased probability of bankruptcy proceedings
- disappearance of an active market for financial assets due to financial difficulties
- verifiable data that indicate lower flows of payment in future.

BALANCE SHEET PRESENTATION OF HEDGES

The fair value hedge is a protective measure that provides protection against a change in the fair value of a balance-sheet asset, this change being due to an exactly specifiable risk and being capable of having effects on the result for the period in question.

Any change in the fair value of the derivative used as a hedging instrument is posted in the income statement through profit and loss. The book value of the basic transaction is adjusted through profit and loss by the value of profits or losses arising from the hedged risk. After dissolution of a hedge relationship, the adjustment of the book value of the basic transaction is amortized over the remaining period if necessary.

The existing fair value hedges are used to reduce the risk of a change in the interest. Only interest swaps are designated as hedging transactions for the provision of protection against the risk of changes in interest in the form of value losses due to an altered level of interest.

STRUCTURED PRODUCTS

Structured products are assets that possess special characteristics in terms of their interest yield, period or repayment. A structured product is composed of a non-derivative basic contract and one (or more) embedded derivatives that modify the flows of payment of the basic contract. The basic contract and the derivative component(s) are irrevocably interconnected.

Structured products are always shown in the annual report according to the posting and valuation regulations applicable to the basic contract.

If certain conditions specified in IAS 39.11 have been met, however, the basic contract and the derivatives embedded in it are posted separately in the annual report in accordance with the accounting rules applicable to these derivatives.

These conditions are as follows:

- The structured product is not already measured at fair value through profit and loss
- The economic characteristics and risks of the embedded derivatives have no clear and close relationship with those of the basic contract.
- An independent instrument with the same conditions as the embedded derivative would meet the definition of a derivative.

When the fair value option is exercised, structured products are posted as financial assets measured at fair value if there would be an obligation to separate the embedded derivative from the basic contract.

LOANS

Under loans, financial instruments with specific or specifiable cash flows in the future are posted unless they are traded on an active market and are not derivative financial instruments. They include loans, debentures, bonds and deposits with credit institutions. The financial instruments of this category are carried at their amortised cost.

Interest income is deferred according to period and posted directly with the item in question.

FINANCIAL INSTRUMENTS AVAILABLE FOR SALE AT ANY TIME

This item contains non-derivative financial instruments that have not been assigned to any other category.

In the WürttLeben Group, they primarily consist of participations, shares, investment certificates and other non-fixed-interest securities as well as bearer bonds and other fixed-interest securities.

They are evaluated at their fair value. Changes in the fair value are always included in the re-valuation reserve of the equity with no effect on income, if necessary with account being taken of latent taxes and the reserve for latent premium refunds to clients. Profits and losses are not realized through profit and loss until the items are sold. Directly assignable transaction costs, redemption premiums and discounts are distributed over the period through profit or loss in accordance with the effective-interest method and are included in the result on investments.

Interest income is deferred according to the period. This deferral of interest is posted together with the item in question.

If there are any objective indications of impairment, the accumulated losses up to that time which posted in equity are recorded in the income statement through profit and loss. If value increases occur in subsequent periods, they are shown through profit and loss in the case of borrowed capital instruments. In the case of equity instruments, they are included in equity with no effect on profit and loss. If there is an effective hedge relationship with a derivative financial instrument in the framework of a fair value hedge, the change in the fair value accounted for by the hedged risk is recorded in the result on hedge relationships through profit and loss.

Objective indications of a need for impairment of borrowed capital instruments include significant financial difficulties, breach of contract, an increased probability of bankruptcy proceedings as well as the disappearance of an active market for financial assets due to financial difficulties.

For equity instruments, impairment also exists if the fair value is significantly below the historical costs or remains there for a long time. In the case of financial instruments available for sale at all times, impairment is assumed if the fair value on the evaluation date is at least 20% below the historical costs. There is also impairment if the fair value permanently falls below the historical costs in a period of 12 months.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

The category „Financial instruments measured at fair value through profit or loss“ are composed of trading assets (held for trading purposes) and the financial assets (fair value option) classified as „measured at fair value through profit or loss“.

Derivative **financial instruments** which are acquired with the intention of making a profit on the basis of short-term price fluctuations are recorded as trading assets. In addition, the positive market values of derivatives that are not shown on the balance sheet as hedging transactions in the framework of hedge relationships are carried under trading assets.

Evaluation results that are realised or not realised are posted in the result on investments through profit and loss. The current income and expenses arising from financial instruments, on the one hand, and commission on trading transactions, on the other, are also shown there.

As a way of exercising the **fair value option**, structured products are posted as financial assets measured at fair value if there is an obligation to separate the embedded derivative from the basic contract.

In addition, investments for the account and risk of life insurance policyholders are carried under financial instruments classified as „measured at fair value through profit and loss“ in order to avoid the occurrence of an accounting mismatch which would otherwise be caused by the fact that the changes in the balance sheet value of the „insurance reserves in the area of life insurance in so far as the investment risk is borne by the policyholders“ are carried in the income statement through profit and loss.

„Financial instruments measured at fair value through profit and loss“ are posted on the consolidated balance sheet at their fair value. All realised and non-realised profits and losses as well as transaction costs are posted in the income statement through profit and loss.

Retained deposits arising from assumed reinsurance business

Retained deposits are posted at their amortised costs.

Shares of reinsurers in the insurance reserves

The shares of reinsurers in the insurance reserves are posted on the assets side.

All reinsurance contracts transfer a significant insurance risk, i.e. they are insurance contracts in the sense of IFRS 4. Shares of reinsurers in the insurance reserves are calculated from the gross insurance reserves according to the terms of contract (cf. explanations of the corresponding items under liabilities). The intrinsic value of the shares of the reinsurers in the insurance reserves is checked on each balance-sheet date.

Accounts receivable

Accounts receivable from direct insurance business, accounts receivable from clearing transactions arising from reinsurance business and Other accounts receivable are posted at their amortised cost. Default risks are taken into account by means of individual and global value allowances.

Tax refund claims, latent tax refund claims, tax debts and latent tax debts

The current tax refund claims and debts are posted at the value of an expected refund or the value of a foreseeable payment to the respective tax authority. Latent tax refund claims and debts are formed due to the temporary differences between the recognised values of assets and debts in the consolidated accounts according to IFRS and the tax accounts according to German tax-law regulations of the consolidated companies. Latent tax deferral is calculated at the currently applicable German rates of tax. Latent taxes on losses carried forward are posted as assets in so far as it can be assumed that they can be realized in future.

Other assets

The item „Other assets“ includes equipment and stocks as well as additional assets.

The „Equipment and stocks“ item includes company equipment, stocks and real estate used internally and leasing assets.

The company equipment is posted at the amortised cost and the costs of construction. Scheduled depreciation is carried out according to the straight-line method over the estimated useful life up to a maximum of 23 years. Purchase EDP equipment is depreciated according to the straight-line method over an estimated useful life of up to a maximum of eight years. In addition, unscheduled depreciation is carried out in the case of impairment.

The economic useful life is checked in the framework of financial statements preparation. Any adaptations to be made are recorded as correction of scheduled depreciation over the remaining useful life of the asset.

Stocks are evaluated at historical costs or at the lower net disposal value. The historical costs include all costs of purchase. The net disposal value corresponds to the estimated proceeds that can be recovered on the sale of stocks in the normal course of business.

Borrowed capital costs are not posted as historical costs or costs of construction of qualified assets in the WürttLeben Group.

„Real estate used internally“ refers to land and buildings which are used by consolidated companies in the Group. Real estate used internally is posted on the balance sheet in the same way as „real estate held as a financial investment“.

Long-term assets and disposal groups held for sale

A long-term asset or a disposal group is classified as for disposal if the associated book value is to mainly be realized by means of disposal and not by continued use.

The assets or the disposal groups are posted in the consolidated accounts in the item „Long-term assets and disposal groups held for sale“.

Long-term assets or disposal groups that are to be classified as held for sale are carried at the book value or fair value, whichever is the lower, less disposal costs. If the book value exceeds the fair value less the disposal costs, the difference between the two values is booked through profit and loss in the period in question. There is no scheduled depreciation of long-term assets held for sale. Profits and losses on disposals resulting from the disposal of long-term assets and disposal groups that are classified as held of sale are shown in the corresponding items of the income statement.

Current deposits with credit institutions, cheques and cash

Our cash in hand consists of daily occurring deposits, cheques and cash. They are posted at the amortised costs.

Equity

Equity includes the subscribed capital, the capital reserve, the retained profit reserves, the Other reserves, the consolidated profit for the year and minorities interest in the equity.

In the capital reserve, redemption premiums from the issue of shares are posted. The retained profit reserves include the legal reserves and the retained results. The Other reserves contain the revaluation reserve as well as the actuarial profits and losses arising from performance-based schemes.

In the revaluation reserve, the non-realised profits and losses arising from evaluation of the financial instruments available for sale at any time as well as financial investments evaluated according to the equity method after latent taxes and the reserve for latent premium refunds have been taken into account are shown.

Minorities interest in the equity include the shares in the equity of subsidiaries where these shares are held by third parties outside the Group. In addition, the share of non-consolidated third parties in the result of subsidiaries is posted under the shares of other partners in the equity.

Subordinate liabilities

Subordinate liabilities are liabilities which, in the event of liquidation or insolvency, it is permissible to settle only after the claims of other debtors have been settled. Subordinate liabilities are valued at their amortised costs.

Insurance reserves

To the extent permitted by IFRS 4, the German regulations on the presentation of accounts of the respective consolidated companies have been applied for the portrayal of insurance-specific business transactions. For the companies of the WürttLeben Group, these regulations are primarily those of § 341 ff. HGB and RechVersV).

The insurance reserves are posted gross on the liabilities side, i.e. before deduction of the share accounted for by reinsurers. The share of reinsurers is determined according to the contractual agreements and is posted separately on the assets side. All insurance contracts in the portfolio transfer a significant insurance risk, i.e. they are insurance contracts in the sense of IFRS 4.

For assumed reinsurance business, the reserves were formed in accordance with the information provided by the original insurer. If such information was not available, the reserves were determined from data accessible to us.

The **unearned premiums** are that part of the collected and gross premiums written which represents income for a certain time after the balance sheet date. The unearned premiums are deferred exactly for each month for each insurance contract.

The **aggregate reserve** is determined for each individual contract and prospectively in accordance with actuarial principles, with account taken of the starting year and month. It is calculated as the cash value of the future guaranteed insurance benefits, less the cash value of the future net premiums.

For times when no premiums are paid, an administration cost reserve is formed within the aggregate reserve, the administration cost reserve being sufficient according to present-day assessment. With regard to unit-linked life and annuity assurance, only contingent guarantee components are taken into account in the aggregate reserve.

Non-recurring contract acquisition costs are taken into account according to the Zillmer method. They are carried as assets as part of the receivables from policyholders arising from direct insurance business in so far § 15 RechVers allows this.

The guaranteed interest and the biometric principles of calculation generally correspond to those also incorporated in the calculation of tariff premiums or redemption values. The highest value which was permissible in accordance with legal regulations or the provisions of the insurance supervisory law on closure of the contract was taken as the guaranteed interest. When the aggregate reserve is calculated, interest rates between 2.25 and 4 % are used. The average guaranteed interest is 3.5 %. For the biometric principles of calculation, tables which are standard in the industry and are recommended by the Deutsche Aktuarvereinigung (DAV= German association of actuaries) are used. In exceptions, we use our own tables based on experiential values.

For annuity assurance contracts whose original calculating principles no longer include sufficient safety margins, the calculating principles which are held to be sufficient and are published by the Deutsche Aktuarvereinigung (DAV) are used. In fiscal 2008, the safety level was increased again because this adaptation had been recommended by the working group entitled „Biometric Principles of Calculation“ of the DAV due to the current trends in the mortality of customers with annuity assurance. This increase amounted to a twentieth of the difference between the DAV 2004 R Bestand mortality tables and the DAV 2004 RB 20 mortality tables, whereby probabilities of capital pay-out were taken into account.

(Supplementary) occupational disability insurance contracts are collectively assessed with reference to the currently applicable calculating principles of the DAV and, if necessary, an additional aggregate reserve is formed.

The principles of calculation used for calculating the aggregate reserves are examined annually, with account being taken of the calculating principles recommended by the DAV and the federal financial services supervisory authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and the developments observed in the portfolio. This is done in order to check whether the safety margins are sufficient. In the explanatory report of the responsible actuary in accordance with § 11 a (3) 2. VAG, verification is provided that all calculating principles are carefully selected in accordance with the regulations of insurance supervisory law and commercial law.

The aggregate reserve is subjected to an annual adequacy test and, if necessary, the aggregate reserve is adapted immediately and completely through profit and loss.

The **reserve for outstanding claims** is formed for future obligations to pay which result from claims which occurred but were not settled before the balance sheet date. It also includes the foreseeable expenses for settlement of outstanding insurance claims. The level of the insurance benefits or the times when the insurance benefits are to be paid are still uncertain.

The reserve for claims already known on the balance sheet date was determined individually in all cases (individual evaluation). For risks which occurred but were still unknown on the balance sheet date, a reserve for IBRN claims was formed, the level of which is based on observations of the preceding years.

As a consequence of a verdict of the federal supreme court on 12 October 2005 in respect of formation-of-wealth and annuity assurance policies taken out between 1 January 1995 and 30 June 2000 to the effect that a minimum redemption value must be guaranteed, an additional reserve is formed in accordance with §341g HGB for affected insurance contracts which are no longer in the portfolio. This additional reserve takes into account the fact that only part of the amounts due will be claimed.

The reserve for settlement expenses was determined in accordance with the tax regulations as specified in the coordinated decree of German states on 22 February 1973.

The reserve for outstanding claims is subjected to an annual adequacy test and, if necessary, is adapted immediately and completely through profit and loss.

The **reserve for premium refunds** consists of two parts. The part of the respective insurance company's profit which is due to the policyholder but is not directly credited is assigned to the first part (allocated amounts in accordance with the regulations of the HGB). This also includes amounts which are marked to be set off against future premiums. The amounts are allocated in accordance with the minimum legal requirements.

The second part of the reserve for premium refunds, the reserve for latent premium refunds, contains the policyholders' shares in the accumulated valuation differences between the financial statements drawn up for the individual companies in accordance with commercial law and the consolidated accounts drawn up in accordance with IFRS. These temporary valuation differences are included in the latent reserve for premium refunds to the amount of the share to which the policyholders are at least entitled on realization.

The insurance reserves in the area of life insurance in so far as the investment risk is borne by the policyholders (aggregate reserves of the unit-linked life and annuity assurance without any contingent guarantee components) are determined for each individual contract in accordance with the retrospective method. The incoming premiums are invested in funds unless they are used for guarantees. The risk and cost components are withdrawn monthly from the funds – whereby, if appropriate, they are offset against the corresponding profit components. They are posted on the balance sheet at the fair value of the fund components accounted for by the insurance contracts on the balance sheet date in accordance with § 341d HGB.

The balance sheet value of this item corresponds to the balance sheet value of the investments for the account and risk of life insurance policyholders, such investments being posted under the financial instruments measured at fair value through profit and loss.

The **Other insurance reserves** contain the reserves for co-insurance business.

Other reserves

PENSION RESERVES

The pension reserves include the reserves arising from performance-based pension obligations. The pension obligations are valued in line with IAS 19 in accordance with the procedure applicable to persons with a future pension entitlement.

Obligations arising from performance-based plans are evaluated according to the method of ongoing single premiums on the basis of actuarial assessments. The obligations which relate to persons with a future pension entitlement and are acquired on the balance sheet date as well as annuity increases to be expected in future are taken into account. Actuarial profits and losses arising from experience-based adaptations and alterations of actuarial assumptions are recorded in equity with no effect as to the result as actuarial profits/losses in the period they occur.

Expenses and income arising from pension obligations are posted in the consolidated income statement as personnel expenses within the administration expenses relating to underwriting expenses.

The service-time expense to be calculated retrospectively is immediately recorded in full through profit and loss in so far as the pension entitlements cannot expire. Otherwise, the service-time expense to be calculated retrospectively is carried according to the straight-line method over the average remaining period of service.

OTHER RESERVES

The other reserves contain reserves for other payments due to employees in the long term as well as remaining reserves.

The other payments due to employees in the long term include the pledges for early-retirement and agreements on part-time retiree work, and the provision of payments on the occasions of employment anniversaries. In the framework of presentation of the other payments due to employees in the long term on the balance sheet, there are no actuarial profits and losses. The posted reserves correspond to the cash value of the obligations.

The other reserves are evaluated as the foreseeable amount for the fulfilment of obligations – with account being taken of all detectable risks – and are posted on the balance sheet in so far as there are legal or de facto obligations to third parties that are based on business transactions or events in the past and are probable. The amount for the fulfilment of obligations is determined on the basis of the best possible estimate. Other reserves are posted if they can be determined reliably. They are not offset against claims for reimbursement. The obligations thus determined are discounted in so far as the resulting effects are significant.

Other liabilities

Liabilities in the form of retained deposits, clearing liabilities arising from reinsurance business and liabilities arising from direct insurance business are posted on the balance sheet to the amount of the repayment sum. The other liabilities are carried at amortised historical costs.

Trading liabilities

The trading liabilities include those types of derivative financial instruments which are kept for trading purposes as well as those which are kept for hedging purposes but are not posted on the balance sheet according to the rules of hedge accounting. They are evaluated in a manner analogous to the way that the trading assets are evaluated.

Derivates held for hedging purposes with a negative market value

The different evaluation of financial instruments results in the necessity of regulations governing the portrayal of hedge transactions. IAS 39 contains corresponding regulations, which, under certain preconditions, ensure appropriate recognition of changes in the value of basic and hedging transactions. The Group only applies the regulations to the fair value hedge. With a fair value hedge, protection against the risk of a change in the fair value of financial assets is provided.

Any change in the fair value of the derivative used as a hedging instrument is recorded in the income statement through profit and loss. The book value of the basic transaction is adapted to the profits and losses associated with the hedged risk and posted through profit and loss. After dissolution of the hedge relationship, the adaptation of the book value of the basic transaction is amortised over the remaining period if necessary.

The existing fair value hedges are used to reduce the risk of interest changes. Only interest swaps are designated as hedging transactions for protection against the risk of interest changes in the form of value losses due to a changed level of interest.

Contingent liabilities

Contingent liabilities are possible obligations which result from events in the past and the continued existence of which depends on the occurrence or non-occurrence of one or more uncertain future events that are not fully under the control of the WürttLeben Group. The drainage of resources that are economically useful is not probable or the level of the obligation cannot be estimated with sufficient reliability. Where the drainage of resources is not improbable, information on these contingent liabilities is provided in the notes.

CONSOLIDATED INCOME STATEMENT

Earned premiums (gross)

The earned premiums (gross) include all the premium payments that have been collected in the fiscal year from direct and indirect insurance business and that result from the contractual relationship with the policyholders due to the provision of insurance protection. The premium payments are deferred according to period by the formation of premium reserves and withdrawals from these reserves.

The premiums transferred to the reinsurers are deducted from the earned premiums (gross).

Result on investments

The result on investments comprises the following components:

- Real estate held as a financial investment
- Financial investments evaluated according to the equity method
- Loans
- Financial instruments available for sale at any time
- Financial instruments measured at fair value through profit and loss
- The result from hedge relationships
- Retained deposits arising from assumed reinsurance business
- Expenses for the administration of investments

The result arising from financial instruments available for sale at any time contains the results of disposal and evaluation as well as the ongoing earnings (interest and dividends) of the financial instruments available for sale at any time.

The posted result arising from financial assets measured at fair value through profit and loss includes realised and non-realised profits and losses as well as interest and dividends from financial assets measured at fair value through profit and loss, plus other income and expenses. Dividends are collected according to the incoming flow principle.

In the item „Result from hedge relationships“, the results from basic and hedging transactions of fair value hedges are recorded. In addition, the effects that arise from the ineffective part of the hedging transaction and that are posted through profit and loss are booked.

Interest income and interest expenses are recorded according to period by means of the effective interest method.

Benefits paid to customers (net)

The benefits paid to customers include the payments for insurance claims, the change in the reserve for outstanding insurance claims, the change in the aggregate reserve, the transfers to the reserve for premium refunds formed in accordance with commercial law, the change in the latent reserve for premium refunds recognised through profit and loss and the change in the other insurance reserves.

Changes to the reserve for latent premium refunds that are based on revaluations through profit and loss between the German regulations and IFRS are also recorded within the benefits arising from insurance contracts. The formation of and removal of amounts from a reserve for latent premium refunds to clients due to the participation of policyholders in the non-realised profits and losses of financial instruments available for sale at any time and in the actuarial profits and losses take place with no effect on the result.

The share of the reinsurers is deducted from the benefits (gross) paid to customers.

Underwriting expenses

The underwriting expenses include the acquisition costs, i.e. the expenditure incurred when insurance contracts are entered into, as well as the expenses for the management of insurance contracts. The received commission and profit participations arising from ceded insurance business is deducted from the gross underwriting expenses.

Profit tax

The profit tax expense or income is posted as tax on income and earnings in the consolidated income statement and is divided into actual and latent taxes in the notes to the consolidated financial statements.

Consolidated Balance Sheet
 Consolidated Income Statement
 Statement of Income and Expenses
 Cash Flow Statement
 Notes to the consolidated financial statement

Explanatory Notes on the Consolidated Balance Sheet

(1) INTANGIBLE ASSETS

2008

	PURCHASED INSURANCE PORTFOLIOS	GOODWILL VALUE	SOFTWARE OBTAINED EXTERNALLY	SELF- CREATED SOFTWARE	TOTAL
<i>in € thousand</i>					
Gross book value 1.1	106 757	77 641	25 147	6 063	215 608
Accumulated depreciation 1.1	- 14 234	—	- 13 249	- 4 519	- 32 002
Balance sheet value 1.1	92 523	77 641	11 898	1 544	183 606
Additions	—	—	169	—	169
Disposals	—	—	- 63	—	- 63
Scheduled depreciation	- 7 117	—	- 4 981	- 1 544	- 13 642
Balance sheet value 31.12	85 406	77 641	7 023	—	170 070
Accumulated depreciation 31.12	21 351	—	18 114	6 063	45 528
Gross book value 31.12	106 757	77 641	25 137	6 063	215 598

2007

	PURCHASED INSURANCE PORTFOLIOS	GOODWILL VALUE	SOFTWARE OBTAINED EXTERNALLY	SELF- CREATED SOFTWARE	TOTAL
<i>in € thousand</i>					
Gross book value 1.1	106 757	75 662	25 473	6 063	213 955
Accumulated depreciation 1.1	- 7 117	—	- 7 696	- 2 495	- 17 308
Balance sheet value 1.1	99 640	75 662	17 777	3 568	196 647
Additions	—	1 979	17	—	1 996
Disposals	—	—	- 343	—	- 343
Scheduled depreciation	- 7 117	—	- 5 553	- 2 024	- 14 694
Balance sheet value 31.12	92 523	77 641	11 898	1 544	183 606
Accumulated depreciation 31.12	14 234	—	13 249	4 519	32 002
Gross book value 31.12	106 757	77 641	25 147	6 063	215 608

Karlsruher Lebensversicherung AG (old) was merged with Württembergische Lebensversicherung AG. The goodwill which was previously assigned to Karlsruher Lebensversicherung AG (old) and amounted to € 31.8 million was re-assigned to Württembergische Lebensversicherung AG in the course of this merger.

The good will already posted in the consolidated financial statements in the previous year amounting to € 77.6 million is therefore completely attributable to the cash-generating unit, Württembergische Lebensversicherung AG.

Extraordinary depreciation was not carried out on the good will either in the past or in the current period of reporting.

There are no obligations to purchase intangible assets.

Within the framework of cost allocation, the depreciation on software is distributed among the acquisition costs, administration costs, claims settlement costs, investment management costs and other costs.

The remaining period of use of purchased insurance portfolios is 12 years.

(2) REAL ESTATE HELD AS INVESTMENT

<i>in € thousand</i>	2008	2007
Gross book value 1.1	1 426 682	1 382 518
Accumulated depreciation 1.1	– 253 752	– 187 055
Balance sheet value 1.1	1 172 930	1 195 463
Change in scope of consolidated companies	—	79 882
Additions	160 184	30 847
Disposals	– 28 631	– 30 316
Scheduled depreciation	– 36 182	– 36 104
Extraordinary depreciation	– 11 100	– 30 592
Re-assignment to item „Long term assets and disposal groups held for sale“	– 21 169	– 36 249
Re-assignment from item „Long term assets and disposal groups held for sale“	13 129	—
Balance sheet value 31.12.	1 249 161	1 172 930
Accumulated depreciation 31.12.	301 034	253 752
Gross book value 31.12.	1 550 195	1 426 682

The fair value of the „real estate held as financial investment“ amounted to € 1 477.8 (1 346.4) million on the balance sheet date.

There are no restrictions regarding the disposability of real estate held as a financial investment or the transfer of earnings and proceeds of disposals.

There are no significant contractual obligations to purchase, construct or develop real estate held as a financial investment or to repair, maintain or improve such real estate.

To the extent that use values were used in the framework of the examination of value retention of real estate held as a financial investment, interest rates between 4.5% and 6.5% were applied to determination of the use values.

(3) FINANCIAL INVESTMENTS EVALUATED ACCORDING TO THE EQUITY METHOD

BALANCE SHEET VALUE

<i>in € thousand</i>	2008	2007
As at 1.1	116 261	64 078
Additions	—	59 002
Disposals	– 32 514	—
Proportionate result for the year	– 10 997	– 4 198
Changes posted without effect on the result	– 1 888	– 2 621
As at 31.12	70 862	116 261

Under investments evaluated according to the equity method, WürttLeben posts shares in BWK GmbH Unternehmensbeteiligungsgesellschaft (BWK-U), in which it has a 17.5 per cent holding. WürttLeben assumes that it has a determining influence on the company in accordance with IAS 28.7 because it provides two of the six members of the supervisory board of BWK-U.

The disposals concern shares in VV Immobilien GmbH & Co. US City KG.

The following tables show the respective company's total assets, debts, proceeds of sales and annual results existing in the portfolio on the balance sheet date and evaluated according to the equity method. In other words, not only those attributable to the WürttLeben Group are shown.

VALUES AS AT 31.12.2008

	ASSET VALUES	DEBTS	PROCEEDS OF SALES	RESULT FOR THE YEAR	SHARE
	in € thousand	in € thousand	in € thousand	in € thousand	in %
BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart	512 400	324 548	26 100	- 41 808	17.50
Tertianum – Besitzgesellschaft Berlin Passauer Straße 5-7 mbH, Munich	25 903	187	1 277	- 3 442	25.00
Tertianum – Besitzgesellschaft München Jahnstraße 45 mbH, Munich	43 021	136	3 012	880	33.33
Tertianum – Besitzgesellschaft Konstanz Marktstätte 2–6 und Sigismundstraße 5-9 mbH, Munich	38 236	557	2 596	1 110	25.00

VALUES AS AT 31.12.2007

	ASSET VALUES	DEBTS	PROCEEDS OF SALES	RESULT FOR THE YEAR	SHARE
	in € thousand	in € thousand	in € thousand	in € thousand	in %
BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart	581 000	281 000	18 000	1 000	17.50
Tertianum – Besitzgesellschaft Berlin Passauer Straße 5–7 mbH, Munich	29 367	209	1 173	- 6 421	25.00
Tertianum – Besitzgesellschaft München Jahnstraße 45 mbH, Munich	44 379	274	2 712	800	33.33
Tertianum – Besitzgesellschaft Konstanz Marktstätte 2–6 und Sigismundstraße 5–9 mbH, Munich	37 151	583	2 183	- 15 087	25.00
VV Immobilien GmbH & Co. US City KG, Munich	288 856	126 677	19 217	1 664	23.10

For the shares of associated companies, these shares being evaluated according to the equity method, no publicly listed market prices are available.

(4) LOANS

in € thousand	AMORTISED COSTS		FAIR VALUE	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Mortgages	2 348 696	2 485 377	2 419 183	2 460 215
Loans and advance payments on insurance policies	189 101	200 503	189 101	200 503
Other loans	14 517 915	14 336 671	14 785 255	13 585 666
TOTAL	17 055 712	17 022 551	17 393 539	16 246 384

REMAINING PERIOD OF CONTRACT

in € thousand	31.12.2008	31.12.2007
Up to 1 year	2 432 048	1 959 949
1 to 2 years	767 970	2 538 385
2 to 3 years	1 054 061	587 486
3 to 4 years	1 245 298	369 427
4 to 5 years	1 310 656	412 172
More than 5 years	10 245 679	11 155 132
TOTAL	17 055 712	17 022 551

In the financial statements, account is taken of the default risks arising from loans by means of specific value allowances and value allowances on a portfolio basis.

VALUE CHANGES OF FISCAL 2008

	INITIAL PORTFOLIO 1.1.2008	ADDITIONS	CONSUMPTION	CHANGE IN SCOPE OF CONSOLIDATED COMPANIES	WITH- DRAWAL	CURRENCY EFFECTS	DISCOUNT EFFECTS	FINAL PORT- FOLIO 31.12.2008
<i>in € thousand</i>								
Loans	—	—	—	—	—	—	—	—
Specific value allowances	14 433	4 145	1 938	—	3 032	—	940	12 668
Portfolio value allowances	2 545	—	—	—	—	—	—	2 545

VALUE CHANGES OF FISCAL 2007

	INITIAL PORTFOLIO 1.1.2007	ADDITIONS	CONSUMPTION	CHANGE IN SCOPE OF CONSOLIDATED COMPANIES	WITH- DRAWAL	CURRENCY EFFECTS	DISCOUNT EFFECTS	FINAL PORT- FOLIO 31.12.2007
<i>in € thousand</i>								
Loans	—	—	—	—	—	—	—	—
Specific value allowances	13 151	5 270	882	—	2 175	—	931	14 433
Portfolio value allowances	—	2 545	—	—	—	—	—	2 545

(5) FINANCIAL INSTRUMENTS AVAILABLE FOR SALE AT ANY TIME**VALUES AS AT 31.12.2008**

	AMORTISED COSTS	NON-REALIZED PROFITS	NON-REALIZED LOSSES	FAIR VALUE
<i>in € thousand</i>				
Fixed-interest securities	4 371 487	70 962	- 262 511	4 179 938
Public issuers	1 179 017	38 191	- 26 904	1 190 304
Other issuers	3 192 470	32 771	- 235 607	2 989 634
Non-fixed interest securities	2 453 654	48 156	- 79 392	2 422 418
Participations	261 303	5 966	- 595	266 674
Shares	1 636 052	34 637	- 63 123	1 607 566
Investments funds	486 977	7 553	- 6 824	487 706
Other funds	69 322	—	- 8 850	60 472
TOTAL	6 825 141	119 118	- 341 903	6 602 356

VALUES AS AT 31.12.2007

	AMORTISED COSTS	NON-REALIZED PROFITS	NON-REALIZED LOSSES	FAIR VALUE
<i>in € thousand</i>				
Fixed-interest securities	3 496 588	6 079	- 189 982	3 312 685
Public issuers	568 749	4 479	- 13 304	559 924
Other issuers	2 927 839	1 600	- 176 678	2 752 761
Non-fixed interest securities	3 913 511	498 314	- 94 795	4 317 030
Participations	293 465	72 723	- 681	365 507
Shares	2 513 405	344 997	- 64 595	2 793 807
Investments funds	951 964	80 594	- 23 267	1 009 291
Other funds	154 677	—	- 6 252	148 425
TOTAL	7 410 099	504 393	- 284 777	7 629 715

After deduction of the reserve for latent premium funds, latent taxes and the shares of third parties in the equity, non-realised losses amounting to € – 21.8 (8.5) million were entered in the revaluation reserve.

Shares in separate security assets of the security fund of the life insurer, which is handled separately from the assets of Protektor Lebensversicherungs-AG, have been posted as registered participating rights in the category of financial instruments available for sale at any time. In fiscal 2008, € 5.1 (5.6) million in annual premiums was paid.

As at 31 December 2008, the capital payment obligations that had resulted from participations in private equity companies and that had not yet been collected amounted to € 161.5 million in the WürttLeben Group.

The remaining contractual periods of the fixed-interest securities are shown in the following overview:

REMAINING PERIOD OF FIXED-INTEREST SECURITIES

in € thousand	31.12.2008	31.12.2007
Up to 1 year	645 565	72 562
1 to 2 years	49 426	19 973
2 to 3 years	141 164	21 181
3 to 4 years	95 738	72 845
4 to 5 years	182 257	118 398
More than 5 years	3 065 788	3 007 726
TOTAL	4 179 938	3 312 685

In line with the regulations of the amended IAS 39 with effect from 1 July 2008, the WürttLeben Group has reclassified securities categorised as available for sale at any time with a book value (simultaneously fair value) of € 325.5 million. They are now included in the loans category because the company has the intention and ability to hold these financial instruments for the foreseeable future.

As at 31 December, 2008, the book value (after value allowance) of these securities was € 324.5 million and the fair value € 155.1 million.

In the current fiscal year and the preceding fiscal year, the WürtttLeben Group has recorded the following expenses and income for the re-classified items in the consolidated income statement.

in € thousand	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007
Interest income	36 469	26 012
Impairment	26 709	—
Value increases	700	—
Foreign currency profits and losses	3 751	3 107

In the period from 1 January 2008 to the time of re-classification (1 July 2008), the WürtttLeben Group recorded negative value changes amounting to € 1.3 million for the re-classified items in the revaluation reserve in equity. If the WürtttLeben Group had not carried out re-classification, negative value changes amounting to € 14.4 million for the re-classified items would have had to be additionally recorded in the revaluation reserve in equity on 31 December 2008. In the period up to 31 December 2007, the WürtttLeben Group recorded negative value changes amounting to € 7.6 million for the financial instruments re-classified on 1 July 2008 in the revaluation reserve in equity. The effective interest rates of the re-classified items at the time of re-classification were between 1.9% and 12.73% in respect of expected future, non-discounted repayments from the re-classified financial instruments amounting to € 702 million.

(6) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

Trading assets

The category „trading assets“ only includes derivatives amounting to € 61.7 (72.9) million. Of this amount, € 1.5 (8.0) is attributed to interest-related transactions, € 35.1 (28.3) million to currency-related transactions and € 23.2 (36.6) million to share/index transactions as well as € 1.9 (0.0) million to other derivatives.

The Group uses derivative financial instruments within the framework of its investment activity. The derivative financial instruments are used especially for the efficient control of risks relating to shares, currency and interest.

Derivative financial instruments are used in the Group within the framework of the regulations of the supervisory law and are subject to internal financial and risk control. The transactions engaged in with derivative financial instruments are mostly covered by corresponding basic transactions.

REMAINING PERIODS OF TRADING ASSETS AND TRADING LIABILITIES AS AT 31.12.2008

	INTEREST- YIELDING TRANSACTIONS DERIVATES	CURRENCY TRANSACTIONS DERIVATES	SHARE/INDEX TRANSACTIONS DERIVATES	TOTAL DERIVATE
<i>in € thousand</i>				
Nominal values				
Up to 1 year	305 195	1 517 697	1 374 539	3 197 431
1 to 2 years	83 188	—	54 550	137 738
2 to 3 years	—	—	—	—
3 to 4 years	75 000	—	—	75 000
4 to 5 years	—	21 432	—	21 432
Over 5 years	500 000	—	—	500 000
TOTAL	963 383	1 539 129	1 429 089	3 931 601

REMAINING PERIODS OF TRADING ASSETS AND TRADING LIABILITIES AS AT 31.12.2007

	INTEREST- YIELDING TRANSACTIONS DERIVATES	CURRENCY TRANSACTIONS DERIVATES	SHARE/INDEX TRANSACTIONS DERIVATES	TOTAL DERIVATE
<i>in € thousand</i>				
Nominal values				
Up to 1 year	160 934	1 872 405	723 667	2 757 006
1 to 2 years	—	—	5 853	5 853
2 to 3 years	15 000	—	2 475	17 475
3 to 4 years	225 000	—	—	225 000
4 to 5 years	190 000	—	2 798	192 798
Over 5 years	365 000	—	1 190	366 190
TOTAL	955 934	1 872 405	735 983	3 564 322

REMAINING PERIODS OF TRADING ASSETS

	31.12.2008	31.12.2007
<i>in € thousand</i>		
Fair values		
Up to 1 year	49 852	36 833
1 to 2 years	8 809	12 719
2 to 3 years	—	12 103
3 to 4 years	—	3 502
4 to 5 years	3 079	5 244
Over 5 years	—	2 539
TOTAL	61 740	72 940

Fair value option

We took up the „fair value option“ for securities with a fair value of € 991.0 (1458.1) million. This concerns structured products as well as investments for the account and risk of life insurance policyholders.

<i>in € thousand</i>	31.12.2008	31.12.2007
Structured products	474 142	784 133
Investments for the account and risk of life insurance policyholders	516 816	674 000
Fair value option	990 958	1 458 133

REMAINING PERIODS FOR FAIR VALUE OPTION

<i>in € thousand</i>	31.12.2008	31.12.2007
Fair value		
Up to 1 year	51 923	157 054
1 to 2 years	4 384	46 834
2 to 3 years	12 543	19 517
3 to 4 years	12 095	35 208
4 to 5 years	7 764	27 845
Over 5 years	345 241	497 675
Unspecified period	557 008	674 000
TOTAL	990 958	1 458 133

(7) SHARES OF THE REINSURERS IN THE INSURANCE RESERVES

<i>in € thousand</i>	31.12.2008	31.12.2007
Unearned premiums	17 201	20 059
Aggregate reserve	1 528 509	1 562 851
Reserve for outstanding insurance claims	6 508	8 204
Reserve in the area of life insurance in so far as the investment risk is borne by the policyholder	11 082	14 104
TOTAL	1 563 300	1 605 218

In the year under review and in the preceding year, there was no need to correct the values assigned to reinsurance shares posted as assets. Further explanations are given in the corresponding liabilities items from note number 19 onwards.

(8) ACCOUNTS RECEIVABLE

in € thousand	31.12.2008	31.12.2007
Accounts receivable on direct insurance business	171 024	140 290
Including:		
– from policyholders	157 342	129 281
– from insurance agents	13 682	11 009
Accounts receivable for clearing transactions from reinsurance business	6	9
Tax refund claims	35 708	26 414
Other receivables	162 553	228 662
TOTAL	369 291	395 375

The other receivables include claims on W&W in connection with the commencement of participation in the pension obligations, receivables in connection with mortgage processing as well as receivable arising from supplies and services.

REMAINING PERIOD OF ACCOUNTS RECEIVABLE

in € thousand	31.12.2008	31.12.2007
Up to 1 year	191 189	250 127
1 to 2 years	–	–
2 to 3 years	–	–
3 to 4 years	–	–
4 to 5 years	–	–
More than 5 years	178 102	145 248
TOTAL	369 291	395 375

Due to the general default risks, global value allowances amounting to € 3 143 (3 925) thousand were offset against the receivables arising from direct insurance business from policyholders. With regard to the receivables from insurance brokers, value allowances amounting to € 428 (417) thousand were implemented. In addition, value allowances to the amount of € 901 (1 668) thousand were made for outstanding interest and rent.

The fair values of the receivables in this item correspond to their book values.

Specific value allowances and value allowances on a portfolio basis are made to take account of the default risks arising from receivables in the financial statements.

VALUE CHANGES IN FISCAL 2008

	INITIAL PORTFOLIO 1.1.2008	ADDITIONS	CONSUMP- TION	CHANGE IN SCOPE OF CONSOLI- DATED COM- PANIES	WITHDRAWAL	CURRENCY EFFECTS	DISCOUNT EFFECTS	FINAL PORTFOLIO 31.12.2008
<i>in € thousand</i>								
Receivables arising from direct insurance business								
Specific value allowances	417	50	—	—	39	—	—	428
Global value allowances	3 925	848	—	—	1 269	—	—	3 504
Accounts receivable for clearing transactions from reinsurance business								
Specific value allowances	—	—	—	—	—	—	—	—
Global value allowances	—	—	—	—	—	—	—	—
Other receivables								
Specific value allowances	1 570	204	—	—	1 206	—	—	568
Portfolio value allowances	97	236	—	—	—	—	—	333

VALUE CHANGES IN FISCAL 2007

	INITIAL PORTFOLIO 1.1.2007	ADDITIONS	CONSUMP- TION	CHANGE IN SCOPE OF CONSOLI- DATED COM- PANIES	WITHDRAWAL	CURRENCY EFFECTS	DISCOUNT EFFECTS	FINAL PORTFOLIO 31.12.2007
<i>in € thousand</i>								
Receivables arising from direct insurance business								
Specific value allowances	808	145	—	—	536	—	—	417
Global value allowances	4 504	600	—	—	1 179	—	—	3 925
Accounts receivable for clearing transactions from reinsurance business								
Specific value allowances	—	—	—	—	—	—	—	—
Global value allowances	—	—	—	—	—	—	—	—
Other receivables								
Specific value allowances	791	1 391	16	—	591	—	5	1 570
Portfolio value allowances	58	40	—	—	—	—	—	98

(9) ACCOUNTS RECEIVABLE FOR CLEARING TRANSACTIONS FROM REINSURANCE BUSINESS

Receivables from clearing transactions from reinsurance business are always processed within a fiscal year.

(10) TAX REFUND CLAIMS

The tax refund claims concern the deferred ongoing tax receivables and will foreseeably be realized to the amount of € 3 616 (7 524) thousand within twelve months.

(11) LATENT TAX REFUND CLAIMS

Latent tax refund claims were posted in connection with the following items:

in € thousand	31.12.2008	31.12.2007
Tax losses carried forward	19 160	2 327
Real estate held as financial investment	14 921	7 739
Other investments	111 405	31 573
Insurance reserves	367	365
Pension reserves	7 381	5 276
Long-term assets and disposal groups held for sale	—	4 196
Other	7 711	—
TOTAL	160 945	51 476

On tax-deductible temporary differences and tax losses carried forward concerning corporation tax and trade tax amounting to € 41 738 (27 376) thousand, no latent taxes were posted because, in the medium term, it cannot be assumed that they can be realized.

In the case of latent tax refund claims amounting to € 20 100 (7 299) thousand as well as latent taxes on tax losses carried forward amounting to € 17 482 (271) thousand, it is assumed that they will be realized within twelve months.

(12) OTHER ASSETS**EQUIPMENT**

<i>in € thousand</i>	2008	2007
Accumulated depreciation 1.1	5 221	5 537
Balance sheet value 1.1	– 2 590	– 1 150
Additions	2 631	4 387
Disposals	23	394
Scheduled depreciation	– 35	– 711
Balance sheet value 31.12	– 740	– 1 439
Accumulated depreciation 31.12	1 879	2 631
Gross book value 31.12	3 330	2 590
Bruttobuchwert 31.12.	5 209	5 221

INTERNALLY USED REAL ESTATE

<i>in € thousand</i>	2008	2007
Gross book value 1.1	25 300	47 250
Accumulated depreciation 1.1	– 2 511	– 1 303
Balance sheet value 1.1	22 789	45 947
Additions	720	603
Disposals	–	– 8 700
Scheduled depreciation	– 1 255	– 1 208
Re-assignment	–	– 13 853
Balance sheet value 31.12	22 254	22 789
Accumulated depreciation 31.12	3 766	2 511
Gross book value 31.12	26 020	25 300

The check on the value retention of internally used real estate was based on use values and, in the fiscal year and preceding year, rates of deduction of interest accrued were applied within the range of 4.5% to 6.5% when the useful value was being determined.

(13) LONG-TERM ASSETS AND DISPOSAL GROUPS HELD FOR SALE

The amount posted for this item breaks down as follows:

in € thousand	31.12.2008	31.12.2007
Externally used (not used by companies in the group) buildings	7 868	32 532
Externally used land	1 129	8 233
Shares in associated companies	—	34 571
TOTAL	8 997	75 336

Under „Shares in associated companies“, shares in PWW Real Estate Fund N.V. were posted. The shares were sold in the course of the fiscal year.

In the fiscal year, diverse pieces of real estate from the special assets of CSV-WV Immofonds were sold. For one object, the plan that was conceived in 2007 to dispose of it in the third quarter of 2008 was given up in view of the financial crisis and the resulting very low recoverable proceeds that could be obtained from the disposal.

As at 31 December 2008, the „real estate held as a financial investment“ included an object from the special assets of the CS-WV Immofonds. The sale of this piece of real estate is intended to further optimise the asset portfolio in the WürttLeben Group.

(14) CURRENT DEPOSITS WITH CREDIT INSTITUTIONS, CHEQUES AND CASH

The fair value of the balance sheet item „Current deposits with credit institutions, cheques and cash“ amounts to € 661.7 (386.5) million and corresponds to the book value.

(15) EQUITY

On 31.12.2008, the stock capital amounting to € 32.0 million was composed of 40,000 fully paid-up registered no-par-value shares without a nominal value and 12,137,920 fully paid-up registered no-par-value shares without a nominal value. This results in voting rights and dividend rights, the right to a share in the proceedings of liquidation and option rights. There are no preference rights or restrictions. The number of shares issued did not change in the course of the year.

Up to 31 July 2011, the Management Board is entitled to increase the subscribed capital by up to a total of € 16.0 million with the agreement of the Supervisory Board once or several times by issuing new no-par-value shares against payment.

It will be proposed to the Annual General Meeting that a dividend of € 1.00 (1.65) be paid out for each WürttLeben no-par-value share which is entitled to participate in profit, i.e. a total of € 12 177 920 (20 093 568).

Consolidated Balance Sheet
 Consolidated Income Statement
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 Notes to the consolidated financial statement

(16) DEVELOPMENT OF CONSOLIDATED EQUITY

DEVELOPMENT OF EQUITY IN FISCAL 2008

	SUBSCRIBED CAPITAL	CAPITAL RESERVE	PROFIT RESERVES	REVALUATION RESERVE
<i>in € thousand</i>				
Equity 1.1.2008	32 000	58 166	61 433	11 457
Unrealized profits and losses on investments	—	—	—	- 41 201
Change in the scope of consolidated companies	—	—	- 224	190
Result for the period	—	—	—	—
Dividend pay-out	—	—	- 20 094	—
Other changes	—	—	—	—
Equity 31.12.2008	32 000	58 166	41 115	- 29 554

	ACTUARIAL LOSSES ON PERFORM- ANCE-BASED PENSION SCHEMES	CONSOLIDATED PROFIT FOR THE YEAR	TOTAL	MINORITIES INTEREST IN THE EQUITY	TOTAL EQUITY
<i>in € thousand</i>					
Equity 1.1.2008	- 239	—	162 817	683	163 500
Unrealized profits and losses on investments	—	—	- 41 201	—	- 41 201
Change in the scope of consolidated companies	—	—	- 34	—	- 34
Result for the period	—	12 799	12 799	75	12 874
Dividend pay-out	—	—	- 20 094	- 44	- 20 138
Other changes	1 448	—	1 448	—	1 448
Equity 31.12.2008	1 209	12 799	115 734	714	116 449

DEVELOPMENT OF EQUITY IN FISCAL 2007

	SUBSCRIBED CAPITAL	CAPITAL RESERVE	PROFIT RESERVES	REVALUATION RESERVE
<i>in € thousand</i>				
Equity 1.1.2007	32 000	58 166	55 298	27 479
Unrealized profits and losses on investments	—	—	—	- 16 022
Change in the scope of consolidated companies	—	—	207	—
Result for the period	—	—	—	—
Dividend pay-out	—	—	- 15 267	—
Other changes	—	—	—	—
Equity 31.12.2007	32 000	58 166	40 238	11 457

	ACTUARIAL LOSSES ON PERFORMANCE- BASED PENSION SCHEMES	CONSOLIDATED PROFIT FOR THE YEAR	TOTAL	MINORITIES INTEREST IN THE EQUITY	TOTAL EQUITY
<i>in € thousand</i>					
Equity 1.1.2007	- 446	—	172 497	4 866	177 363
Unrealized profits and losses on investments	—	—	- 16 022	—	- 16 022
Changes in the scope of consolidated companies	—	—	207	—	207
Result for the period	—	21 195	21 195	80	21 275
Dividend pay-out	—	—	- 15 267	—	- 15 267
Other changes	207	—	207	- 4 263	- 4 056
Equity 31.12.2007	- 239	21 195	162 817	683	163 500

Consolidated Balance Sheet
 Consolidated Income Statement
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 Notes to the consolidated financial statement

(17) REVALUATION RESERVE

The revaluation reserve contains the non-realized profits and losses arising from the valuation of investments available for sale and the investments evaluated according to the equity method after account has been taken of the latent reserve for premium refunds and latent taxes.

In the fiscal year, – € 133.6 (– 167.6) million was recorded as equity due to the evaluation of the investments available for sale at fair value and – € 319.5 (50.6) million was withdrawn from the equity and transferred to the income statement through profit and loss.

(18) SUBORDINATE LIABILITIES

	AMORTISED COST		FAIR VALUE	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
<i>in € thousand</i>				
Subordinate liabilities	133 483	133 429	62 589	128 224

The subordinate liabilities break down into the following periods:

REMAINING PERIOD

<i>in € thousand</i>	31.12.2008	31.12.2007
More than five years	133 483	133 429
TOTAL	133 483	133 429

The subordinate liabilities existing on 31 December 2008 will be subject to the following interest rates until 2016:

INTEREST RATE IN %	NOMINAL VALUE IN € THOUSAND
5.38	130 000

(19) UNEARNED PREMIUMS

in € thousand	31.12.2008	31.12.2007
Gross	209 390	238 754
Share of reinsurers	17 201	20 059
Net	192 189	218 695

DEVELOPMENT OF UNEARNED PREMIUMS

in € thousand	GROSS		SHARE OF REINSURERS	
	2008	2007	2008	2007
As at 1.1	238 754	256 645	20 059	19 498
Change	- 29 364	- 17 891	- 2 858	561
As at 31.12	209 390	238 754	17 201	20 059

(20) AGGREGATE RESERVE

in € thousand	31.12.2008	31.12.2007
Gross	23 402 807	23 276 873
Share of reinsurers	1 528 509	1 562 851
Net	21 874 298	21 714 022

BREAKDOWN OF THE GROSS AGGREGATE RESERVE ACCORDING TO INSURED RISK

in € thousand	31.12.2008	31.12.2007
Mainly mortality risk	14 647 539	14 936 820
Mainly survival risk	8 294 363	7 895 660
Mainly disability risk	460 905	444 393
TOTAL	23 402 807	23 276 873

BREAKDOWN OF THE GROSS AGGREGATE RESERVE ACCORDING TO GUARANTEED INTEREST

<i>in € thousand</i>	31.12.2008	31.12.2007
Guaranteed interest 2.25 %	427 124	155 200
Guaranteed interest 2.75 %	1 640 146	1 432 398
Guaranteed interest 3.0 %	2 719 135	2 960 792
Guaranteed interest 3.25 %	2 732 322	2 531 519
Guaranteed interest 3.5 %	9 077 336	9 803 982
Guaranteed interest 4.0 %	6 806 744	6 392 982
TOTAL	23 402 807	23 276 873

DEVELOPMENT OF THE AGGREGATE RESERVE

<i>in € thousand</i>	GROSS		SHARE OF REINSURERS	
	2008	2007	2008	2007
As at 1.1	23 276 873	22 744 103	1 562 851	1 554 733
Change	125 934	532 770	- 34 342	8 118
As at 31.12	23 402 807	23 276 873	1 528 509	1 562 851

When insurance contracts are closed, receivables which are to be paid by policyholders but are not yet due are formed and are paid out of the first premiums. Only after this do we form aggregate reserves or insurance reserves in so far as the investment risk is borne by the policyholders. The main influences on the change in the balance of aggregate reserves, insurance reserves in so far as the investment risk is borne by the policyholders as well as receivables from the policyholders which are not yet due are shown in the following table:

DEVELOPMENT OF THE BALANCED AGGREGATE RESERVE

in € thousand	GROSS	
	2008	2007
As at 1.1		
Aggregate reserve	23 276 873	22 744 103
Insurance reserves in the area of life insurance in so far as the investment risk is borne by the policyholders	674 000	584 579
Receivables not yet due	- 76 347	- 83 359
Interim total	23 874 526	23 245 323
Transfer from premiums	1 915 998	1 972 928
Account interest	790 694	808 993
Benefit payments	- 2 087 310	- 2 018 514
Other	- 692 881	- 134 204
Final portfolio as at 31.12	23 801 027	23 874 526
Aggregate reserve	23 402 807	23 276 873
Insurance reserve in the area of life insurance in so far as the investment risk is borne by the policyholders	516 816	674 000
Receivables not yet due	- 118 596	- 76 347

(21) RESERVE FOR OUTSTANDING CLAIMS

in € thousand	31.12.2008	31.12.2007
Gross	89 984	103 798
Share of reinsurers	6 508	8 204
Net	83 476	95 594

DEVELOPMENT OF THE RESERVE FOR OUTSTANDING CLAIMS

in € thousand	GROSS		SHARE OF REINSURERS	
	2008	2007	2008	2007
As at 1.1	103 798	93 867	8 204	9 015
Change	- 13 814	9 931	- 1 696	- 811
As at 31.12	89 984	103 798	6 508	8 204

(22) RESERVE FOR PREMIUM REFUNDS**DEVELOPMENT OF THE NET RESERVE FOR PREMIUM REFUNDS**

<i>in € thousand</i>	2008	2007
a) Reserve for premium refunds (gross) in accordance with commercial law		
As at 1.1	2 116 929	1 991 593
Transfer	218 330	461 759
Withdrawals	– 352 088	– 336 423
Including:		
– withdrawal with effect on liquidity	– 215 488	– 189 065
– withdrawal with no effect on liquidity	– 136 600	– 147 358
As at 31.12	1 983 171	2 116 929
b) Reserve for latent premium refunds (gross)		
As at 1.1	534 322	782 863
Change in latent reserve for premium refunds	– 934 631	– 250 680
– Change due to revaluations with no effect on profit or loss	– 498 159	– 84 288
– Change due to revaluations through profit or loss	– 436 472	– 166 392
Change in scope of consolidated companies	– 294	2 139
As at 31.12	– 400 603	534 322
TOTAL	1 582 568	2 651 251

(23) OTHER INSURANCE RESERVES

<i>in € thousand</i>	GROSS		SHARE OF REINSURERS	
	2008	2007	2008	2007
As at 1.1	2 609	2 061	–	–
Other changes	– 661	548	–	–
As at 31.12	1 948	2 609	–	–

(24) INSURANCE RESERVES IN THE AREA OF LIFE INSURANCE IN SO FAR AS THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS

<i>in € thousand</i>	31.12.2008	31.12.2007
Gross	516 816	674 000
Share of reinsurers	11 082	14 104
Net	505 734	659 896

in € thousand	GROSS		SHARE OF REINSURERS	
	2008	2007	2008	2007
As at 1.1				
Insurance reserves in the area of life insurance in so far as the investment risk is borne by the policyholders	674 000	584 579	14 104	10 963
Other changes	– 157 184	89 421	– 3 022	3 141
As at 31.12				
Insurance reserves in the area of life insurance in so far as the investment risk is borne by the policyholders	516 816	674 000	11 082	14 104

(25) PENSION RESERVES

In the Group, there are employee schemes which are based on contributions and performance. In the case of the performance-based schemes, the employees receive direct pledges. These pledges are based on fixed-amount schemes or final-salary schemes. Contribution-based schemes are a form of private provision for old age through ARA Pensionskasse AG, the pension scheme of the Württembergische and direct insurance premiums. Contributions specified in advance and depending on salary are paid to the respective provider. The beneficiary has a claim against the pension scheme or the insurance company. The obligation of the employer has been fulfilled when the contributions are paid. In the period under review, contributions amounting to € 1 793 (2 474) thousand were paid.

The pension reserves from performance-based schemes were based on the following assumptions:

in %	31.12.2008	31.12.2007
Guaranteed interest rate	5.75	5.25
Pension trend	2.50	2.00
Trend in respect of people entitled to a pension	3.00	3.00
Salary trend	3.00	3.00
Fluctuation probability	3.50	3.50
Inflation trend	2.50	2.00

The actuarial assumptions regarding guaranteed interest and pension trend on which the pension obligations are based were adapted to the market conditions and inflation in 2008.

As in the preceding year, the mortality tables 2005 of Prof. Klaus Heubeck were used as biometric assumptions.

The development of the cash value of pensions where there is a future pension entitlement and the development of the pension reserve shown below.

CASH VALUE OF FUTURE ENTITLEMENTS

<i>in € thousand</i>	2008	2007
As at 01.01	71 852	87 532
Pension expenses in the income statement	4 772	5 548
– Expenses for length of service	1 061	1 650
– Interest expenses	3 711	3 898
Actuarial profits (-) and losses (+) included in equity with no effect on income	- 3 088	- 18 640
Pension payments	- 2 604	- 2 155
Scheduled pension payment	- 8 829	- 432
As at 31.12.	62 103	71 852

The cash value of future entitlements on 1 January and 31 December of each fiscal year corresponds to the balance sheet value of the pension reserve.

For fiscal 2009, direct pension payments for the pension schemes are expected to amount to € 3.1 (2.3) million.

The cash value of obligations to pay (cash value of entitlements), the surplus/deficit of the plans and the respective experience-based adaptations developed as follows between 2004 and 2008:

	31.12.2008	31.12.2007	31.12.2006	31.12.2005	31.12.2004
Cash value of the obligation to pay (DBO) in € thousand	62 103	71 852	87 532	89 208	12 588
Surplus/deficit of the plans in € thousand	62 103	71 852	87 532	89 208	12 588
Experience-based adaptation of the cash value of the obligation to pay (DBO) in per cent	- 0.9	- 7.9	- 2.9	1.2	1.6

(26) OTHER RESERVES

The 'Other' reserves include reserves for other benefits due in the long term to employees amounting to € 8 031 (11 959) thousand as well as the other remaining reserves to the amount of € 28 981 (38 538) thousand. The reserves for other benefits due in the long term to employees are reserves for early retirement benefits/part-time retiree work amounting to € 6 681 (9 147) thousand as well as reserves for anniversary payments amounting to € 1 350 (2 812) thousand.

For the evaluation of other benefits due in the long term to employees, we used a rate of guaranteed interest corresponding to the shorter periods of the obligations (pledges for early retirement 4.5%, part-time retiree contracts 4.5%, anniversary payments 5%).

DEVELOPMENT OF OTHER REMAINING RESERVES 2008

	1.1.2008	AMOUNTS USED	WITH- DRAWAL	RE- ASSIGNMENT	TRANSFER	31.12.2008
<i>in € thousand</i>						
Commission	8 474	3 581	4 913	—	9 701	9 681
Holiday and time credits	2 400	2 400	—	—	1 662	1 662
Other	27 664	16 333	3 122	- 503	9 932	17 638
TOTAL	38 538	22 314	8 035	- 503	21 295	28 981

The reserves referred to in the table above will foreseeably all be realized within one year.

DEVELOPMENT OF THE OTHER REMAINING RESERVES 2007

	1.1.2007	AMOUNTS USED	WITH- DRAWAL	TRANSFER	31.12.2007
<i>in € thousand</i>					
Commission	7 827	- 7 787	- 40	8 474	8 474
Holiday and time credits	2 263	- 1 280	—	1 417	2 400
Other	16 959	- 7 745	- 414	18 864	27 664
TOTAL	27 049	- 16 812	- 454	28 755	38 538

(27) OTHER LIABILITIES

The remaining periods of the „Other accounts payable“ are as follows:

REMAINING CONTRACTUAL PERIOD OF LIABILITIES

<i>in € thousand</i>	31.12.2008	31.12.2007
Up to 1 year	580 648	719 725
1 to 5 years	151 185	150 364
5 to 10 years	126 538	118 907
10 to 15 years	62 403	56 211
15 to 20 years	33 885	30 517
Over 20 years	44 826	39 760
Unspecified number of years	1 561 889	1 597 981
TOTAL	2 561 374	2 713 465

In the following table, the fair values of the liabilities are compared with their book values.

<i>in € thousand</i>	FAIR VALUE		BOOK VALUE	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Liabilities arising from direct insurance business	641 500	725 840	641 500	725 840
Clearing liabilities arising from reinsurance business	7 739	9 912	7 739	9 912
Retained deposits arising from ceded reinsurance business	1 556 063	1 597 981	1 556 063	1 597 981
Amounts payable to credit institutions	71 972	4 379	71 972	4 379
Tax debts	60 699	108 042	60 699	108 042
Other liabilities	223 401	267 311	223 401	267 311
TOTAL	2 561 374	2 713 465	2 561 374	2 713 465

Out of the liabilities arising from direct insurance business, € 617.3 (691.5) million are attributable to insurance policyholders and € 24.2 (34.3) million to insurance brokers.

The other liabilities include, among other things, accounts payable arising from supplies and services amounting to € 40.3 (29.0) million as well as liabilities in the area of personnel amounting to € 6.4 (9.3) million.

(28) TAX DEBTS

The tax debts concern the deferred ongoing taxes and will foreseeably be realised to the amount of € 0 (32 671) thousand within twelve months.

(29) TRADING LIABILITIES

The category „trading liabilities“ contains derivatives amounting to € 83.5 (25.6) million. Out of this amount, € 49.1 (6.2) million is attributed to interest-related transactions, € 24.0 (2.0) million is attributed to currency-related transactions and € 9.3 (17.4) million is attributed to share/index transactions and € 1.1 (0.0) is attributed to other derivatives.

BREAKDOWN OF REMAINING PERIODS OF TRADING ASSETS AND LIABILITIES AS AT 31.12.2008

	INTEREST TRANSACTIONS DERIVATES	CURRENCY TRANSACTIONS DERIVATES	SHARE/INDEX TRANSACTIONS DERIVATES	TOTAL DERIVATES
<i>in € thousand</i>				
Nominal values in €				
Up to 1 year	305 195	1 517 697	1 374 539	3 197 431
1 to 2 years	83 188	—	54 550	137 738
2 to 3 years	—	—	—	—
3 to 4 years	75 000	—	—	75 000
4 to 5 years	—	21 432	—	21 432
Over 5 years	500 000	—	—	500 000
TOTAL	963 383	1 539 129	1 429 089	3 931 601

BREAKDOWN OF REMAINING PERIODS OF TRADING ASSETS AND LIABILITIES AS AT 31.12.2007

	INTEREST TRANSACTIONS DERIVATES	CURRENCY TRANSACTIONS DERIVATES	SHARE/INDEX TRANSACTIONS DERIVATES	TOTAL DERIVATES
<i>in € thousand</i>				
Nominal values in €				
Up to 1 year	160 934	1 872 405	723 667	2 757 006
1 to 2 years	—	—	5 853	5 853
2 to 3 years	15 000	—	2 475	17 475
3 to 4 years	225 000	—	—	225 000
4 to 5 years	190 000	—	2 798	192 798
Over 5 years	365 000	—	1 190	366 190
TOTAL	955 934	1 872 405	735 983	3 564 322

BREAKDOWN OF REMAINING PERIODS FOR TRADING LIABILITIES

<i>in € thousand</i>	31.12.2008	31.12.2007
Fair value		
Up to 1 year	33 409	25 596
1 to 2 years	4 076	—
2 to 3 years	—	—
3 to 4 years	2 013	—
4 to 5 years	—	—
Over 5 years	44 017	—
TOTAL	83 515	25 596

(30) DERIVATES HELD FOR HEDGING PURPOSES WITH A NEGATIVE MARKET VALUE

The derivative financial instruments which were used for hedging purposes in the framework of hedge accounting are interest swaps.

BREAKDOWN OF REMAINING PERIODS OF DERIVATES HELD FOR HEDGING PURPOSES WITH A NEGATIVE MARKET VALUE

<i>in € thousand</i>	31.12.2008	31.12.2007
Fair value		
Up to 1 year	1 269	1 471
1 to 2 years	—	927
2 to 3 years	—	—
3 to 4 years	2 869	—
Over 5 years	—	—
TOTAL	4 138	2 398

From fair value hedges, the following profits and losses were achieved in relation to the hedging instruments and the hedged items:

<i>in € thousand</i>	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007
Result from hedging instruments	1 942	1 410
Result from hedged basic transactions	- 1 931	- 1 355

(31) LATENT TAX DEBTS

Latent tax debts were recorded in connection with the following items:

<i>in € thousand</i>	31.12.2008	31.12.2007
Intangible assets	49 467	55 732
Real estate held as investment	112 615	45 265
Other investments	41 336	14 310
Insurance reserves	—	111
Other	11 302	—
TOTAL	214 720	115 418

In the case of latent tax debts amounting to € 14 300 (10 456) thousand, it is assumed that they will be realised within twelve months.

Explanations regarding the consolidated income statement

(32) PREMIUMS

<i>in € thousand</i>	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007
Gross written premiums	2 243 676	2 328 747
Ceded reinsurance premiums	- 127 099	- 133 759
Net written premiums	2 116 577	2 194 988
Change in unearned premiums	26 507	18 452
– Gross	29 364	17 891
– Share of reinsurer	-2 857	561
Net earned premiums	2 143 084	2 213 440

(33) RESULT ON INVESTMENTS

<i>in € thousand</i>	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007
Result from:		
Real estate held as financial investment	43 499	65 014
Investments evaluated according to the equity method	- 7 584	- 18 374
Loans	673 788	650 497
Financial instruments which are available for sale at any time		
– Fixed-interest	172 046	140 362
– Non-fixed interest	- 981 692	184 892
Financial assets measured at fair value through profit or loss		
– Trading portfolio	649 037	141 859
– Fair value option	- 329 520	17 467
Including:		
– Structured products	- 80 298	5 536
– Investments for the account and risk of life insurance policyholders	- 249 222	11 931
Result from hedge relationships	- 11	- 55
Retained deposits from assumed insurance business	2	8
Expenses for the management of investments	- 81 633	- 90 111
TOTAL	137 932	1 091 559

The result on „real estate held as financial investment“ includes rent income amounting to € 81.7 (82.5) million. Operating costs and expenses for repairs and maintenance of land and buildings with which rental income has been achieved were incurred to the amount of € 13.5 (36.7) million in the year under review and are posted under the item „expenditure for the management of investments“. This only concerns objects with which rental income was achieved.

COMPOSITION OF EARNINGS AND EXPENSES ARISING FROM INVESTMENTS

<i>in € thousand</i>	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007
Earnings on investments	2 482 870	1 818 955
Rent income	81 722	82 514
Interest income	929 917	878 458
Dividend income	149 071	181 916
Income from increases in value	73 955	88 248
Including:		
Investments for the account and risk of life insurance policyholders	17 224	33 673
Profits from the disposal of investments	1 222 667	560 146
Other earnings	25 538	27 673
Expenses for investments	- 2 344 938	- 727 396
Current expenses	- 40 015	- 28 573
Investments evaluated according to the equity method	- 7 906	- 19 643
Depreciation on investments	- 1 359 179	- 208 506
Including:		
Real estate held as financial investment	- 48 207	- 66 696
Loans	- 32 713	- 8 060
Financial instruments available for sale at any time	- 835 813	- 68 687
Financial instruments classified at fair value through profit or loss	- 440 504	- 63 653
Trading assets	- 94 663	- 10 387
Fair value option	- 345 841	- 53 266
Including:		
Structured products	- 72 609	- 19 920
Investments for the account and risk of life insurance policyholders	- 273 232	- 33 346
Derivates held for hedging purposes	- 1 942	- 1 410
Losses from the disposal of investments	- 854 402	- 353 295
Administration expenses, interest expenses, other expenses	- 83 436	- 117 380
TOTAL	137 932	1 091 559

Consolidated Balance Sheet
 Consolidated Income Statement
 Statement of Income and Expenses
 Cash Flow Statement
 Notes to the consolidated financial statement

RESULT OF DISPOSAL OF FINANCIAL INSTRUMENTS AVAILABLE FOR SALE AT ANY TIME

	RESULT OF DISPOSAL		REALIZED PROFITS		REALIZED LOSSES	
	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007
<i>in € thousand</i>						
Fixed-interest securities	- 16 827	- 33 118	49 739	13 384	- 66 566	- 46 501
Non-fixed interest securities	- 302 700	83 669	288 393	305 672	- 591 093	- 222 003
TOTAL	- 319 527	50 551	338 132	319 056	- 657 659	- 268 504

(34) RESULT ON FINANCIAL INVESTMENTS EVALUATED ACCORDING TO THE EQUITY METHOD

The earnings from the companies evaluated according to the equity method amounted to € 322 (1269) thousand. These were accompanied by expenses arising from companies evaluated according to the equity method amounting to € 7 906 (19 643) thousand.

(35) OTHER EARNINGS

Other earnings include exchange rate profits amounting to € 112.9 (17.0) million, other insurance earnings amounting to € 64.6 (21.1) million, other interest earnings amounting to € 17.6 (16.6) and earnings from services performed, amounting to € 36.8 (24.8) million.

(36) BENEFITS PAID TO CUSTOMERS (NET)

<i>in € thousand</i>	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007
Gross		
Claims expenses		
Payments for claims	2 438 143	2 202 622
Change in the reserve for outstanding claims	13 407	9 931
Change in the other insurance reserves		
Aggregate reserve	– 31 329	622 068
Other	– 611	351
Change in the reserve for premium refunds	– 221 809	295 367
TOTAL	2 197 801	3 130 339
Share of reinsurers		
Claims expenses		
Payments for claims	191 732	146 824
Change in the reserve for outstanding claims	– 907	– 492
Change in the other insurance reserves		
Aggregate reserve	– 38 467	5 559
Other	–	–
Change in the reserve for premium refunds	–	–
TOTAL	152 358	151 891
Net		
Claims expenses		
Payments for claims	2 246 411	2 055 798
Change in the reserve for outstanding claims	14 314	10 423
Change in the other insurance reserves		
Aggregate reserve	7 138	616 509
Other	– 611	351
Change in the reserve for premium refunds	– 221 809	295 367
TOTAL	2 045 443	2 978 449

(37) UNDERWRITING EXPENSES (NET)

<i>in € thousand</i>	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007
Acquisition expenses	237 500	227 513
Administration expenses	69 577	71 169
Underwriting expenses (gross)	307 077	298 682
Earnings from commission arising from reinsurance business	- 9 130	- 21 391
Underwriting expenses (net)	297 947	277 291

In the period under review, € 1 793 (2 474) thousand was paid in the form of premiums for premium-based plans.

(38) FINANCING EXPENSES

This item mainly includes interest expenses arising from emitted subordinate capital.

(39) OTHER EXPENSES

Other expenses include exchange rate losses amounting to € 118.9 (61.1) million but mainly consist of expenses for services performed amounting to € 30.3 (25.1) million and similar expenses amounting to € 8.1 (16.6) as well as other insurance expenses amounting to € 102.4 (119.4) million.

(40) TAX EXPENSES/INCOME

The latent taxes with which the equity is directly burdened amounts to € 17 909 (10 026) thousand. Actual taxes did not burden the equity or and were not credited to it either.

<i>in € thousand</i>	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007
Actual taxes on income and earnings for the year under review	- 17 986	- 18 372
Actual taxes from outside the period under review	21 844	- 2 322
Total actual taxes	3 858	- 20 694
Latent taxes	- 7 678	51 471
Taxes on income and earnings	- 3 820	30 777
Other taxes	- 3 662	- 6 199
Tax expenses or tax earnings	- 7 482	24 578

The following transition statement shows the relationship between the taxes on income and profit and the actual taxes on income and profit posted in the consolidated financial statements.

TAX TRANSITION STATEMENT

in € thousand	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007
Result before profit taxes (after other taxes)	16 695	- 9 583
Derive taxes on earnings ¹	5 105	- 3 756
Tax rate differences	2 203	- 13 752
Tax effects arising from deviation of the assessment basis	456	- 5 656
Aperiodic effects	- 3 685	- 8 988
Other	-259	1 374
Posted profit tax	3 820	- 30 777

¹ Uniform Group tax rate

The profit tax rate of 30.58% cent which was selected as the basis for the transition statement is composed of 15% corporate tax plus 5.5% solidarity tax (for German reunification) and an average tax rate of 14.75% per cent for trade tax.

In 2007, only the latent taxes were calculated in accordance with IAS 12.46 ff, with account being taken of the corporate tax reform 2008.

Notes on risks arising from financial instruments and insurance contracts

(41) RISK MANAGEMENT

The WürttLeben Group has a comprehensive risk management apparatus with a risk management process that is organised in the form of an iterative control circuit. Risk management concentrates on such risks which can endanger the continued existence of the companies in the WürttLeben Group or have a significant influence on their assets, financial situation or earnings. The method of risk management adopted satisfies the requirements of KonTraG. This risk management and risk controlling system, which is suitable for detecting current and predictable future risks in good time and, to the extent possible, evaluating them, is described in detail in the risk report contained in the report of the management board on page 17.

There, strategies, objectives and procedures for controlling risks as well as the methods for assessing risks and the continued development of the risk management system in the period under review are also described. Operational risks, strategic risks and concentration risks are also dealt with the risk report contained in the report of the management board. In risk reports, the consequences and effects of the financial crisis on the individual risk areas of the WürttLeben Group are given special consideration (page 19 ff.). Additional qualitative and quantitative information on market price risks, default risks, insurance risks and liquidity risks is provided in the following sections.

(42) MARKET PRICE RISKS

Interest-change risks

The interest-change risk as a form of market-price risk describes the danger that a change in market interest rates could have adverse effects on the expected and/or planned results and/or assets and debts of the WürttLeben Group. The interest-change risk results from the market value risks of an investment in connection with the obligation to generate the guaranteed interest as well as the guaranteed surrender values for the policyholders.

If the interest rate remains at a low level, risks in terms of the result can occur for the WürttLeben Group because new investments and reinvestments are only possible at lower rates of interest but, at the same time, the obligation to pay the pledged guaranteed interest to the customer still has to be fulfilled. The guarantee risk is countered with a comprehensive asset liability management system and a dynamic product and tariff policy.

In order to control the interest-change risk, financial derivatives are used within the Group, especially interest swaps and futures. In the risk management and controlling process, they are reflected as economic hedging transactions.

If the preconditions for hedge accounting have been met for these economic hedging transactions, the hedge relationships are also shown in the IFRS financial statements as such. In the WürttLeben Group, fixed-interest receivables are hedged in order to protect against asset value losses (fair value hedge).

The main purpose of using interest derivatives in the WürttLeben Group is to hedge against interest-change risks and to avoid risk concentrations.

The effects of a possible increase or decrease in the interest level by 100 or 200 basis points (parallel shift of the interest structure curve) on the consolidated result and on the consolidated equity are shown in the following table (without the risk of cash flow interest changes being taken into account). In view of the financial crisis and the observable increased volatility on the interest markets, a possible increase or decrease of the interest level by 200 base points was given consideration as well. The effects are after latent tax and after adjustment of the latent reserve for premium refunds. As a result of the latter, the effect of market-interest changes on the consolidated result and the consolidated equity is relatively small. In the case of portfolios which are posted on the balance sheet in „Loans and receivables at amortised costs“ in the Loans item, there is no interest-change risk relating to asset values in respect of the consolidated result or the consolidated equity. This does not apply to the basic transactions of a fair value hedge relationships because these are measured at fair value in respect of the risk to be hedged.

in € thousand	CONSOLIDATED RESULT		CONSOLIDATED EQUITY	
	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007	31.12.2008	31.12.2007
Net effect after latent tax and latent reserve for premium refunds				
+ 100 basis point ¹	- 2 152.5	- 2 814.8	- 18 549.1	- 11 557.3
- 100 basis point ²	2 308.9	3 265.4	20 395.0	12 576.7
+ 200 basis points ¹	- 4 528.4	—	- 35 200.4	—
- 200 basis points ²	5 112.1	—	42 147.7	—

1 Effect of a change in interest of + 100/200 basis points on the net consolidated result/net equity.
2 Effect of a change in interest of - 100/200 basis points on the net consolidated result/net equity.

If the effects of the interest change risks relating to cash flow and fair value are considered together, there is compensation of the respective opposing effects on the consolidated result in the fiscal year. This can be seen in the following table.

in € thousand	CONSOLIDATED RESULT
	1.1.2008 to 31.12.2008
Net effect after later tax and latent reserve for premium refunds	
+ 100 basis point ¹	- 6.9
- 100 basis point ²	163.3
+ 200 basis points ¹	- 237.2
- 200 basis points ²	820.1

1 Effect of a change in interest of + 100/200 basis points on the net consolidated result/net equity.
2 Effect of a change in interest of - 100/200 basis points on the net consolidated result/net equity.

Risks of a change in the price of equity instruments

The risk of a change in the price of equity instruments involves the danger that, due to movements on the market, the assets and therefore the consolidated result/consolidated equity can alter to the disadvantage of the company. It also involves a specific risk concerning issuer-related aspects.

Within the WürtttLeben Group, the risk of a change in the price of equity instruments primarily involves the share-price risk. The share-price risk is the risk that losses due to changes in price can result from open share items.

The risk of a change in the price of equity instruments is controlled by means of financial derivatives and, especially, share options and futures. These are used to implement certain investment strategies in fund assets and also to achieve additional earnings.

The WürtttLeben Group analyses the changes in value of the investment portfolio in relation to market fluctuations on the basis of simulations and stress scenarios.

The following overview shows what effects a 10, 20 or 30 per cent increase or decrease in the market values of equity instruments would have had on the consolidated result or on the revaluation reserve within the consolidated equity. The effects are after tax and after adjustment of the latent reserve for premium refunds. Apart from the scenarios considered last year and taking into account the increased market fluctuations in the course of the financial crisis, the effects of an increase or, respectively, a decrease in the market values of equity instruments by 30% was analysed.

The overview shows that negative price-change risks of equity instruments significantly impact the consolidated result. Positive price changes mainly affect the consolidated equity as they are mainly assigned to the category of financial instruments available for sale at any time and therefore impact the revaluation reserve. Due to the existing impairment regulations (permanent impairment), a displacement of the effects from consolidated equity to the consolidated result can be confirmed in relation to the preceding year. If the effects on the consolidated equity and on the consolidated result are considered together, it becomes clear that an increase in the market values results in a smaller positive change than in the preceding year. At the same time, the effects of a reduction of market values are weakened. The effects reflect our effective hedging strategies.

	CONSOLIDATED RESULT		CONSOLIDATED EQUITY	
	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007	31.12.2008	31.12.2007
<i>in € thousand</i>				
Net effect after latent tax and latent reserve for premium refunds				
+ 10 %	- 12 408.1	- 1 961.2	20 471.6	17 090.3
- 10 %	- 1 874.3	576.8	- 3 369.5	- 16 258.9
+ 20 %	- 24 811.5	- 4 987.3	40 945.1	34 096.7
- 20 %	- 6 113.1	1 758.3	- 2 994.8	- 32 571.6
+ 30 %	- 37 215.9	—	61 414.7	—
- 30 %	- 12 795.6	—	133.9	—

Currency risks

A currency risk is the danger that losses will be incurred due to a change in the currency exchange rates. The extent of this risk depends on the value of the open items and on the potential for change exhibited by the currency in question.

Currency risks in the area of investments result from open net currency items and essentially exist in globally oriented investment funds. In the framework of continually reviewed exchange-rate expectations by the fund managers, currency risks are recorded and analysed systematically. If necessary, measures to reduce the risks are taken.

The effects of an increase or decrease in the main currency exchange rates on the consolidated result and on the revaluation reserve within the corporate equity are shown in the table below. The effects are after tax and after adjustment of the latent reserve for premium refunds.

The currency exchange-rate risk as shown is the result of items on the assets side and the liabilities side and only includes monetary assets, i.e. cash and entitlements in the form of amounts of money, as well as obligations that have to be settled with an amount of money that is fixed or can be determined. Currency exchange-rate risks arising from equity instruments (non-monetary assets) are not included.

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in € thousand	CONSOLIDATED RESULT		REVALUATION RESERVE	
	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007	31.12.2008	31.12.2007
Net effect after latent tax and reserve for latent premium refunds				
USD				
+ 10 %	- 5.6	985.0	130.1	149.3
- 10 %	5.6	- 985.0	- 130.1	- 149.3
+ 20 %	- 11.1	—	260.3	—
- 20 %	11.1	—	- 260.3	—
GBP				
+ 10 %	675.2	11.5	20.2	67.5
- 10 %	- 675.2	- 11.5	- 20.2	- 67.5
YEN				
+ 10 %	272.3	96.1	194.7	277.1
- 10 %	- 272.3	- 96.1	- 194.7	- 277.1
DKK				
+ 1 %	97.0	937.3	—	—
- 1 %	- 97.0	- 937.3	—	—

Apart from the scenarios considered last year and taking into account the increased volatility on the currency markets in the course of the financial crisis, the effects of an increase or, respectively, a decrease in the €/USD exchange rate by 20% were analysed for the first time.

In the WürttLeben Group, forward exchange transactions are used to hedge against foreign currency risks and avoid risk concentrations. The overview shows that our foreign currency risk as a whole was successfully reduced, primarily by means of specific hedging measures.

(43) DEFAULT RISKS

The default risk is a major risk which is typical of the industry and is assumed by the consolidated companies. The risk of a loss or lost profit due to the default of a party to a contract is designated as a default risk. The term 'default risk' covers the following basic types of risk:

Credit risk: The credit risk is the danger that a party to a contract will be unable to fulfil his obligations after receiving the liquid funds, securities or services provided for in the contract (e.g. risk of default of a debtor or a bond issuer; utilisation risk in the case of collateral provided).

Counterparty risk: The profit default risk is the danger that a non-realised profit on pending transactions can no longer be collected due to default of a party to a contract (e.g. default of a counterparty to a swap contract in the case of a swap with a positive market value).

Country risk: A credit risk or counterparty risk which is not due to the individual situation of the party to the contract himself but arises due to his activity abroad. This risk can be caused by political crises or economic developments in this country which lead to transfer problems and therefore additional default risks.

Shareholder risk: The shareholder risk is the danger that asset losses will occur as a result of equity being made available to third parties.

Default risks are especially the result of investment activity and of direct-insurance and reinsurance business done by the insurance companies of the WürtttLeben Group (receivables default risk).

In controlling the default risks, we comply equally with the legal requirements and the insurance supervisory law.

The Group monitors risks arising from default on receivables due from agents, brokers, insurance policyholders and reinsurers with the help of EDP-based checks of outstanding amounts. In the case of receivables from insurance policyholders, the average default rate of the last three years was 0.1% on the balance sheet date. The average default rate of the last three years of receivables from brokers and agents is 2.9%. Receivables on reinsurance constitute an insignificant risks due to the high solvency of the reinsurers.

For acute and latent default risks, adequate provision for risks is ensured and posted in the financial statements. Receivables are checked individually as to whether they have retained their value. Impairment or the impossibility of collection is the case when the expectations regarding the future cash flow arising from a financial asset or a group of assets change, i.e. when it is to be assumed that the newly expected cash flow arising from the asset or the portfolio of assets is no longer the same as the originally expected cash flow.

For significant receivables (significant value of receivables and significant outstanding repayments of capital), specific value allowance reserves are determined. Specific value allowances reserves are used to cover acute default risks in the event that it is probable that not all the interest payments and repayments of capital can be made.

In addition, globalised individual value allowances on a portfolio basis are made for receivables of minor importance.

Objective signs of impairment are losses which have occurred and been detected. Such losses are regularly the result of financial difficulties experienced by the debtor or the latter's breach of contract. Objective signs that indicate impairment of a financial asset or group of financial assets are as follows:

- Considerable financial difficulties experienced by the debtor
- Violations of clauses in a contract such as delay or failure to make interest payments and capital repayments
- Delay in payment of more than 90 days
- Deferment of payment obligations or failure to comply with them
- Initiation of coercive measures
- Imminent danger of insolvency or excessive debts
- Application for bankruptcy or initiation of bankruptcy proceedings
- Failed rehabilitation measures
- Disappearance of an active market for financial assets due to the financial difficulties of the debtor
- The existence of observable data which suggest that the recoverable amount of the expected future cash flow is decreasing without this reduction being attributable to a single financial instrument

In order to determine the value allowances on a portfolio basis or to determine homogeneous portfolios with comparable risk features, reference is made to specific credit risk characteristics which are significant for the insolvency of the borrower during the period of the receivables. The branch of industry, geographical locations and the delay status are used as indications of the credit risk. Within the Group, a distinction is made between types of debtor (e.g. insurance representatives, policyholders, parties owing interest/rent). When the value allowances are being determined, reference is made to historical default probabilities and also to current developments in the economic environment. The globalised individual value allowances on receivables from insurance policyholders arising from direct insurance business, whereby these receivables are not yet, are also based on experience.

These allowances are dissolved if the objective signs of impairment cease to exist, an unexpected repayment is made or the recoverable amount increases. The latter case can be contingent upon an increase in or earlier due date of the repayments.

Receivables are written off if the assessment of the debt management shows that receivables cannot be collected. In principle, a receivable is written off if all economically reasonable methods of collecting the debt have been unsuccessful. If the debtor is unable to fulfil his obligations due to his economic situation or if the proceeds obtainable from the sale of collateral which has been provided are not sufficient to settle the debt, the receivable is written off.

Reinsurance contracts are engaged in with companies in the insurance market that are of excellent financial standing. The default risk in this case is greatly reduced.

In order to limit the risk of bonds, assessment of the solvency of the respective issuer is of central importance. In addition to classification by international rating agencies, internal assessment is a primary selection criterion. The great majority of bonds have a rating of „A“ or better (see „Breakdown of assets which are neither overdue nor impaired according to rating class“, table on page 92). Moreover, many of the bonds in the portfolio continue to be protected by public guarantor liability and deposit protection systems or the guarantee fund prescribed by law.

The maximum credit risk associated with financial assets measured at fair value through profit and loss amounts to € 474 142 (784 133) thousand.

In the event of impairment of borrowed capital in the category of financial instruments „available for sale at any time“, depreciation through profit and loss is carried out if one of the following criteria is met:

- Significant financial difficulties
- Violation of the contract (e.g. a failure to make interest payments or repayments of the capital or delay in doing so)
- Concessions to the debtor in connection with the financial difficulties
- Increased probability of bankruptcy proceedings
- Active market for financial assets disappears due to financial difficulties of the debtor
- Verifiable data which imply smaller cash flows in future (change in the paying habits of a group, adverse general economic conditions)

Given that the Group's business activities are mainly restricted to Germany, the country risk is classified as small. Foreign business is transacted in countries of the European Union or in countries with a stable political and economic environment.

On the balance sheet date, the following assets which are subject to a default risk are posted as well as the following assets which are subject to a default risk and which arise from direct-insurance and reinsurance contracts. Existing collateral which minimizes the credit risk is not taken into account in the following table.

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	ASSETS WHICH ARE NEITHER OVERDUE NOR INDIVIDUALLY IMPAIRED	ASSETS WHICH ARE OVERDUE AND NOT INDIVIDUALLY IMPAIRED	ASSETS WHICH ARE INDIVIDUALLY IMPAIRED	EXISTING PORT- FOLIO VALUE ALLOWANCES	TOTAL
<i>in € thousand</i>					
Financial instruments/retained deposits	21 661 947	91 370	20 792	- 2 545	21 771 564
Loans	16 946 095	91 370	20 792	- 2 545	17 055 712
Mortgage loans	2 239 079	91 370	20 792	- 2 545	2 348 696
Loans and advance payments on insurance policies	189 101	—	—	—	189 101
Other loans	14 517 915	—	—	—	14 517 915
Financial instruments available for sale at any time	4 179 938	—	—	—	4 179 938
Fixed-interest securities	4 179 938	—	—	—	4 179 938
Financial instruments measured at fair value through profit and loss	535 882	—	—	—	535 882
Trading assets	61 740	—	—	—	61 740
Fair value option (excluding investments for the account and risk of life insurance policyholders)	474 142	—	—	—	474 142
Retained deposits arising from assumed reinsurance business	32	—	—	—	32
Share of reinsurers in the insurance reserves	1 563 300	—	—	—	1 563 300
Accounts receivable	335 656	—	1 403	- 3 476	333 583
Receivables from direct insurance business	173 186	—	981	- 3 143	171 024
– from policyholders	160 485	—	—	- 3 143	157 342
– from insurance brokers	12 701	—	981	—	13 682
Accounts receivable from clearing transactions arising from reinsurance business	6	—	—	—	6
Other receivables	162 464	—	422	- 333	162 553
Current deposits with credit institutions, cheques and cash	661 650	—	—	—	661 650
TOTAL	24 222 553	91 370	22 195	- 6 021	24 330 097

ASSETS AS AT 31.12.2007

	ASSETS WHICH ARE NEITHER OVERDUE NOR INDIVIDUALLY IMPAIRED	ASSETS WHICH ARE OVERDUE AND NOT INDIVIDUALLY IMPAIRED	ASSETS WHICH ARE INDIVIDUALLY IMPAIRED	EXISTING PORT- FOLIO VALUE ALLOWANCES	TOTAL
<i>in € thousand</i>					
Financial instruments/retained deposits	21 082 748	93 257	18 921	- 2 545	21 192 381
Loans	16 912 918	93 257	18 921	- 2 545	17 022 551
Mortgage loans	2 375 744	93 257	18 921	- 2 545	2 485 377
Loans and advance payments on insurance policies	200 503	—	—	—	200 503
Other loans	14 336 671	—	—	—	14 336 671
Financial instruments available for sale at any time	3 312 685	—	—	—	3 312 685
Fixed-interest securities	3 312 685	—	—	—	3 312 685
Financial instruments measured at fair value through profit and loss	857 073	—	—	—	857 073
Trading assets	72 940	—	—	—	72 940
Fair value option (excluding investments for the account and risk of life insurance policyholders)	784 133	—	—	—	784 133
Retained deposits arising from assumed reinsurance business	71	—	—	—	71
Share of reinsurers in the insurance reserves	1 605 218	—	—	—	1 605 218
Accounts receivable	372 047	—	936	- 4 022	368 961
Receivables from direct insurance business	143 423	—	792	- 3 925	140 290
– from policyholders	133 206	—	—	- 3 925	129 281
– from insurance brokers	10 217	—	792	—	11 009
Accounts receivable from clearing transactions arising from reinsurance business	9	—	—	—	9
Other receivables	228 615	—	144	- 97	228 662
Current deposits with credit institutions, cheques and cash	386 542	—	—	—	386 542
TOTAL	23 446 554	93 257	19 857	- 6 567	23 553 101

The overdue but not individually impaired assets include not only overdue instalment payments but also the respective underlying overall receivable. Default risks that exist are also minimized by the acceptance of collateral, primarily in the area of real-estate financing.

The loans of the WürttLeben Group which are issued in the framework of building finance transactions are fully secured by means of land charges.

In addition, the WürttLeben Group has participated in the stabilisation package for Hypo Real Estate-Gruppe. For the government guarantee with a total value of € 35 billion, the WürttLeben Group has granted a back-up guarantee in the form of guaranties worth over € 24.3 million.

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The following table shows a breakdown of the assets according to external rating classes, these assets being neither overdue nor impaired on the balance sheet date.

ASSETS ACCORDING TO RATING CLASSES AS AT 31.12.2008

	AAA	AA	A	BBB	BB	B OR WORSE	WITHOUT RATING	TOTAL
<i>in € thousand</i>								
Investments								
Financial instruments/ retained deposits	9 446 641	7 412 066	1 302 465	666 586	160 031	27 428	2 646 730	21 661 947
Loans	6 533 271	6 676 084	647 865	466 153	4 253	—	2 618 469	16 946 095
Mortgage loans	—	—	—	—	—	—	2 239 079	2 239 079
Loans and advance payments on insurance policies	—	—	—	—	—	—	189 101	189 101
Other loans	6 533 271	6 676 084	647 865	466 153	4 253	—	190 289	14 517 915
Financial instruments available for sale at any time	2 908 956	548 073	363 879	175 714	151 493	27 428	4 395	4 179 938
Fixed-interest securities	2 908 956	548 073	363 879	175 714	151 493	27 428	4 395	4 179 938
Financial instruments measured at fair value through profit and loss	4 414	187 909	290 721	24 719	4 285	—	23 834	535 882
Retained deposits arising from assumed reinsurance business	—	—	—	—	—	—	32	32
Share of reinsurers in the insurance reserves	1 542 262	19 154	—	1 884	—	—	—	1 563 300
Accounts receivable	—	—	—	65 960	—	—	269 696	335 656
Receivables from direct insurance business	—	—	—	—	—	—	173 186	173 186
– from policyholders	—	—	—	—	—	—	160 485	160 485
– from insurance brokers	—	—	—	—	—	—	12 701	12 701
Accounts receivable from clearing transactions arising from reinsurance business	—	—	—	—	—	—	6	6
Other receivables	—	—	—	65 960	—	—	96 504	162 464
Current deposits with credit institutions, cheques and cash	—	89 078	411 667	157 255	—	—	3 650	661 650
TOTAL	10 988 903	7 520 298	1 714 132	891 685	160 031	27 428	2 920 076	24 222 553

ASSETS ACCORDING TO RATING CLASSES AS AT 31.12.2007

	AAA	AA	A	BBB	BB	B OR WORSE	WITHOUT RATING	TOTAL
<i>in € thousand</i>								
Investments								
Financial instruments/ retained deposits	10 493 328	4 840 959	1 553 201	582 821	70 354	47 466	3 494 619	21 082 748
Loans	8 291 753	4 189 979	954 804	108 575	—	—	3 367 806	16 912 918
Mortgage loans	—	—	—	—	—	—	2 375 744	2 375 744
Loans and advance payments on insurance policies	—	—	—	—	—	—	200 503	200 503
Other loans	8 291 753	4 189 979	954 804	108 575	—	—	791 559	14 336 671
Financial instruments available for sale at any time	2 153 510	208 862	432 243	358 739	49 921	47 466	61 945	3 312 685
Fixed-interest securities	2 153 510	208 862	432 243	358 739	49 921	47 466	61 945	3 312 685
Financial instruments measured at fair value through profit and loss	48 065	442 117	166 153	115 507	20 433	—	64 798	857 073
Retained deposits arising from assumed reinsurance business	—	—	—	—	—	—	71	71
Share of reinsurers in the insurance reserves	—	1 533 153	—	2 237	—	—	69 828	1 605 218
Accounts receivable	99 447	9	—	69 322	—	—	203 269	372 047
Receivables from direct insurance business	98 573	—	—	10 021	—	—	34 829	143 423
— from policyholders	98 573	—	—	10 021	—	—	24 612	133 206
— from insurance brokers	—	—	—	—	—	—	10 217	10 217
Accounts receivable from clearing transactions arising from reinsurance business	—	9	—	—	—	—	—	9
Other receivables	873	—	—	59 301	—	—	168 441	228 615
Current deposits with credit institutions, cheques and cash	972	142 316	124 965	117 880	—	—	409	386 542
TOTAL	10 593 747	6 516 436	1 678 165	772 260	70 354	47 466	3 768 126	23 446 554

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On the balance sheet date, financial assets with a balance sheet value of € 91.4 (93.3) million were overdue in the Group but were not individually impaired.

The details of overdue assets in terms of times are shown in the following table.

DETAILS OF OVERDUE ASSETS AS AT 31.12.2008

	UP TO 1 MONTHS OVERDUE	BETWEEN 1 AND 2 MONTHS OVERDUE	BETWEEN 2 AND 3 MONTHS OVERDUE	BETWEEN 3 MONTHS AND 1 YEAR OVERDUE	MORE THAN 1 YEAR OVERDUE	TOTAL
<i>in € thousand</i>						
Investments						
Financial instruments	27 760	10 563	7 778	25 409	19 860	91 370
Loans	27 760	10 563	7 778	25 409	19 860	91 370
Mortgage loans	27 760	10 563	7 778	25 409	19 860	91 370
TOTAL	27 760	10 563	7 778	25 409	19 860	91 370

DETAILS OF OVERDUE ASSETS AS AT 31.12.2007

	UP TO 1 MONTHS OVERDUE	BETWEEN 1 AND 2 MONTHS OVERDUE	BETWEEN 2 AND 3 MONTHS OVERDUE	BETWEEN 3 MONTHS AND 1 YEAR OVERDUE	MORE THAN 1 YEAR OVERDUE	TOTAL
<i>in € thousand</i>						
Investments						
Financial instruments	28 999	13 257	7 668	28 182	15 151	93 257
Loans	28 999	13 257	7 668	28 182	15 151	93 257
Mortgage loans	28 999	13 257	7 668	28 182	15 151	93 257
TOTAL	28 999	13 257	7 668	28 182	15 151	93 257

The overdue, not individually impaired receivables resulting from mortgage loans are fully secured by means of land charges.

On the balance sheet date, there were individually impaired assets with a balance sheet value of € 22.2 (19.9) million.

The gross values of the corresponding assets, direct depreciation carried out up to the balance sheet date, specific value allowances formed up to the balance sheet date and the balance sheet values of the corresponding assets are shown in the overview below.

INDIVIDUALLY IMPAIRED ASSETS AS AT 31.12.2008

	GROSS VALUE	GROSS VALUE	SPECIFIC VALUE ALLOWANCE	TOTAL
<i>in € thousand</i>				
Investments				
Financial instruments	34 122	- 662	- 12 668	20 792
Loans	34 122	- 662	- 12 668	20 792
Mortgage loans	34 122	- 662	- 12 668	20 792
Accounts receivable	2 623	- 224	- 996	1 403
Receivables arising from direct insurance business	1 409	—	- 428	981
– from insurance brokers	1 409	—	- 428	981
Other receivables	1 214	- 224	- 568	422
TOTAL	36 745	- 886	- 13 664	22 195

INDIVIDUALLY IMPAIRED ASSETS AS AT 31.12.2007

	GROSS VALUE	GROSS VALUE	SPECIFIC VALUE ALLOWANCE	TOTAL
<i>in € thousand</i>				
Investments				
Financial instruments	33 764	- 276	- 14 567	18 921
Loans	33 764	- 276	- 14 567	18 921
Mortgage loans	33 764	- 276	- 14 567	18 921
Accounts receivable	1 472	—	- 536	936
Receivables arising from direct insurance business	1 209	—	- 417	792
– from insurance brokers	1 209	—	- 417	792
Other receivables	263	—	- 119	144
TOTAL	35 236	- 276	- 15 103	19 857

Most of the individually impaired assets are attributable to mortgage loans, the majority of which are secured by means of land charges.

(44) INSURANCE RISKS

Portrayal of the insurance portfolio

In the WürttLeben Group, life insurance business is engaged in with endowment insurance, term insurance, annuity assurance and occupational disability insurance. The life insurance contracts essentially consist of long-term policies with a discretionary level of profit participation. Unit-linked life and annuity assurance policies are covered congruently by the fund shares attributable to the life insurance policies.

The Group does not engage in active reinsurance business.

Insurance portfolio risks and the risk management system

It is characteristic of life insurance that the obligations entered into are long-term obligations. The guaranteed benefits are calculated with correspondingly cautious assumptions. In the course of time, however, the underlying factors involved in calculation can change substantially with the result that significant payment flows diverge from their expected value.

Risks arising from life insurance business essentially consist of the mortality risk and other biometric risks as well as the interest risk and the cost risk.

The biometric variables used for calculation such as mortality, life expectancy or probabilities of disability are subject to short-term risks of fluctuation and error as well as long-term change trends. These risks are monitored continually by means of actuarial analyses and checks. For product development, these changes are taken into account by means of corresponding actuarial models.

The assessment of the longevity risk is especially important for the aggregate reserve in annuity assurance. In addition to monitoring its own results, the company relies on knowledge, reports and guidelines of the DAV in order to stabilise its information basis. Due to the still insufficiently weakened trend in the improvement of mortality, The WürttLeben Group has again increased the safety margins for the longevity risk in the aggregate reserve. Future gains in knowledge in respect of mortality development or the safety-margin increase recommended by the DAV can lead to further transfers to the aggregate reserve.

The methods of calculation are regarded as appropriate both by the supervisory authority and the DAV. In internal reports to the supervisory authority, figures are checked against the actual results. Small changes in the assumptions which the calculation is based on and which have been made regarding biometry, interest and costs are absorbed by the safety margins adopted in the process of calculation.

If there is any change in the expectations regarding risks, costs and/or interest, the effect on the result is considerably reduced by adaptation of the policyholders' future participation in profit.

The risks are limited by means of suitable passive reinsurance contracts engaged in with first-class reinsurance companies.

Notes on concentrations of insurance risks

Concentrations of insurance risks in life insurance result from regional risk concentrations as well as from individual insurance contracts if the insured risks are correspondingly high.

The WürttLeben Group counters the problem of regional risk concentrations by selling its insurance products throughout the whole of Germany.

Risk concentration arising from individual insurance contracts (cluster risk) is reduced by means of passive reinsurance contracts with first-class reinsurers.

Other risk concentrations result from the respective insured risks, the mortality risk, the longevity risk and the disability risk. In order to illustrate the existing risk concentration, the following table shows the aggregate reserve broken down in terms of the insured risk.

AGGREGATE RESERVES ACCORDING TO TYPE OF INSURED RISK

	GROSS		NET	
	31.12.2008	31.12.2008	31.12.2007	31.12.2007
<i>in € thousand</i>				
Mainly mortality risk	14 647 539	13 551 363	14 936 820	13 789 543
Mainly survival risk	8 294 363	7 904 215	7 895 660	7 539 139
Mainly disability risk	460 905	418 720	444 393	385 340
TOTAL	23 402 807	21 874 298	23 276 873	21 714 022

In the area of life insurance, there are no risk concentrations (cluster risks) arising from individual insurance contracts either on a gross or net basis. This is shown in the following table, in which the gross aggregate reserve is broken down according to the sums assured (12 times the yearly annuity in the case of annuity assurance) of the underlying insurance contracts. The risk concentration is, again, considerably reduced by means of reinsurance.

**AGGREGATE RESERVES OF THE UNDERLYING INSURANCE CONTRACTS
 WITH AN INSURED SUM OF**

in € thousand	GROSS		GROSS	
	31.12.2008	31.12.2008	31.12.2007	31.12.2007
Less than € 0.5 million	22 918 712	97.93 %	22 723 992	97.62 %
€ 0.5 million to € 1 million	262 612	1.12 %	267 181	1.15 %
€ 1 million to € 5 million	202 905	0.87 %	216 482	0.93 %
€ 5 million to € 15 million	18 578	0.08 %	16 860	0.07 %
€ 15 million to € 50 million	—	—	52 358	0.23 %
More than € 50 million	—	—	—	—
TOTAL	23 402 807	100.00 %	23 276 873	100.00 %

Underwriting risks

SENSITIVITY ANALYSIS

In life insurance, the guaranteed benefits are calculated with large safety margins in order to do justice to the long-term nature of the insurance. Discretionary profit participation is used as a method of passing on safety margins which are not needed to the customer. Short-term fluctuations are compensated for by reducing or increasing the transfer to the reserve for premium refunds which is intended for future profit participation. In the case of long-term changes, the profit participation is also adapted accordingly.

BIOMETRIC RISK

In the case of life insurance policies (endowment and term insurance), an increase in mortality reduces the result whereas, in the case of annuity assurance, the result is increased. The expected mortality rates are clearly taken into account by the existing safety margins. A change only has marginal effects in the gross result according to the previously described mechanism if these effects are not absorbed by a change in the transfer to the reserve for premium refunds. The passive reinsurance which is engaged in further reduces this effect. In the area of occupational disability insurance, the probability of disability is subject to social and economic developments as well as medical and legal changes. The safety margins included in the calculation are also clearly present here. The expected disability will therefore produce a positive result. A realistically assumed change in the probability of disability does not lead to more than marginal effects on the consolidated result, either gross or net.

CANCELLATION RISK

Increased cancellations by customers can lead to greater losses of liquidity than expected. Changes in the cancellation rate in the past, however, have not been subject to any severe fluctuation and, therefore, only slight changes are to be classified as realistic. These effects are insignificant in terms of the result, both gross and net.

Negative effects on the result occur in the first few years after the contract has been signed if claims against the policyholder which are not yet due and which can no longer be realised after cancellation are posted. Cancellations are dealt with by the formation of an appropriate value allowance. The formation of value allowances is based on cautious assumptions, based on the experience of the preceding years.

In the case of a surrender in later years, charges for cancellation have a positive effect on the business result because the reserves at least include the surrender value so that pay-out is countered by withdrawal from the reserve.

Unit-linked types of insurance are congruently covered with the corresponding funds and additionally made guarantee pledges have also been taken into account in the aggregate reserve. An increase or reduction in the cancellation rate does not lead to any significant effects on the result.

Risks arising from options and guarantees included in insurance contracts

UNIT-LINKED LIFE AND ANNUITY ASSURANCE: GUARANTEED MINIMUM BENEFITS

In the case of unit-linked annuity assurance, the investment risk is borne by the policyholders. There is no market risk because all contracts are covered congruently. The products are designed in such a way as to ensure that parts of the premium are reserved for the guaranteed minimum benefits.

ANNUITY ASSURANCE: RIGHT TO CHOOSE PAY-OUT OF THE CAPITAL SUM

Exercising the right to choose pay-out of the capital sum is always influenced by individual factors relating to the policyholder because insurance components are always concerned.

LIFE INSURANCE: OPTION OF CONVERTING TO AN ANNUITY

Conversion of the capital sum to an annuity is carried out at the tariffs applicable to new contracts. This option is neutral in respect of the result and the balance sheet.

SURRENDER AND PREMIUM-RELEASE OPTION

In the cases of all contracts with a surrender option, the aggregate reserve on the balance sheet is at least as high as the surrender value. Probabilities of cancellation are not taken into account. Release from premium payments with reduced guaranteed benefits is the same as a partial surrender and this therefore taken into account on the balance sheet analogously.

DYNAMIC PREMIUM OPTION

The option of increasing the insurance benefits by paying a higher premium without a renewed check of the risk is calculated with a fixed rate of guaranteed interest but, as previous experience shows, the decision of the policyholder is influenced more by the insurance character of the contract or by the expectation of higher interest due to profit participation. The interest risk arising from this option is insignificant.

(45) LIQUIDITY RISKS

The liquidity risk is the danger that a company will not be able to obtain the financial funds needed to fulfil the obligations it has assumed. Liquidity risks can also arise if an asset cannot be disposed of at its fair value in good time at short notice or if the acquisition of liquid funds is more expensive than anticipated.

Liquidity risks are therefore composed of the risk of insolvency and the market liquidity risk.

The operative companies in the Group are subject to specific requirements specified by the law and the supervisory authority in order to ensure that present or future obligations to pay can be fulfilled at any time. The companies in the Group satisfied these requirements at all times.

In order to monitor and control the liquidity risks, the payment flows expected in future are compared to the existing means of finance in a funding matrix. In the framework of standardised liquidity planning, the operative companies in the WürttLeben Group predict future incoming and outgoing cash flows. The periods of the receivables and liabilities are taken into account and harmonised with each other. The investment decisions and decisions to provide finance are derived from the determined degrees of overcoverage or undercoverage. Sensitivity analyses are used to examine the effects and possibilities of covering special forms of behaviour of capital markets and customers. Emergency plans ensure that it is even possible to cope with unusual situations.

Known or foreseeable liquidity risks are reported immediately to the Group risk management team. Reports on the significant liquidity risks are made regularly within the framework of ordinary risk reporting.

The future gross pay-outs resulting from the financial instruments in the portfolio on the balance sheet date are shown in the following tables.

GROSS PAY-OUTS AS AT 31.12.2008

	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	10 TO 15 YEARS	15 TO 20 YEARS	MORE THAN 20 YEARS
<i>in € thousand</i>							
<i>Contractually agreed payment flows</i>							
Subordinate liabilities	—	6 988	27 950	150 962	—	—	—
Liabilities to credit institutes	66 998	209	1 113	3 652	—	—	—
Other liabilities	222 974	427	—	—	—	—	—
Trading liabilities	7 704	12 599	664	3 516	—	—	—
Derivates with a negative market value held for hedging purposes	—	—	512	—	—	—	—
TOTAL	297 676	20 223	30 239	158 130	—	—	—
<i>Foreseeable due payments of the amounts recorded on the consolidated balance sheet</i>							
Liabilities arising from direct insurance business	17 841	61 164	151 053	126 538	62 403	33 885	44 826
Clearing liabilities	7 739	—	—	—	—	—	—
Insurance reserves							
Aggregate reserve	462 969	1 669 721	7 089 355	5 939 078	3 351 549	1 821 100	3 069 035
Reserve for outstanding claims	59 989	29 995	—	—	—	—	—
Other insurance reserves	—	1 948	—	—	—	—	—
Insurance reserves in the area of life insurance in so far as the investment risk is borne by the policyholders	6 242	18 923	88 723	104 141	68 920	44 709	185 158
TOTAL	554 780	1 781 751	7 329 131	6 169 757	3 482 872	1 899 694	3 299 019

Consolidated Balance Sheet
 Consolidated Income Statement
 Statement of Income and Expenses
 Cash Flow Statement
 Notes to the consolidated financial statement

GROSS PAY-OUTS AS AT 31.12.2007

	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	10 TO 15 YEARS	15 TO 20 YEARS	MORE THAN 20 YEARS
<i>in € thousand</i>							
Contractually agreed payment flows							
Subordinate liabilities	—	—	34 938	157 950	—	—	—
Liabilities to credit institutes	4 379	—	—	—	—	—	—
Other liabilities	267 311	—	—	—	—	—	—
Trading liabilities	14 549	11 047	—	—	—	—	—
Derivates with a negative market value held for hedging purposes	—	1 471	927	—	—	—	—
TOTAL	286 239	12 518	35 865	157 950	—	—	—
Foreseeable due payments of the amounts recorded on the consolidated balance sheet							
Liabilities arising from direct insurance business	270 591	62 490	150 364	118 907	56 211	30 517	39 760
Clearing liabilities	9 912	—	—	—	—	—	—
Insurance reserves							
Aggregate reserve	487 054	1 796 091	6 991 199	5 990 435	3 350 580	1 822 376	2 839 138
Reserve for outstanding claims	56 913	46 885	—	—	—	—	—
Other insurance reserves	1 236	1 373	—	—	—	—	—
Insurance reserves in the area of life insurance in so far as the investment risk is borne by the policyholders	10 284	25 285	111 588	132 045	90 088	59 382	245 328
TOTAL	835 990	1 932 124	7 253 151	6 241 387	3 496 879	1 912 275	3 124 226

Capital Management

The WürttLeben Group is integrated in the capital management apparatus of our parent company, W&W AG. As the holding company, W&W AG controls the equity of the operative companies belonging to the WürttLeben Group. W&W AG also collects dividends and carries out equity measures such as capital increases and decreases or issues loans to the consolidated companies.

The main aim of capital management is to efficiently allocate the IFRS equity and gain interest yield on this equity. In order to ensure this in the W&W Group, RoE targets are set for the Group and the major subsidiaries. These targets are calculated on the basis of the respective IFRS equity.

On 31 December 2007, the IFRS equity of the WürttLeben Group amounted to € 116.4 (163.5) million. The changes in the individual components of the equity are shown in note number 16.

Other objectives of equity control are to ensure risk-bearing capacity on the basis of internal risk-bearing capacity models of the Group and to meet the minimum regulatory equity requirements arising from the regulations of the VAG (Insurance Supervisory Law), among other things.

Another requirement in respect of equity is that the individual subsidiaries have sufficient equity to enable a minimum financial-strength rating of „A“. Within the framework of efficient equity control, subordinate capital is also used to meet the supervisory law's requirements regarding solvability.

(46) SOLVABILITY ACCORDING TO THE INSURANCE SUPERVISORY LAW

The operative companies in the WürttLeben Group are subject to supervision by BaFin in accordance with VAG. This supervision entails requirements in respect of the equity of these companies.

It is ensured that all supervised subsidiaries have at least the equity they need to meet the regulatory requirements. In this respect, equity and subordinate capital form the basis for capital management in accordance with the standards of the supervisory law. The composition of the subordinate capital is described in note number 19. The changes in the individual equity components are described in note number 16.

In fiscal 2008, all the operative companies of the WürttLeben Group which are subject to supervision fulfilled all the minimum capital requirements of the supervisory law.

The following table shows the key equity figures of the consolidated companies in accordance with the supervisory law:

KEY EQUITY FIGURES

	EXISTING EQUITY IN ACCORDANCE WITH VAG		SOLVABILITY REQUIREMENT IN ACCORDANCE WITH VAG		RATIO	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	in € thousand	in € thousand	in € thousand	in € thousand	in %	in %
Württembergische Lebensversicherung AG	1 751.7	1 840.2	969.8	971.7	181	189
ARA Pensionskasse AG	24.2	24.6	10.0	7.5	242	329
Karlsruher Lebensversicherung AG	33.6	33.9	23.8	22.5	141	150

(47) MODELS OF RISK-BEARING CAPACITY

In order to obtain a quantitative assessment of the overall risk profile by adding together the risks observed on the company level, a Group-wide risk-bearing capacity system, oriented to cash value, has been developed. Now that this system has been validated, we are continually optimising and expanding it. The significant risks are aggregated to form an overall value and compared with the financial funds available for risk coverage.

The model enables a quantitative assessment of all significant risks and thus forms the overall risk profile. The management is informed at any early stage of any need for action in matters of risk control and are provided with details of measures to compensate for the risks or reduce them. The model supplies the basis for the definition of risk limits and thus serves the goal of risk-oriented corporate controlling.

In the WürttLeben Group, intensive work is also being done on further development of an internal risk model that will meet the standards of Solvency II.

Profit targets

For fiscal 2008, an RoE goal of 13.6 per cent (after taxes) was set for WürttLeben as an individual company. The achieved RoE was 11.0% and therefore failed to reach the target. The reason for this was depreciation on investments in the course of current developments on the financial markets with the concomitant effects on the consolidated result.

By means of projections during the year and comparisons of the plans with the actual situation, it is ensured that deviations on the way to the RoE target are detected and that corresponding control measures can be initiated.

The return on equity after taxes was 10.4% (14.1%) for the WürttLeben Group in the fiscal year.

Other information

(48) SUPPLEMENTARY NOTES ON THE EFFECT OF FINANCIAL INSTRUMENTS IN THE INCOME STATEMENT AND IN THE EQUITY

The net profits and losses per category of financial instrument are shown in the table below and are composed as follows:

- Interest income and expenses as well as commission earnings and expenses are not included in the net profits and losses. Dividends are also not posted in the net profits.
- The net profits include profits on disposals, increases in value through profit and loss, retrospective earnings on depreciated financial instruments, and currency profits arising from the evaluation of foreign capital instruments on the balance sheet date.
- Net losses include losses on disposals, impairments through profit and loss, and currency losses arising from the evaluation of foreign capital instruments on the balance sheet date.

NET RESULT ON INVESTMENTS

<i>in € thousand</i>	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007
<i>Financial instruments measured at fair value through profit and loss</i>		
<i>Trading assets and liabilities</i>		
Net profits	876 751	230 590
Net losses	232 840	84 257
<i>Financial assets and liabilities designated as measured at fair value</i>		
Net profits	20 341	55 333
Net losses	109 193	62 634
<i>Financial investments available for sale</i>		
Net profits	418 747	325 843
Net losses	1 571 336	391 025
<i>Loans</i>		
Net profits	64 879	4 204
Net losses	88 102	16 342

The financial investments available for sale resulted in the following influences on the equity and the income statement in the period under review before adaptation of the latent reserve for premium refunds and latent taxes.

in € thousand	31.12.2008	31.12.2007
Unrealised profits and losses of the period	- 133 630	- 167 596
Earnings or expenses rebooked from equity to the income statement	- 319 527	50 551

As a supplement to the explanations concerning the income statement, the yield on the categories of financial instruments that are not measured at fair value through profit and loss are shown below.

YIELD

in € thousand	1.1.2008 to 31.12.2008	1.1.2007 to 31.12.2007
Yield on financial investments available for sale	201 742	173 864
Yield on loans	658 987	653 013
Yield on financial instruments not measured at fair value through profit and loss	911 552	826 877
Interest expenses arising from liabilities	1 038	470
Interest expenses arising from subordinate capital	7 042	7 038
Interest expenses of the financial instruments not measured at fair value through profit and loss	8 080	7 508

(49) INFORMATION ON RELATIONSHIPS WITH CLOSELY RELATED COMPANIES AND PERSONS

W&W AG, Stuttgart, holds 72.4 per cent of our equity. W&W AG, in turn, is in a relationship of dependence with Wüstenrot Holding AG.

In accordance with § 312 AktG has drawn up a report on relationships with affiliated companies (dependency report) and concluded the report as follows:

„According to the conditions known to us during the time when legal transactions took place as indicated in the report on relationships with affiliated companies, our company received an adequate return on each such transaction. Measures at the request of or in the interest of the controlling companies or the companies affiliated with them were neither taken nor refrained from.“

Legal transactions with closely related companies and persons

W&W AG

Various transfer-of-services agreements exist between WürttLeben and W&W AG. Within the framework of these agreements, the companies perform certain administrative services for each other.

In addition, W&W AG has taken out reinsurance with WürttLeben in order to cover performance-based pension pledges in the framework of salary conversions. Moreover, there is a passive reinsurance contract (insurance surplus on a risk basis) between WürttLeben and W&W AG. In addition, the W&W AG has assumed the entire debt liability arising from WürttLeben's pledges regarding provision for old age by way of debtor accession.

With effect as of 31 December 2008, all the shares of the company in Wüstenrot Bausparkasse AG, Ludwigsburg (10.0 % per cent) were sold to W&W AG at a price of € 178.0 million.

SISTER COMPANIES

Between WürttLeben and various subsidiaries of W&W AG (sister companies of WürttLeben), there are various transfer-of-services agreements. Within the framework of these agreements, subsidiaries of W&W AG perform certain administrative services for WürttLeben (e.g. in the area of investment management). In addition, Bausparkasse Wüstenrot AG acts as a mediator for the sale of WürttLeben insurance products. The consolidated companies also engage in investment transactions with the sister companies.

ASSOCIATED COMPANIES

The dividend payments of the associated companies are posted under the transactions with associated companies.

CLOSELY RELATED PERSONS

Closely related persons have entered into insurance contracts with the companies of the Group. The insurance contracts are based on standard terms for employees.

NON-CONSOLIDATED SUBSIDIARIES OF WÜRTTLEBEN

Between WürttLeben and various non-consolidated subsidiaries of the WürttLeben Group, there are various transfer-of-services agreements. Within the framework of these service agreements, the WürttLeben Group perform various services for non-consolidated subsidiaries.

The receivables, liabilities, income and expenses arising from transactions with closely related companies and persons are as follows:

TRANSACTIONS WITH CLOSELY RELATED COMPANIES AND PERSONS

<i>in € thousand</i>	31.12.2008	31.12.2007
Receivables from		
W&W AG	173 926	60 437
Affiliated companies apart from W&W AG	533 307	279 166
Liabilities to		
W&W AG	4 826	5 225
Affiliated companies apart from W&W AG	38 344	74 128
Income from transactions with		
W&W AG	68 814	15 757
Affiliated companies apart from W&W AG	83 687	64 222
Associated companies	321	1 269
Closely related persons	444	108
Expenses arising from transactions with		
W&W AG	3 503	2 892
Affiliated companies apart from W&W AG	315 833	241 377
Associated companies	7 906	19 643
Closely related persons	13	—

(50) REMUNERATION REPORT

Emoluments of the Management Board

The system of remuneration for the Management Board consists of a fixed salary component (fixed salary plus fixed fee) and a success-based component in the form of a variable bonus which is determined yearly by the Supervisory Board. Option rights and other share-based payments are not allowed.

As additional benefits, the members of the boards receive a company car in accordance with the Group's guideline on company cars, as well as collective personal-accident insurance, luggage insurance, and insurance which is in the form of an additional contribution to the pension scheme plus flat-rate tax and which is usual according to the rules for Württembergische employees, in so far as they are voluntary members of the pension scheme.

Within the framework of re-organisation of the pension system in the entire W&W Group in August 2006, there was a changeover from the pure performance-based pension pledge to a contribution-based pledge as of November 2006 for all new board members. The pension pledge is linked to a reinsurance scheme. The contribution amounts to 23 per cent of the fixed salary. Bridging payments after withdrawal from the boards are not envisaged. For all board members already in office, the pension pledge remains as it was before. The new pension system applies to Dr. Jochen Kriegmeier, Dr. Wolfram Gerdes and Dr. Ralf Kantak.

The service-time expenses to be paid for the pledges to members of the Management Board amount to € 115 (121) thousand. For Dr. Jochen Kriegmeier, Dr. Wolfram Gerdes and Dr. Ralf Kantak, non-recurring deposits were also paid into the reinsurance scheme. The share attributable to the Group amounts to € 37 thousand. The pension is paid out on the 65th birthday, from the 61st birthday onwards in the case of premature retirement, or, in the case of disability or – except in the case of Dr. Kriegmeier, Dr. Gerdes and Dr. Kantak - non-extension of the contract of service, beyond the actual time in office without the member of the Management Board having to give a reason.

In the event of premature cessation of the appointment of Dr. Wolfram Gerdes, the contract of employment will be continued – unless extraordinary termination of the contract has been declared – until it expires, with release from the obligation to provide services and further payment of the fixed emoluments until the contract ends. Any still unsettled claims for supplementary payment and success-dependent emoluments or for provision of a company car, mobile phone or PC equipment become null and void from the point of time when the appointment ceases.

Other payments in the event of cessation of work were not pledged. There are no payments that have been pledged or made to a member of the Management Board by a third party in respect of his work or in the fiscal year.

INDIVIDUAL EMOLUMENTS OF MEMBERS OF THE MANAGEMENT BOARD 2008

	END OF PERIOD OF SERVICE ¹	EMOLUMENTS INDEPENDENT OF SUCCESS	SUCCESS-BASED EMOLUMENTS	OTHER ²	TOTAL	
		FIXED SALARY	GUARANTEED REMUNERATION/SUPPLEMENT ³			
		in € thousand	in € thousand	in € thousand	in € thousand	
Active members of the Management Board						
Dr. Wolfram Gerdes	12/2012	158	—	—	16	174
Dr. Michael Gutjahr	8/2012	39	9	21	2	71
Dr. Ralf Kantak ⁴	3/2013	75	—	—	15	90
Dr. Jochen Kriegmeier	11/2014	3	1	3	—	7
Ruth Martin	8/2012	158	39	84	12	293
Dr. Wolfgang Oehler	12/2010	155	37	91	8	291
Rainer Schlegel	12/2010	116	29	47	7	199
TOTAL						1 125

1 Unless contract is extended.

2 Supplementary remunerations, including monetary benefit from the provision of company cars, payments in kind, insurance, payments into the pension fund.

3 The guaranteed remuneration was renamed as „supplement“ in 2007.

4 Since 1 April 2008..

The level of the remunerations paid by the WürttLeben Group to the members of the Management Board varies because the individual members of the Management Board also work in very different functions for other companies of the W&W Group and are paid by them proportionately to the work done by the members. The share borne by the WürttLeben Group is 85.2% in the case of Dr. Wolfram Gerdes, 18.8% in the case of Dr. Michael Gutjahr, 41.6% in the case of Dr. Ralf Kantak, 2.1% in the case of Dr. Jochen Kriegmeier, 77.3% in the case of Ruth Martin, 56.4% in the case of Dr. Wolfgang Oehler, and 57.9% in the case of Rainer Schlegel.

The guaranteed remunerations and supplements shown in the table and the success-based emoluments for fiscal 2007 were paid out in 2008. For the supplement as well as the success-based emoluments of fiscal 2008 that will be paid out in 2009, the company has formed reserves of € 574 (353) thousand. The distribution will be ratified by the Supervisory Board once the degree to which the goals have been achieved is determined and is therefore not shown in the tabular overview.

Apart from this, the Group has not awarded or paid any other remunerations which have not been paid out but converted into claims of another kind, remunerations used to increase other claims or other remunerations which have not yet been indicated in any annual report.

The remunerations to the persons named above are remunerations that are due at short notice.

The company did not grant any loans to member of the Management Board. Relationships of liability in favour of the boards were not entered into.

The total emoluments of former members of the Management Board amounted to € 2 112 (1 849) thousand in the fiscal year. There are no other charges on the company due to payments to former members of the Management Board, Supervisory Board and their surviving dependants in the form of settlements, pensions, payments for surviving dependants or payments of any other kind.

For the pension obligations to former members of the Management Board and their surviving dependants, € 20 432 (17 465) thousand was reserved.

Emoluments of the Supervisory Board

Emoluments for the Supervisory Board are always paid in the form of a fixed remuneration with increased amounts for the Chairman, Deputy Chairman and board activities. The boards are of the opinion that Supervisory Board work, especially in the case of a life insurance company, is characterized by the supervisory function of the board and that, therefore, a success-based component would not be appropriate. The members of the company's Supervisory Board receive a fixed remuneration of € 8 thousand payable at the end of the fiscal year.

The outlay and the value added tax on the remunerations for the Supervisory Board are additionally paid to the members of the Supervisory Board. No other outlay was incurred. The emoluments shown in the table below are net remunerations without the legally applicable value added tax. Altogether, the total emoluments for the Supervisory Board for fiscal 2008 amounted to € 141 (72) thousand.

Credits amounting to € 275 thousand were granted to supervisory boards of Württembergische Lebensversicherung AG. The loans were granted by companies of the WürttLeben Group. The interest rates are between 3.8 and 4.8%. Members of the Supervisory Board repaid credits to the amount of € 3 thousand. Relationships of liability in favour of these persons were not entered into.

In accordance with the articles of association, the emoluments of the Supervisory Board break down as follows: The fixed remuneration for the Chairman amounts to twice the amount specified by the Annual General Meeting whereas that of the Deputy Chairman is one and a half times the amount specified. For members of the Supervisory Board who belong to one or several boards, the fixed remuneration increased by half of the fixed amount. The Chairman of the board receives twice the basic remuneration and the Deputy receives one and a half times the basic remuneration. Members of the Supervisory Board who have belong to the Supervisory Board only during part of a fiscal year receive an amount proportionate to their length of duty. Option rights or other share-based remunerations were not paid to the Supervisory Board.

INDIVIDUAL EMOLUMENTS OF THE SUPERVISORY BOARD

	BASIC REMU- NERATION NET (WITHOUT VAT)	REMUNERATION FOR BOARD ACTIVITIES NET (WITHOUT VAT)	TOTAL NET (WITHOUT VAT)
<i>in € thousand</i>			
Members of the Supervisory Board			
Dr. Alexander Erdland, Chairman	16	8	24
Dr. Jan Martin Wicke, Deputy Chairman	12	12	24
Prof. Dr. Peter Albrecht	8	4	12
Herwig Cetto ¹	5	—	5
Rolf Henrich ²	3	—	3
Christian Hörtkorn	8	—	8
Michael Horn	8	4	12
Willy Köhler ³	4	—	4
Dr. Wolfgang Müller	8	—	8
Wolfgang Prade ²	3	—	3
Dr. Bernhard Schareck	8	8	16
Rosemarie Schröder ¹	5	—	5
Peter Ulrich	8	—	8
Frank Weber	8	1	9
TOTAL	104	37	141

1 From 28 May 2008.

2 Until 28 May 2008.

3 Until 30 June 2008.

Total emoluments of the Management Board and the Supervisory Board

The total emoluments of the Management Board in the fiscal year amounted to € 1 374 (1 400) thousand. Of this amount, € 1 259 (1 088) thousand is accounted for by payments due in the short term, € 115 (121) thousand by payments due in the long term and € 0 (191) thousand by payments arising from cessation of the work relationship.

(51) NUMBER OF EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

	2008	2007
Office staff	867	1 111
Salaried salespersons	114	169
Blue-collar employees	52	60
TOTAL	1 033	1 340

The figures in the table relate to the average number of employees in the WürttLeben Group in the year. The further reduction in the number of employees was due to the transfer of employees from Karlsruher Lebensversicherung to WürttVers, the sister company. They are therefore no longer included in the calculation of the average number of employees in the year but are still active on behalf of the WürttLeben Group as employees of WürttVers in the framework of the transfer-of-services contract.

At the end of the year, a total of 1 021 (1 279) people were employed by WürttLeben.

(52) PERSONNEL EXPENSES

The underwriting expenses, the claims expenses (for claims settlement), the result on investments and the other expenses include the following expenses for personnel:

in € thousand	1.1.2008 to 31.12.2008	1.1.2007 bis 31.12.2007
Wages and salaries	42 391	68 418
Social payments and expenditure for support	7 869	10 749
TOTAL	50 260	79 167

(53) SCHEDULED DEPRECIATION

In the year under review, expenses amounting to € 51.8 (53.8) million were incurred for scheduled depreciation.

(54) FINANCIAL GUARANTEES, LIABILITY RELATIONSHIPS AND OTHER FINANCIAL OBLIGATIONS

The WürttLeben Group took part in the rescue plan of the government and the German financial sector for Hypo Real Estate Bank Aktiengesellschaft through its subsidiary WürttLeben. It did so by underwriting a liquidity support package and by means of a partial back-up guarantee in favour of the Federal Republic of Germany to the amount of € 24.3 million.

In accordance with §§ 124 ff. VAG, several consolidated companies are members of the security fund for life insurance companies. On the basis of the security-fund financing directive (life), the security fund collects annual contributions up to the level of 0.2 per mille of the total of the net insurance reserves until security assets of 1 per mille of the total net insurance reserves are built up in addition to the obligation to pay an annual contribution. As a result of this membership, the future obligations of the company to pay amount to € 6.9 (10.8) million.

The security fund can also collect special contributions amounting to a further 1 per mille of the total net insurance reserves. This corresponds to an obligation amounting to € 27.0 (26.1) million.

In addition, the company has undertaken to provide monies to the security fund or, alternatively, to Protektor Lebensversicherungs-AG if the amounts in the security fund are not sufficient when reparations have to be made. This obligation amounts to 1 per cent of the total net insurance reserves plus the payments already made to the security fund at this time. If the above-named obligations to pay arising from the payments to the security fund are included, the total obligation on the balance-sheet date amounts to € 249.6 (245.9) million.

WürttLeben also bears subsidiary liability for the pension obligations of the „Pensionskasse der Württembergischen VVaG“ (pension scheme of VVaG“) in so far as they were entered into for the employees of WürttLeben.

(55) ASSETS TRANSFERRED AS SECURITY

Three debentures with a balance sheet value of € 7.1 (9.7) million were pledged as security against the insolvency of the monies reserved in association with part-time retiree work in accordance with §8a of the law on part-time retiree work.

In respect of the Group's life insurance companies, the insurance reserves and the liabilities to policyholders arising from direct insurance business with a balance sheet value of € 26 914.8 (26 937.5) million are also covered by the assets (financial instruments and real estate) assigned to the security fund. The assets assigned to the security assets are primarily available for satisfying the claims of insurance policyholders.

Consolidated Balance Sheet
 Consolidated Income Statement
 Statement of Income and Expenses
 Cash Flow Statement
 Notes to the consolidated financial statement

(56) WAIVER OF RECOURSE AND DECLARATION OF INDEMNITY

In accordance with the waiver of recourse and declaration of indemnity in the W&W Group, the insurance companies of the WürttLeben Group waive their right of recourse against a representative if a claim is made due to incorrect advice given by the representative in connection with the sale of an insurance product offered by the company or in connection with subsequent consultation unless gross negligence is involved or the claim is covered by liability insurance. With regard to the representative's own liability relating to the sale of insurance or financial-service products of an insurance company of the W&W Group, a cooperating partner of one of these insurance companies or in the course of further consultation for one of these companies or cooperating partners, the representative is also indemnified by the WürttLeben Group in the case of mistakes made in the advice that is given to a customer. The minimum sum assured is limited to € 200 thousand for each claim and a total of € 300 thousand per year. In the case of claims in connection with mistakes made in the provision of advice during the sale of insurance, it is limited to € 1 000 thousand per claim or € 1 500 thousand per year.

(57) COMPANIES INCLUDED IN THE CONSOLIDATED ACCOUNTS

The parent company of the group is Württembergische Lebensversicherung AG. The following is a list of the companies included in the financial statements.

CONSOLIDATED AFFILIATED COMPANIES

	SHARE IN CAPITAL ¹
<i>in %</i>	
Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart	100.0
Berlin Leipziger Platz Grundbesitz GmbH, Berlin	100.0
Karlsruher Lebensversicherung AG, Karlsruhe (ehemalige Karlsruher HK AG Lebensversicherung für Beamte und Angestellte der öffentlichen Verwaltung)	82.3
LP1 Beteiligungs-GmbH Co. KG, Stuttgart	100.0
Wohnimmobilien GmbH & Co. KG der Württembergischen, Stuttgart	100.0

¹ Share in capital = Directly and indirectly held share, including indirect share of external companies.

MUTUAL AND SPECIALISED FUNDS

	SHARE IN CAPITAL ¹
<i>in %</i>	
AROS-Universal-Fonds I, Frankfurt/Main	100.00
BWInvest 94, Stuttgart	100.00
BWI-WAKAM, Stuttgart	100.00
BWK-Fonds 15, Stuttgart	100.00
BWK-Fonds 69, Stuttgart	100.00
Bwk-Fonds 93, Stuttgart	91.98
BWK-Fonds 97, Stuttgart	90.08
BWI KF 1, Stuttgart	100.00
BWI Südinvest 160, Stuttgart	100.00
Credit Suisse-CS-WV Immofonds, Frankfurt/Main	99.95
DEVIF-Fonds Nr. 13, Frankfurt/Main	100.00
DEVIF-Fonds Nr. 130, Frankfurt/Main	100.00
DEVIF-Fonds Nr. 203, Frankfurt/Main	100.00
TRIO-Universal-Fonds, Frankfurt/Main	100.00
UIN-Fonds Nr. 600, Frankfurt/Main	100.00
W&W Global Strategies Asset-Backed Securities Fund, Dublin	89.66
W&W Global Strategies Euro Corporate Bond Fund, Dublin	95.06
W&W Global Strategies South East Asia Equity Fund, Dublin	99.58
W&W Global Strategies US Equity Fund, Dublin	98.05
W&W Emerging Markets-Bonds-Fonds 1-Universal-Fonds	100.00
W&W European Equity Value, Dublin	100.00
W&W International Europa Aktien Premium II Fonds, Luxembourg	96.74
W&W International Global Convertible Fonds, Luxembourg	91.47
W&W International US Aktien Premium Fonds, Luxembourg	95.18
WSV-Universal-Fonds, Frankfurt/Main	100.00

¹ Share in the capital = Directly and indirectly held shares, including indirect shares of other companies.

ASSOCIATED COMPANIES EVALUATED ACCORDING TO THE EQUITY METHOD

	SHARE IN CAPITAL ¹
<i>in %</i>	
BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart	17,50
Tertianum – Besitzgesellschaft Berlin Passauer Straße 5-7 mbH, Munich	25,00
Tertianum – Besitzgesellschaft München Jahnstraße 45 mbH, Munich	33,33
Tertianum – Besitzgesellschaft Konstanz Marktstätte 2-6 und Sigismundstraße 5-9 mbH, Munich	25,00

¹ Share in capital = Directly and indirectly held shares, including indirect shares of external companies.

(58) LIST OF SHAREHOLDINGS

The information has been electronically stored in a special list in the electronic register (Bundesanzeiger) in accordance with § 313 Para. 4 HGB.

(59) EARNINGS PER SHARE

The number of shares did not change compared to the preceding year. There are no exercised options or option rights that have not yet been exercised. For this reason, the diluted earnings per share corresponds to the undiluted earnings per share. Possible diluting effects may occur in the future as a result of capital increases from the approved capital. Because the number of issued shares remained unchanged over the year, the unweighted number of 12 177 920 (12 177 920) shares are used for the calculation.

The earnings per share for 12 177 920 (12 177 920) shares from business to be continued and a result from business to be continued amounting to € 12 798 711 (21 195 139) and attributable to the WürttLeben shareholders is € 1.05 (1.74) in the fiscal year.

(60) AUDITOR FOR THE FINANCIAL STATEMENTS

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Stuttgart, was engaged to audit the consolidated financial statements. For the services provided by this company, the expenses amounted to € 1 280 (1 379) thousand. Of this amount, € 1 163 (1 242) is accounted for by auditing services while € 17 (137) thousand is accounted for by other endorsement and evaluation services.

(61) EVENTS AFTER THE BALANCE-SHEET DATE

After the balance-sheet date, no events occurred that need to be reported on separately.

Responsibility Statement

To the best of our knowledge, we assure that, in accordance with the applicable principles of proper accounting, the financial statements give a true and fair view of the assets, financial position and earnings of the Company and that, in the Report of the Management Board, the development of business, including the business results and the situation of the company, are portrayed in such a way that a factually and fair view is provided and that the important opportunities and risks of foreseeable development of the Company in the fiscal year are described.

Stuttgart, 11 March 2009

The Management Board



Dr. Wolfgang Oehler



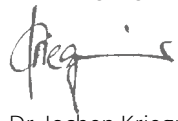
Dr. Wolfram Gerdes



Dr. Michael Gutjahr



Dr. Ralf Kantak



Dr. Jochen Kriegmeier



Ruth Martin



Rainer Schlegel

Auditor's Report

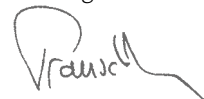
We have audited the consolidated financial statements prepared by the Württembergische Lebensversicherung Aktiengesellschaft, Stuttgart, comprising the balance sheet, the income statement, statement of recognised income and expense, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2008. 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 § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. 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 § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements 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 misstatements 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 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 the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 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, 20 March 2009

PricewaterhouseCoopers
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft



Frank Trauschke
Wirtschaftsprüfer
(German Public Auditor)



ppa. Jörg Brunner
Wirtschaftsprüfer
(German Public Auditor)

Mandates

Membership in supervisory boards formed as a legal requirement and also in comparable supervisory bodies in Germany and abroad

- a) = Group mandates in domestic supervisory boards set-up as a legal requirement
- b) = Third-party mandates in supervisory boards set up as a legal requirement
- c) = Mandates in comparable supervisory bodies

MEMBERS OF THE SUPERVISORY BOARD OF WÜRTTEMBERGISCHE LEBENSVERSICHERUNG AG

Dr. Alexander Erdland, Chairman

Chairman of the Management Board of Wüstenrot & Württembergische AG, Stuttgart

- a) Württembergische Versicherung AG, Stuttgart, Chairman
Wüstenrot Bank AG Pfandbriefbank, Ludwigsburg, Chairman
Wüstenrot Bausparkasse AG, Ludwigsburg, Chairman
- c) Wüstenrot hypotečni banka a.s., Prague, Chairman
Wüstenrot pojišťovna a.s., Prague, Chairman
Wüstenrot - stavební sporitelna a.s., Prague, Chairman
Wüstenrot zivotni pojišťovna a.s., Prague, Chairman
Wüstenrot Verwaltungs- und Dienstleistungen GmbH, Salzburg
Wüstenrot Wohnungswirtschaft reg. Gen. m.b.H., Salzburg

Dr. Jan Martin Wicke, Deputy Chairman

Member of the Management Board of Wüstenrot & Württembergische AG, Stuttgart

- a) Württembergische Versicherung AG, Stuttgart
Wüstenrot Bank AG Pfandbriefbank, Ludwigsburg
Wüstenrot Bausparkasse AG, Ludwigsburg
- b) V-Bank AG, Munich, Chairman
- c) W&W Asset Management GmbH, Stuttgart, Chairman
Wüstenrot pojišťovna a.s., Prague
Wüstenrot – stavební sporitelna a.s., Prague
Wüstenrot zivotni pojišťovna a.s., Prague

Prof. Dr. Peter Albrecht

Professor of general business studies, risk theory, portfolio management and insurance at the University of Mannheim

- b) KarstadtQuelle Lebensversicherung AG, Fürth
KarstadtQuelle Versicherung AG, Fürth
KarstadtQuelle Krankenversicherung AG, Fürth

Herwig Cetto¹
(from 28 May 2008)

Insurance specialist
Württembergische Lebensversicherung AG

Rolf Henrich¹
(until 28 May 2008)

Managing Executive
Chairman of the overall employees' committee of the
Württembergische life insurance companies, Stuttgart
a) Wüstenrot & Württembergische AG, Stuttgart
b) Pension fund of Württembergische VVaG, Stuttgart

Christian Hörtkorn

Managing partner of Dr. Friedrich E. Hörtkorn GmbH, Heilbronn

Michael Horn

Deputy chairman of the management board of Landesbank Baden-Württemberg, Stuttgart
b) Grieshaber Logistik GA, Weingarten
Hymer AG, Bad Waldsee
SV Sparkassen-Versicherung Holding AG, Stuttgart
c) DekaBank Deutsche Girozentrale, Frankfurt
MKB Mittelrheinische Bank GmbH, Coblenz, Deputy Chairman
MMV Leasing GmbH, Coblenz, Deputy Chairman
LBBW Bank CZ a.s., Prague, Chairman
LBBW Luxemburg S.A., Luxembourg
Bankhaus Ellwanger & Geiger KG, Stuttgart, Chairman
Burk GmbH & Co. KG, Ravensburg
Elektro Stotz GmbH & Co. KG, Ravensburg
LBS Landesbausparkasse Baden-Württemberg, Stuttgart/Karlsruhe
Siedlungswerk gemeinnützige Gesellschaft für Wohnungs- und Städtebau, Stuttgart,
Deputy Chairman
Vorarlberger Landes- und Hypothekenbank AG, Bregenz

Willy Köhler
(until 30 June 2008)

Chairman of the management board of VR Bank Rhein-Neckar eG, Mannheim
b) DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
DZ Verwaltungs-AG, Karlsruhe, Chairman
Pensionskasse der badischen Genossenschaftsorganisation VVaG,
Karlsruhe, Deputy Chairman

Dr. Wolfgang Müller

Chairman of the management board of BBBank eG in Karlsruhe

- b) Karlsruher Lebensversicherung AG, Karlsruhe, Deputy Chairman
- Union Asset Management Holding AG, Frankfurt am Main

Wolfgang Prade¹

(until 28 May 2008)

Managing Executive of Württembergische Lebensversicherung AG, Stuttgart

Dr. Bernhard Schareck

President of Gesamtverband der
Deutschen Versicherungswirtschaft e.V. (GDV), Berlin

- b) Karlsruher Lebensversicherung AG, Karlsruhe, Chairman
- Badische Staatsbrauerei Rothaus AG, Rothaus/Schwarzwald

Rosemarie Schröder¹

(from 28 May 2008)

Insurance management executive

Member of the employees' committee of Württembergische insurance companies

Location: Karlsruhe

Peter Ulrich¹

Managing Executive of Württembergische Lebensversicherung AG, Stuttgart

Frank Weber¹

Chairman of the employees' committee of the Württembergische insurance companies
in Stuttgart Location: Karlsruhe

- a) Wüstenrot & Württembergische AG, Stuttgart

S.K.H. Friedrich Herzog von Württemberg

(from 1 December 2008)

Member of the management of the court chamber of the House of Württemberg

¹ Employees' representative.

MEMBERS OF THE MANAGEMENT BOARD OF WÜRTTEMBERGISCHE LEBENSVERSICHERUNG AG

Dr. Wolfgang Oehler, (Chairman)

Bank sales, management board staff, auditing/data protection, strategy, communication, money-laundering/compliance

- a) Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart, Chairman
Württembergische Krankenversicherung AG, Stuttgart, Chairman
- b) Pensionsversicherungsverein auf Gegenseitigkeit, Cologne
Pensionskasse der Württembergische VVaG, Stuttgart, Chairman
- c) BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart
BWI Baden-Württembergische Investmentgesellschaft mbH, Stuttgart
W&W Asset Management GmbH, Stuttgart

Dr. Wolfram Gerdes

Investment departments

- c) BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart

Dr. Michael Gutjahr, Work Director

Controlling, risk management, accounting, personnel, Group Board Risk, law, tax law

- c) Antares Holding Ltd., Bermuda
Antares Reinsurance Ltd. Bermuda
Auto-Staiger Verwaltungs-GmbH, Stuttgart

Dr. Ralf Kantak

Main district offices, sales departments, broker sales, Group Board Sales, marketing

- a) Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart

Dr. Jochen Kriegmeier

- c) Spring Sanierung GmbH, Cologne

Ruth Martin

Product development life, back-office life, corporate customers life, actuarial department, reinsurance life

- a) Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart
- b) Pensionskasse der Württembergischen VVaG, Stuttgart

Rainer Schlegel

Company organisation and central tasks, departments of the front office (standard processes), building management, central services, Group Board Operations, information technology

- a) W&W Informatik GmbH, Ludwigsburg

Glossary

AGGREGATE RESERVE (ALSO PREMIUM FUND)

The insurance company forms an aggregate reserve in order to be able to guarantee the promised insurance cover at all times. It is calculated according to the recognised actuarial rules.

ACQUISITION EXPENSES

They are incurred due to acquisition of insurance contracts and include costs of providing advice, request for health information, preparation of the insurance policy. The acquisition expenses as a per cent of the → aggregate premium of new business is the acquisition cost ratio.

ANNUAL PREMIUM EQUIVALENT (APE)

Annual premiums of new business for contracts with annual premium payments plus 10% of single premiums for new contracts with single payment.

ADMINISTRATION EXPENSES

These include all costs of personnel and equipment for ongoing maintenance and administration of insurance contracts. The administration expense ratio represents the administration expenses as a percentage of the gross written premiums.

AFFILIATED COMPANIES

This term refers to the parent company (main consolidated company) and all subsidiaries. Subsidiaries are companies on whose business policy the parent company can exert a controlling influence. This is the case, for example, when the parent company directly or indirectly holds the majority of voting rights, is entitled to appoint or dismiss the majority of the supervisory board members or possesses controlling rights.

AGGREGATE PREMIUM OF NEW BUSINESS

The sum of all premiums to be paid for new contracts during the contract period.

ASSET LIABILITY MANAGEMENT

Asset liability management refers to a risk model for control of assets and liabilities on balance sheets. The aim is to optimise the expected profit in conditions of uncertainty by controlling all the balance-sheet items.

ASSOCIATED COMPANIES

Associated companies are all companies with a share of 20% to 50% in the Group in so far as they are not affiliated companies or joint ventures. This is irrespective of whether or not they exercise a significant influence.

BENEFITS (PAID-OUT)

The total benefits paid to policyholders are composed of the claims expenditure – e.g. amounts due on maturity, death, repurchase, annuity payments – as well as the paid-out profit participation.

CANCELLATION (CANCELLATION RATE)

Premature termination (re-purchase, release from premium payment, lapse) of the insurance contract. The cancellation rate is the ratio of cancellations to the average insurance portfolio of the statistical annual premium income.

CASH FLOW STATEMENT

This is used to show the flow of cash and cash equivalents during a fiscal year, broken down into ongoing business activity, investment activity and financing activity.

COMPLIANCE

Compliance refers to the totality of all measures that are taken to ensure the legally and ethically correct behaviour of companies, boards and employees. It encompasses all stipulations that prescribe continuous adherence to laws, industry-specific directives and corporate codes of practice for the company management. Compliance is intended to prevent inappropriate behaviour in the company that can lead to loss of assets, damage to the corporate image and the failure to achieve company goals. It is also intended to protect the interests of employees, customers and business partners.

CODE OF CORPORATE GOVERNANCE

The German Code of Corporate Governance contains nationally and internationally recognised standards of good and responsible business management. It is intended to promote the trust of investors, customers, employees and the public in the control and monitoring of German share companies listed on the stock exchange. The code contains stipulations that are to be regarded by companies as in force according to the law and also contains recommendations and suggestions. The companies can diverge from the recommendations but they are obliged to disclose this annually. The companies can diverge from the suggestions without disclosure.

CONSOLIDATION

Summary of the individual financial statements of companies that belong to a parent company to create consolidated financial statements. Business relationships between the individual consolidated companies are eliminated.

CONTINGENT LIABILITIES

Liabilities that are not shown on the balance sheet and are unlikely to occur, for example liability claims arising from guaranty obligations.

Deposits retained by us/deposits retained by others
Receivables of the reinsurer from the first insurer that are retained as security for future reinsurance services. The first insurer posts these securities as deposits owed.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are forward transactions that are in the form of fixed or optional business and whose value depends on one or more basic variables. Obligations arising from these instruments have to be met by means of cash payments or the addition or disposal of other financial instruments. They can be met on a net basis as well. The crucial characteristic of all derivatives is that the evaluation (and therefore the price) of the entitlement, which can be claimed or is to be met in future or over a period of time in future depends directly or indirectly on a determinant in the form of a certain basic value due to its contents, this basic value being subject to fluctuations in price and evaluation.

EARNED PREMIUMS

The written premiums are the received premium income of the respective fiscal year. The shares of the written premiums attributable to the fiscal year are earned premiums.

EFFECTIVE INTEREST METHOD

In accordance with IAS 39, the effective interest method is a method of calculating the amortised costs of a financial asset or a financial liability and of allocating interest income and interest expenses to the respective period. With the effective interest rate, for example, a discount is spread over the period of the financial instrument and returned to zero.

EQUITY METHOD

The shares in → associated companies and joint ventures are shown on the balance sheet in accordance with this method. The value posted corresponds to the proportion of shares of these companies in the consolidated equity.

FAIR VALUE

The amount at which an asset is exchanged between commercially knowledgeable, contractually willing and mutually independent business partners. The current market value is taken as the fair value in so far as an active market exists. As an alternative, the fair value can also be determined with recognised methods of valuation.

FINANCIAL INSTRUMENTS AVAILABLE FOR SALE AT ANY TIME

The category of financial instruments available for sale at any time is, according to IFRS, the most important category to which the financial instruments are to be assigned. They include financial assets that cannot be assigned to either the financial assets held until they become due or to the → financial assets to be measured at fair value or the receivables. They are evaluated without any effect on the result.

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

According to IAS 39.9, one of the categories to which the financial instruments are to be assigned on the balance sheet. They include the financial assets that are evaluated at market value. On the assets side, they are →trading assets and, on the liabilities side, they are →trading liabilities. Changes in the evaluation of the market value are recognised through profit and loss by means of the income statement.

FOR OWN ACCOUNT (F.O.A.)

In insurance terminology, it „for own account (f.o.a.)“ means after deduction of the reinsurance component and is also called net.

FUTURES

Standardised forward transactions whereby a trading object belonging to a cash, capital, precious-metal or currency market is to be supplied or purchased at a particular time in the future at the stock exchange price.

GOOD WILL

Amount by which, at the time of purchase, the purchase price of a subsidiary exceeds its proportional equity after dissolution of the latent reserves and burdens to be assigned to the purchaser. Good will is not to be subjected to scheduled depreciation but is, if necessary, subjected to extraordinary depreciation after the impairment test.

GROSS/NET

In insurance, gross/net means the respective item or ratio before or after deduction of reinsurance.

GUARANTEED INTEREST

Interest that the life insurance company uses as a basis for calculation of the →aggregate reserve and usually of the premium and guarantees for the entire period of the contract.

HEDGE ACCOUNTING

Hedge accounting is a procedure with which opposing changes in the value of a hedging transaction (for example an interest swap) and a basic transaction (for example a credit) are recorded in the accounts. The aim of →hedging is to minimise the influence of evaluation through profit and loss and of recognition of the results of evaluation arising from derivative transactions on the consolidated income statement.

HEDGING

Protection against share price risks and stock exchange price risks by means of appropriate transactions to oppose these risks, especially by means of →derivative financial instruments. Depending on the risk to be „hedged“, two basic models are distinguished: fair value hedges protect assets or liabilities against value change risks while cash flow hedges reduce the risk of fluctuations in future payment flows.

INTEREST SWAP

An interest swap is a contractual agreement regarding the exchange of interest payments in a currency between two parties.

IFRS/AIS

The abbreviation IFRS stands for „International Financial Reporting Standards“ and refers to the basic international principles of financial reporting. Since 2002, the abbreviation IFRS has applied to the overall concept of the standards ratified by the International Accounting Standards Board (IASB). Previously ratified standards are still referred to as „International Accounting Standards“ (IAS). In line with a directive of the European Commission, all EU parent companies that do business on capital markets have had to draw up their consolidated financial statements in accordance with international standards applicable to the presentation of accounts since 2005. The aim is facilitate the international comparison of financial statements.

IMPAIRMENT TEST

The impairment test (also called lowest-value test) is a procedure for determining a need for extraordinary depreciation (impairment loss).

INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDERS

These mainly include investments of unit-linked life insurance and additional investments to cover obligations arising from contracts where the benefits are index-linked. The policyholders are entitled to the yield on these investments but also have to bear any losses that may be incurred.

INVENTORY VALUE OF PURCHASED INSURANCE CONTRACTS

The value that is posted on the balance sheet as the equivalent value of the acquired insurance contracts when an insurance company is consolidated for the first time.

LATENT TAXES

According to IFRS, latent taxes are to be based on differences due to different values assigned to assets between the control balance sheet and the IFRS balance sheet where these differences have tax effects in future periods.

MINORITIES INTEREST IN THE EQUITY

Shares in the equity of consolidated →affiliated companies that are held by external third parties from the point of view of the Group.

NEW PREMIUM INCOME

This includes the annual premiums of new business, including the single premiums.

NOMINAL VALUE

The nominal amount shown for a security (e.g. € 100 000).

NO-PAR-VALUE SHARE

All issued no-par-value shares of a company each embody an equally large share in the share capital of the company. They are not issued for a nominal amount. The „mathematical“ nominal amount is obtained by dividing the equity by the number of shares.

OPTIONS

Forward contracts where the buyer is entitled but not obliged to purchase (option to buy) or sell (option to sell) the subject of the option within a certain time at a price agreed in advance. The seller of the option is obliged to supply or accept the subject of the option and receives a fee for granting this option.

PREMIUMS, WRITTEN/EARNED

The premium is the price for risk carrying and the provision of future benefits by the insurer. It can be paid annually or as a single premium. The written premiums are the received premium revenues of the respective fiscal year. Earned premiums are the parts of the written premiums allocated to the fiscal year (→Unearned premiums)

PREMIUMS FROM THE RESERVE FOR PREMIUM REFUNDS

These are those shares in profit for policyholders which are withdrawn from the →reserve for premium refunds and used to increase the sum assured/benefits.

PROFIT PARTICIPATION

Profits/surpluses are achieved on the basis of careful principles of accounting, in particular in respect of mortality, interest (guaranteed interest) and costs. They are credited to the policyholders in addition to the guaranteed benefit. The participation of the policyholders in the achieved profits/surpluses is determined according to the principles of § 81 VAG (Insurance Supervisory Law), adherence to which is monitored by the Federal Supervisory Authority. Profit participation takes place in the form of →direct credit or via the →reserve for premium refunds. To ensure that profits are distributed fairly according to where they are made, contracts of the same kind are grouped together into clearing groups or portfolio groups. Participation in profits/surpluses takes place through assignment of current parts of the profit/surplus and in the form of final profits as well as through participation in the →valuation reserves.

PROFIT RESERVES

The profit reserves are formed from the consolidated profit. They strengthen the substance of the company.

REINSURANCE, CEDED INSURANCE BUSINESS

Transferral of part of the risk and the premium by the direct insurer to another insurance company, the reinsurer.

RESERVE FOR UNSETTLED CLAIMS

This relates to reserves for expenses arising from insurance claims that occur in the respective fiscal year but have not yet been dealt with. It also includes reserves for insurance claims that occur before the balance sheet date but have not yet been submitted.

RETURN ON EQUITY (ROE)

The return on equity is the quotient of the consolidated profit for the fiscal year and the consolidated capital.

RESERVE FOR PREMIUM REFUNDS

That part of the consolidated profit that is not directly credited to the insured parties is transferred to the reserve for premium refunds. The reserve for premium refunds thus includes those shares of the profit that are credited to the customers in the subsequent fiscal years. Irrespective of the fluctuating annual results, a uniform level of →profit participation can thus be granted to the insured parties from this reserve.

REVALUATION RESERVE

In the revaluation reserve, changes in the market value of securities and participations are recorded neutrally as to the result. It is part of equity.

EARNINGS PER SHARE

The earnings per share is determined as the ratio between the consolidated result and the number of shares.

RESULT ATTRIBUTABLE TO OTHER SHAREHOLDERS

Shares in the result for the year that are not to be assigned to the Group but to parties outside the Group who hold shares in →affiliated companies.

SECURITY FUND

A special asset to be formed by insurance companies in order to secure claims of insured parties (→aggregate reserve).

SOLVABILITY

Level of equity of an insurance company.

SPECIALISED FUNDS

Investment funds that are only reserved for a limited group of investors. They are usually institutional investors such as insurance companies, pension fund companies and foundations.

STATEMENT OF COMPLIANCE

§ 161 of the law on shares (Aktiengesetz) obliges the management board and the supervisory board of a company listed on the stock exchange to state once a year that the recommendations of the →German Code of Corporate Governance have been complied with or which recommendations of the code have not been applied.

STRESS TEST

The stress test simulates the effects of future negative developments of the investment market - such as a drop in share prices and a rise in the interest rate at the same time – on the coverage of guaranteed benefits and the →solvability of the company.

TRADING ASSETS (HELD FOR TRADING)

This category includes fixed-interest and non-fixed-interest securities as well as →derivative financial instruments that have been purchased solely for trading purposes. They are shown on the balance sheet at their →fair value and are posted in the balance sheet item →financial assets measured at fair value through profit and loss.

TRADING LIABILITIES

This item contains negative market values arising from derivatives and short sales of securities. Short sales are carried out in order to achieve profits from short-time price fluctuations. The trading liabilities are evaluated analogously to the trading assets.

UNDERWRITING EXPENSES

Commission, salaries, equipment costs and other expenses for the sale and ongoing administration of insurance contracts.

UNEARNED PREMIUMS (PREMIUM RESERVE)

Portion of the received premiums which relates to the risk period after the balance-sheet date.

UNIT-LINKED LIFE/ANNUITY ASSURANCE

Life or annuity assurance, whereby the parts of the premium not needed for the risk and the costs is invested in shares in one or more investment funds. The level of the maturity benefit essentially depends on how the value of the respective fund shares develops. The policyholder bears the investment risk.

VALUATION RESERVES

The difference between the fair value and book value of certain classes of investment. In the GERMAN GAAP consolidated accounts, they include real estate and buildings, shares in affiliated companies and participations as well as shares, bearer bonds, investment certificates, registered bonds, debentures and loans. In the IFRS consolidated accounts, they include all financial instruments that are not posted on the balance sheet at →fair value through profit and loss and are held as a financial investment.

WRITTEN PREMIUMS

The written premiums are the received premium income of the respective fiscal year. The share of these premiums that are attributable to the fiscal year are →earned premiums.

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ABBREVIATIONS

AktG	Share law
ALM	Asset liability management
ARA PK	Allgemeine Rentenanstalt Pensionskasse AG
BaFin	Federal office for financial services supervision
BSW	Wüstenrot Bausparkasse AG
DAV	German association of actuaries
e.V.	Registered association
GDV	Umbrella association of the German insurance industry
HGB	German GAAP
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IT	Information technology
IT GmbH	W&W Informatik GmbH
KHK	Karlsruher HG AG, Lebensversicherung für Beamte und Angestellte der öffentliche Verwaltung
KLV	Karlsruher Lebensversicherung AG
KonTraG	Law on corporate monitoring and transparency
Makler Vertriebsservice GmbH	Württembergische Vertriebsservice GmbH für Makler und freie Vermittler
MaRisk	Minimum requirements for risk management
RechVersV	Directive on the presentation of accounts of insurance companies
ROE	Return on equity
VAG	Insurance supervisory law
VVG	Law on insurance contracts
WH	Wüstenrot Holding AG
WiW	Wohnimmobilien GmbH & Co. KG der Württembergischen
WüttlLeben	Württembergische Lebensversicherung AG
WüttlVers	Württembergische Versicherung AG
W&W AG	Wüstenrot & Württembergische AG
W&W AM	W&W Asset Management GmbH

DETAILS OF PUBLICATION AND CONTACT

This business report is available in German and English. Both versions as well as the business reports of companies belonging to the W&W Group are available for downloading at www.ww-ag.com/finanzberichte

If you have any special questions on issues of finance, we will be happy to discuss them with you.

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