

Interim Management Statement as at 30 September 2008

Wüstenrot & Württembergische AG



Key figures at a glance

W&W Group (in accordance with IFRS)		30 Sep 2008	31 Dec 2007
Balance sheet			
Available-for-sale financial assets	EUR bn	13.2	13.0
Loans and advances to banks	EUR bn	17.7	19.1
Loans and advances to customers	EUR bn	28.9	29.3
Customer deposits	EUR bn	21.4	21.8
Technical provisions	EUR bn	29.0	29.7
Shareholders' equity	EUR bn	2.4	2.5
Net asset value per share	EUR	24.21	24.54
Total assets	EUR bn	66.3	68.1
		1 Jan 2008 to	1 Jan 2007 to
Income statement		30 Sep 2008	30 Sep 2007
Net financial result (after allowance for credit losses)	EUR mn	402.3	1,250.7
Premiums/contributions earned (net)	EUR mn	2,741.7	2,865.2
Insurance benefits (net)	EUR mn	2,106.3	2,969.8
Earnings before taxes from continued operations	EUR mn	91.0	200.8
Consolidated net income	EUR mn	90.5	180.1
Earnings per share	EUR	0.98	2.01
		1 Jan 2008 to	1 Jan 2007 to
Other information		30 Sep 2008	30 Sep 2007
Employees ¹		8,226	8,445
Employees ²		9,906	10,107
Assets under management	EUR bn	24.8	25.3
Sales of own and third-party investment funds	EUR mn	296.1	304.2
Home loans disbursed	EUR mn	4,369.1	3,591.6
Home Loan and Savings Bank Division			
New home loan savings business (paid in)	EUR bn	6.0	4.9
Insurance Division			
Property/Casualty insurance			
New premiums	EUR mn	125.7	134.0
Gross premium income	EUR mn	1,080.6	1,243.8
Life and Health Insurance			
Annual Premium Equivalent (APE)	EUR mn	163.9	160.9
Gross premium/contribution income	EUR mn	1,665.7	1,716.8
		1 Jan 2008 to	1 Jan 2007 to
W&W AG (according to the German Commercial Code)		30 Sep 2008	30 Sep 2007
Net profit for the period	EUR mn	59.0	111.2
Share price on 30 September	EUR	13.05	22.00
Market capitalisation as at 30 September	EUR mn	1,125.5	1,897.3

¹ Full-time equivalent head count as at 30 Sep 2008 (previous year's figure as at 31 Dec 2007)

² Number of employment contracts as at 30 Sep 2008 (previous year's figure as at 31 Dec 2007)

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Report on assets, liabilities, financial position, and profit or loss

Overview

Economic environment

After a welcome dynamic start to 2008, there have since been increasing signs that the German economy is losing speed. Economic performance during the second quarter was already down on the previous three months, and the expectations for the remainder of the year are steadily deteriorating. Export business is increasingly suffering from the falling demand in key target markets abroad. Private consumption, meanwhile, is reserved. Ultimately, the crisis on the world's financial markets means that the banks are being forced to restrict their lending. Furthermore, the psychological effects of the crisis on the corporate sector and households alike cannot be underestimated. Overall, the economic environment – for financial services providers in particular – has markedly deteriorated over the past few months.

The downward trend on the international equity markets continued during the third quarter. The Dow Jones EURO STOXX 50 index lost 30.9 per cent of its value between the start of the year, when it stood at 4,399.72 points and the end of the third quarter, by which time it had fallen to 3,038.2 points. The main causes of this negative development were the further intensification of the global financial market crisis, coupled with the ailing state of the economy and the onset of a recession. Numerous banks in the USA and Europe, finding themselves forced to write down the value of securities and loans, suffered high losses and found their very existence under threat. As a result, the prime sector index tracking the banking sector recorded a fall of 50.1 per cent during the period under review. This is an even poorer performance than that recorded by the market as a whole. The insurance prime sector index, in contrast, was able to perform marginally better than the market as a whole, down by 26.7 per cent.

After the W&W-share proved to be relatively stable – compared with the overall market – during the first half of 2008, dipping just 7.5 per cent, it was unable to escape the downward pull of the capital market any longer by the time of the third quarter. The share price at the end of the third quarter was EUR 13.05, equating to a fall of 33.9 per cent over the period under review. One reason for the weak performance of the W&W share lies in the tendency of many investors, in response to the financial market crisis, to sell shares in the main sectors affected, without paying any attention to how individual companies within those sectors are faring. It is our view that the current W&W share price does not take due account of the restructuring measures that have been implemented, as a result of which the Group's ability to create value has been reinforced for the long term. In addition, the Group's risk profile is very well balanced. The internal efficiency and synergy potential inherent in the Group's businesses and its market positioning as the recognised experts for savings, investment and risk protection on the financial services market mean that, given normal economic conditions, the W&W share offers price potential.

Sector performance

New business generated by the German home loan and savings sector developed favourably during the first nine months of 2008. On aggregate, more than 2.9 million contracts accounting for home loan and savings business grossing EUR 78.5 billion were concluded during that period. This equates to a 9.2 per cent increase in the number of contracts concluded, and a 6.5 per cent increase in the volume of home loan and savings business. The sector is benefiting from three different effects.

Firstly, the crisis on the financial markets has lent impetus to the home loan savings sector. Savers and investors are increasingly turning towards safe and more reliable forms of saving and investment. This includes collective home loan savings plans, which combine savings with a loan element in a unique way. As a result, these plans have been the winners during the crisis, as customers set great store by their independence from the capital markets.

Secondly, the sector is benefiting from advance sales in conjunction with the new rules on housing subsidies (the "*Wohnungsbauprämie*") agreed in summer 2008 and due to enter into force with effect from 1 January 2009 as part of the new Home Owner Pension Act (*Eigenheimrentengesetz*). The old rules will continue to apply to contracts entered into prior to the end of 2008, whereby funds from home loan and savings contracts for which housing subsidies were disbursed may be used freely after the end of a seven-year blocking period. In future, contracts will be subject to a designation of purpose and, for a period of 25 years, any funds disbursed under such contracts will have to be invested solely for residential purposes.

Thirdly, the sector has also been boosted by the fact that home loan and savings plans have been included in the range of products eligible for "Riester" pension plan subsidies. The first tariffs certified as eligible for these subsidies have been available since early November 2008.

New business in the home loan financing sector declined during the first nine months of the year. All in all, at EUR 132.1 billion, new home loan financing business was down 5.5 per cent in the period from January to September 2008 compared with the same period of the previous year. On the basis of an up-to-date forecast, the German ifo Institute expects there to be a further drop in the number of new homes being built to 195,000 in 2008. Ten years ago, 500,000 homes were still being built per year. It is planning applications for detached and two-family homes in particular that are a very low level. Additionally, the current economic situation

means that consumers are clearly holding back with regard to investing in housing.

The funds sector continues to be greatly affected by the financial market crisis. Investment funds are suffering a massive outflow of money and are having to restructure their portfolios as a result. This is increasing the selling pressure on the world's equity markets.

German life insurers recorded a 2.6 per cent rise in gross premiums compared with the previous year during the first three quarters of 2008, with a total of EUR 52.62 billion. Developments have once again demonstrated the importance of annuity insurance to life insurers' new business, as annuities accounted for 50.6 per cent of new policies and 66.9 per cent of contributions. Unit-linked annuity policies are making an increasing contribution. By the end of the year, the General Association of the German Insurance Industry (GDV) expects gross premiums earned to have risen by 2.1 per cent.

With regard to property/casualty insurance, the GDV expects gross premiums written to rise slightly in 2008, increasing by 0.2 per cent. Following on from the development of previous years, tough price competition is expected over the coming months in the area of motor vehicle insurance. As far as the current year is concerned, the GDV is already predicting a 1.7 per cent fall in gross premiums written, across the market as a whole in this segment. This fall in prices will be slightly over-compensated by the property insurance segments.

The "W&W 2009" modernisation programme

The "W&W 2009" modernisation programme launched by the W&W Group in 2006 to increase growth, efficiency and profitability continues to progress well. This programme has encompassed Group projects such as the management 'cockpit' and the reorganisation of the internal audit department, as well as follow-up projects such as, for example, the creation of a single human resources management team.

With a view to further optimising Group-wide services, including purchasing, building management, catering and document management, for example, W&W Service GmbH has been established as a dedicated entity rendering these services, and will commence operations on 1 January 2009. The organisational framework required for this move is currently being put in place. Following the negotiations with the trade unions, the final outcome is one that meets the targets and expectations formulated by the parties from the outset, and that provides W&W Service GmbH with a solid basis for the future. The final outcome is still to be approved by the respective bodies and committees, where it is currently being presented and discussed, and is due to be signed in the second half of November.

W&W products enjoy market success

The W&W Group is continuing to work intensively on the development of innovative products for its customers. Its focus is on transparent and safe savings, investment and risk production products from both divisions, offering customers attractive terms and conditions and, at the same time, creating growth and income prospects for W&W for the future. The products cover life insurance, company pension schemes, current accounts and overnight deposit accounts, as well as health insurance and investment funds. These offerings are the ultimate cross-selling products and can be sold through the Group's various distribution channels.

As a result of the "Life Banking" sales project, some 46,000 new current accounts were opened in 2008, as well as a good 62,000 new overnight deposit accounts with a volume of EUR 342 million. The latest product "Top Termingeld flex" has also got off to a successful start since its launch at the end of July 2008. To date, 6,500 term deposit accounts have been set up, generating an aggregate volume of EUR 166 million.

Since November, W&W customers have also been able to use "Riester" subsidies provided by the state towards the financing of their home. Two products have been certified by official regulators: the "Wüstenrot Wohn-Riester" home loan and savings plan and the "Wüstenrot Riester" loan which can be used for immediate property financing needs. Additionally, W&W offers the "Württembergische RiesterRente Plus" plan, comprising either a classic or a unit-linked annuity insurance policy. Over the reporting period, W&W was able to record growth of 130 per cent, thanks also to the third stage of the Riester scheme, which entered into force in 2008.

New mission as an investment in the future

The mission adopted at the beginning of the year "Wüstenrot & Württembergische - We've got it covered" was fleshed out during workshops held with managers and staff so that it can be applied in day-to-day operations. The aim is to enable the two divisions – Home Loan and Savings Bank, and Insurance – to converge to a greater extent. This is now being done on the basis of specific targets for the various different organisational units and areas of responsibility. Leveraging its common range of services, the W&W Group can offer its customers an individual solution to meet their financial needs encompassing savings and investment, home loan savings, financial cover and risk protection.

Business development

Despite the further intensification of the financial markets crisis during the last quarter, the W&W Group was able to record net income of EUR 90.5¹ million for the first nine months of 2008. This is 19.6 per cent down on the previous year's figure – adjusted to exclude extraordinary effects – of EUR 112.5 million. Two extraordinary items were relevant to last year's figure: the reversal of the provisions for the judicial award procedure in the amount of EUR 50.8 million and the sale of the Erasmus insurance group for EUR 16.8 million.

Liquidity is secured

The liquidity management of the entire W&W Group is geared towards being able to meet the Group's financial commitments at all times and on a sustained basis. Forward-looking planning is used to enable the W&W Group to identify any liquidity bottlenecks at an early stage and to take any necessary measures. During the current market situation, characterised by a general liquidity shortage and temporary drying-up of the interbank market, the W&W Group enjoys the advantage of having a balanced liquidity situation within the Group. Whilst the Home Loan and Savings Bank division takes up a manageable amount of liquidity through its customer deposits, the Insurance division has an ongoing investment requirement. The liquidity position of the Home Loan and Savings Bank division is secured for the foreseeable future by customer deposits, securities holdings eligible for ECB refinancing, securities repurchase transactions, and own securities issues. However, were liquidity shortages to emerge, W&W AG and the insurance companies in the W&W

Group would be able to support the Home Loan and Savings Bank division with liquid assets on the basis of defined measures. Overall, the W&W Group has a comprehensive portfolio of investments that could be liquidated on a daily basis, such as federal state loans and investments with development banks, ensuring that even unplanned payment obligations can be met at any time.

Additional explanations

Net financial result

The net financial result recorded by the W&W Group as at 30 September 2008 was EUR 402.3 million (9m 2007: EUR 1,250.7 million). The main reasons for the fall of EUR 848.4 million were the changes in available-for-sale financial assets and in net income from financial assets and liabilities at fair value through profit or loss against the background of the financial markets crisis.

The fall of EUR 744.9 million in available-for-sale financial assets is attributable to impairments recognised in income, above all affecting equities, as well as to losses from disposals.

The year-on-year fall of EUR 103.6 million in net income from financial assets and liabilities at fair value through profit or loss can be explained by two key factors. Firstly, net income from unit-linked life insurance policies was down. Secondly, the general trend on the equity markets resulted in lower net income from fair values and from the sale of equity-linked structured products. This was partially offset by a better level of net income from derivatives held in the trading portfolio.

¹ Unless specified otherwise, the figures in brackets are the corresponding values as at 30 September 2007. Consolidated and segment reporting is in accordance with IFRS.

In October the European Union approved amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets". It is now possible for securities to be reclassified from "Available-for-sale financial assets" to the category of "Loans and receivables" if the company has the intention and ability to hold the assets for the foreseeable future or until maturity. In accordance with these changes, certain financial assets with a carrying amount of EUR 386.6 million were reclassified with retrospective effect from 1 July 2008. There was no active market for these assets during the third quarter and the W&W Group intends holding them for the time being. This has not had any impact on the reported net financial result. However, some items have been shifted among "Net income from available-for-sale financial assets", "Net income from receivables" and "Allowance for credit losses"; in addition, there has been a slight improvement of EUR 4.5 million in shareholders' equity and an increase in deferred provisions created for premium refunds in the amount of EUR 25.7 million.

Premiums and contributions earned

Premiums and contributions earned totalled EUR 2,741.7 million (9m 2007: EUR 2,865.2 million) during the period under review, which was EUR 123.5 million down on the same period of the previous year. Lower one-off contributions in the Life and Health Insurance segment, and the sale of our UK business WürttUK – in line with company strategy – in our Composite Insurance segment were key factors in this regard.

Insurance benefits

The decline in the net financial result was largely offset by a decline in insurance benefits, which were down by EUR 863.5 million, from EUR 2,969.8 million in the same period of the previous year to EUR 2,106.3 million. During the previous year, the Composite Insurance segment

was still burdened by claims relating to Hurricane Cyril. Our focus on quality in underwriting risks also had a positive impact on claims.

In Life and Health Insurance, changes in the net financial result also resulted in a change in the provision for future policy benefits for unit-linked life insurance policies, and in the provision for premium refunds – which, in turn, are included in insurance benefits. The lower level of net income resulted in lower provisioning levels in both cases. As a result, the fall in net financial income is only partly reflected in the Group results.

General administrative expenses

The Group's general administrative expenses decreased by EUR 14.3 million to EUR 759.3 million (EUR 773.6 million). The impact of the efficiency projects and cost-cutting measures introduced within the scope of the "W&W 2009" modernisation programme was visibly positive.

Taxes

The fall in tax expenses can be attributed to the lower profit before taxes, to the reduction in the tax rates as part of the business tax reform and to the release of tax provisions that were no longer required.

Shareholders' equity

Consolidated shareholders' equity of the W&W Group decreased by EUR 61.5 million compared to 31 December 2007, to EUR 2,432.1 million as at 30 September 2008. This was due to the dividends distributed for the 2007 financial year, as well as to the lower revaluation surplus, reflecting current capital market developments. The reduction was partially offset by the level of consolidated net income posted for the first nine months. The reclassification in accordance with the amendments to IAS 39 meant that

further burdens on shareholders' equity from the reclassified securities were avoided as the financial market situation continued to deteriorate. Without the reclassifications in accordance with IAS 39 (amended), shareholders' equity would have been EUR 4.5 million lower as at 30 September 2008.

Segment reporting

Home Loan and Savings

New business and net profit for the segment developed positively with regard to home loans and savings. Net income, at EUR 41.2 million, rose considerably compared with the EUR 22.8 million recorded for the same period of the previous year. A significant rise was recorded in all of the segment's new business figures compared with the previous year.

Gross new business (by volume of home loan and savings contracts) rose by 28.3 per cent from EUR 5.8 billion to EUR 7.5 billion, a significantly greater increase than that recorded by the sector as a whole. New business paid in (also by volume of home loan and savings business) grew by 22.5 per cent, from EUR 4.9 billion to EUR 6.0 billion. This positive development was due to the ongoing restructuring and realignment of the sales force.

The net financial result rose by EUR 23.7 million to EUR 263.1 million (9m 2007: EUR 239.4 million). The EUR 40.2 million increase in net income from available-for-sale financial assets, to EUR 83.5 million (9m 2007: EUR 43.3 million) reflected higher interest income on a larger portfolio. Net income from financial assets and liabilities at fair value through profit or loss fell by EUR 11.0 million, from EUR 4.9 million to a loss of EUR -6.1 million.

The figure is defined by lower fair values of derivatives. Net income from receivables, liabilities and subordinated capital fell by EUR 12.6 million, from EUR 209.9 million to EUR 197.3 million. A one-off effect from repayment gains was more than offset by another non-recurring charge from legacy tariffs and by the fall in interest income due to both lower volume and margins.

General administrative expenses for the first nine months of the year posted a fall of EUR 1.4 million to EUR 238.3 million (9m 2007: EUR 239.7 million). The lower average number of staff resulted in a lower level of personnel expenses. In contrast, there was a rise in operating expenditure due to higher marketing and advertising costs.

Other income as at 30 September 2008 fell by EUR 26.8 million to EUR 36.4 million (9m 2007: EUR 63.2 million). During the previous year, provisions for anniversary commitments, bonus payments, and transfer and death benefits were released on the basis of amended agreements. This led to non-recurring income of EUR 12.7 million, which makes it difficult to draw year-on-year comparisons. Service revenues were also lower.

With income before taxes of EUR 47.9 million (9m 2007: EUR 47.7 million), tax expense totalled EUR 6.7 million (9m 2007: EUR 24.9 million) taking into account the business tax reform and tax refunds for earlier years.

Banking

The Banking segment posted income of EUR 6.1 million as at 30 September 2008, compared with EUR 15.7 million during the first nine months of 2007. The main reason for this development was the lower net financial result.

Despite the negative trend in the industry as a whole, new lending business (including loan extensions) in the Banking segment as at 30 September 2008 rose to EUR 1,533.6 million, compared with EUR 1,257.6 million the previous year. New lending business contributed EUR 759.4 million, whilst loan extensions accounted for EUR 774.2 million. Including the Home Loan and Savings segment, total new lending business rose by EUR 508.5 million, from EUR 2,538.3 million to EUR 3,046.8 million.

The net financial result for the segment fell by EUR 28.4 million to EUR 45.3 million (9m 2007: EUR 73.7 million). The main contributing factor to this development was lower net income from receivables, liabilities and subordinated capital of EUR 3.7 million, compared with EUR 38.4 million the year before. This fall of EUR 34.7 million was due to the increase in refinancing costs in the wake of the financial markets crisis, the ongoing pressure on margins in lending business, and the restricted options available for maturity transformation. The fall in the net financial result was partially offset by a rise of EUR 17.9 million in net income from available-for-sale financial assets, as the expansion of the portfolio of bonds resulted in higher net interest income.

The positive impact of the efficiency projects launched under the "Wüstenrot 2009" programme was clearly felt in terms of general administrative expenses, which were cut by EUR 5.4 million from EUR 69.9 million to EUR 64.5 million.

Net other income/expense improved by EUR 4.7 million to EUR 10.0 million (9m 2007: EUR 5.3 million), mainly due to a rise in service revenues.

As a result of the release of tax provisions, tax income in the Banking segment totalled EUR 7.8 million (9m 2007: EUR -2.2 million).

Investment Products

The Investment Products segment posted a fall of EUR 1.6 million in net income as at 30 September. The fall from EUR 8.9 million to EUR 7.3 million can basically be attributed to two factors. Firstly, the introduction of a new fee agreement in line with prevailing market terms led to increased expenses for holding-based commissions and thus to a poorer net fee and commission result. At the same time, the rise in advertising expenses impacted on general administrative expenses.

Nonetheless, at EUR 296.1 million, total sales achieved by the distributors of funds brokered by W&W Group, which include W&W's own funds as well as funds managed by third parties, were a mere 2.7 per cent lower than the figure of EUR 304.2 million for the same period of the previous year. W&W funds accounted for 47 per cent (9m 2007: 60 per cent) of total sales. The falls in both figures demonstrate the impact that the financial markets crisis has had on investor behaviour. Total assets under management amounted to EUR 24.8 billion (9m 2007: EUR 25.3 billion). Capital investments by the W&W Group accounted for the greatest share of this figure, at EUR 23.6 billion (9m 2007: EUR 24.2 billion).

Life and Health Insurance

Net income as at 30 September 2008 reached EUR 4.5 million in the Life and Health Insurance segment, after EUR 14.5 million for the same period of the previous year. The period under review was marked by a decline in the net financial result, which was however largely offset by a reduction in the provisions for premium refunds and future policy benefits related to unit-linked life insurance policies. New insurance business, measured in terms of APE (Annual Premium Equivalent), amounted to EUR 163.9 million for the period up to 30 September 2008 (9m 2007: EUR 160.9 million). In addition to

Riester pension plans, regular new premiums contributed to the growth. On the other hand, net premiums and contributions earned were down by EUR 32.6 million to EUR 1,774.8 million (9m 2007: EUR 1,807.4 million), due to falling one-off contributions and a higher level of scheduled policy maturities.

The net financial result of this segment was down by EUR 827.0 million, to EUR 22.2 million (9m 2007: EUR 849.2 million) as at 30 September 2008. The fall can be attributed to impairments recognised in income and disposal losses related to equities, as well as to a poorer result from the capital investments of unit-linked life insurance.

Net income from investment property fell by EUR 22.4 million from EUR 43.9 million to EUR 21.5 million. The figure for the same period of the previous year included extraordinary gains from the disposal of properties in the amount of EUR 20.1 million.

The lower net financial result led to a reduction in the provisions for premium refunds and future policy benefits related to unit-linked insurance policies. Insurance benefits fell as a result, down by EUR 791.7 million to EUR 1,569.0 million (9m 2007: EUR 2,360.7 million).

The improvement in net other income/expense, which rose by EUR 68.6 million from EUR -45.2 million to EUR 23.4 million, was due to a rise in service revenues and other technical income, as well as to positive exchange rate effects. Net tax income of EUR 20.5 million (9m 2007: EUR 0.7 million) resulted from tax provisions being released.

Composite Insurance

An improvement in the claims situation and lower commission expenses were not enough to offset the fall in the net financial result and in premium income in the Composite Insurance segment. Accordingly, net income as at 30 September 2008 fell by EUR 16.3 million from EUR 44.0 million to EUR 27.7 million.

Tough competition among predatory rivals is continuing on the composite market. As a result, domestic new business (measured in terms of annual contributions to the portfolio), at EUR 125.7 million, was EUR 8.3 million down on the previous year's figure of EUR 134.0 million.

The net financial result fell by EUR 34.0 million to EUR 46.8 million (9m 2007: EUR 80.8 million). One of the major causes of the fall was the level of net income from available-for-sale financial assets. Due to impairments recognised in income that were required in relation to equities, this income fell by EUR 36.0 million from EUR 30.2 million to EUR -5.8 million.

Lower commission expenses were incurred with regard to new business. This meant that there was an improvement in the net fee and commission result, up by EUR 15.5 million to EUR -124.4 million (9m 2007: EUR -139.9 million).

The fall of EUR 78.1 million in net premiums and contributions earned, which fell from EUR 893.2 million to EUR 815.1 million, is primarily due to the sale of the UK business, WürttUK, in line with company strategy.

The claim situation, however, developed in a welcome manner during the reporting period. By 30 September 2008, insurance benefits had fallen by EUR 70.7 million to EUR 511.5 million (9m 2007: EUR 440.8 million). After the sale of WürttUK, insurance benefits decreased in line with contributions. The previous year's figure was also burdened by Hurricane Cyril.

Following adjustments to deferred taxes on the assets side included in losses carried forward and the settlement of the previous year's taxes, the total tax expense for the segment was EUR 20.2 million (9m 2007: EUR 18.9 million).

Holding/Reinsurance

Net income in the Holding/Reinsurance segment fell by EUR 67.0 million to EUR 47.5 million (9m 2007: EUR 114.5 million). The net income recorded during the first nine months of the previous year was strongly influenced by two one-off effects, namely the reversal of the provision for the judicial award procedure and the sale of the Erasmus insurance group. This fall impacted on the net financial result, which was reduced by EUR 19.9 million from EUR 85.9 million to EUR 66.0 million. Moreover, losses made on disposals could not be offset by higher dividend income as in the previous year.

In terms of net income from investment property, lower income from sales resulted in a fall of EUR 5.1 million to EUR 1.6 million (9m 2007: EUR 6.7 million).

The lower volume of W&W AG's reinsurance business led to an improvement of EUR 4.8 million in the net fee and commission result, from EUR -52.2 million to EUR -47.4 million. Reflecting the same effect, insurance benefits fell by EUR 11.8 million, from EUR 114.3 million to EUR 102.5 million, whilst premiums earned were down by EUR 12.9 million, from EUR 169.1 million to EUR 156.2 million.

Outlook

Overall, the solidity and potential of the W&W business model with its broad basis of private customers has proved its worth, even in times of financial markets crisis. Work will continue on the consistent implementation of the "W&W 2009" restructuring programme launched back in 2006. The efficiency improvements targeted for 2008 are being exceeded and, with regard to home loan and savings business, clear gains in market share are anticipated. Nevertheless, the W&W Group cannot escape the need for impairments and the resulting impact on its result. Given the highly volatile nature of the financial markets, it is not possible to make a reliable forecast with regard to annual profit in 2008 at the current time, as already mentioned in the ad-hoc statement of 2 October 2008. Looking to 2009, the W&W Group continues to expect to be able to achieve its target of a 9 per cent return on equity after taxes thanks to its restructuring and modernisation programme.

Consolidated balance sheet as at 30 September 2008

Assets	30 Sep 2008	31 Dec 2007
	EUR 000's	EUR 000's
A. Cash reserve	21,490	182,333
B. Non-current assets held for sale and disposal groups	27,124	89,505
C. Financial assets at fair value through profit or loss	1,559,960	1,706,279
D. Available-for-sale financial assets	13,216,517	13,029,552
E. Receivables	47,170,699	48,862,777
I. Loans and advances to banks	17,702,495	19,097,928
II. Receivables from reinsurance business	213,072	183,355
III. Loans and advances to customers	28,904,329	29,330,354
IV. Other receivables	350,803	251,140
F. Allowance for credit losses	- 267,467	- 266,346
G. Positive market value of hedges	12,072	19,099
H. Investments accounted for using the equity method	178,976	192,570
I. Investment property	1,244,199	1,227,801
J. Share of reinsurance business in technical provisions	1,988,427	1,988,978
K. Other assets	1,157,929	1,098,828
I. Intangible assets	206,470	203,632
II. Property, plant and equipment, and inventories	362,919	353,487
III. Current tax assets	172,804	131,368
IV. Deferred tax assets	377,988	343,774
V. Other assets	37,748	66,567
Total assets	66,309,926	68,131,376

Shareholders' equity and liabilities	30 Sep 2008	31 Dec 2007
	EUR 000's	EUR 000's
A. Liabilities directly connected with non-current assets held for sale and disposal groups	—	—
B. Financial liabilities at fair value through profit or loss	180,235	227,690
C. Liabilities	32,016,144	32,807,055
I. Certificated liabilities	2,494,340	3,315,831
II. Liabilities to banks	5,766,542	5,542,903
III. Liabilities from reinsurance business	1,783,450	1,710,444
IV. Liabilities to customers	21,356,774	21,789,959
V. Sundry liabilities	615,038	447,918
D. Negative market value of hedges	66,371	85,833
E. Technical provisions	28,965,367	29,719,736
F. Other provisions	1,603,039	1,607,470
G. Other liabilities	546,297	682,576
I. Current tax liabilities	235,189	301,623
II. Deferred tax liabilities	307,137	337,712
III. Miscellaneous liabilities	3,971	43,241
H. Subordinated capital	500,369	507,455
I. Shareholders' equity	2,432,104	2,493,561
I. Share in paid-in capital attributable to shareholders of W&W AG	1,374,105	1,374,105
II. Share in retained earnings attributable to shareholders of W&W AG	987,674	1,045,104
III. Minority interests	70,325	74,352
Total shareholders' equity and liabilities	66,309,926	68,131,376

Consolidated income statement

for the period from 1 January to 30 September 2008

	1 Jan 2008 to	1 Jan 2007 to
	30 Sep 2008	30 Sep 2007
	EUR 000's	EUR 000's
Income from available-for-sale financial assets	607,181	577,819
Expenses for available-for-sale financial assets	971,618	197,375
1. Net income from available-for-sale financial assets	- 364,437	380,444
Income from investments accounted for using the equity method	8,172	22,679
Expenses for investments accounted for using the equity method	2,264	20,076
2. Net income from/net expense for investments accounted for using the equity method	5,908	2,603
Income from financial assets and liabilities at fair value through profit or loss	974,586	1,462,176
Expenses for financial assets and liabilities at fair value through profit or loss	919,699	1,303,645
3. Net income from financial assets and liabilities at fair value through profit or loss	54,887	158,531
Income from hedges	14,061	40,605
Expenses for hedges	8,738	43,199
4. Hedge result	5,323	- 2,594
Income from receivables, liabilities and subordinated capital	1,695,878	1,666,692
Expenses for receivables, liabilities and subordinated capital	949,387	917,074
5. Net income from receivables, liabilities and subordinated capital	746,491	749,618
Income from allowances for credit losses	54,499	48,503
Expenses for allowances for credit losses	100,340	86,452
6. Net expense for allowances for credit losses	45,841	37,949
7. Net financial result	402,331	1,250,653
Income from property	71,699	97,679
Expenses for property	45,651	45,113
8. Net income from investment property	26,048	52,566
Fee and commission income	200,542	176,917
Fee and commission expenses	445,541	431,979
9. Net fee and commission result	- 244,999	- 255,062
Premiums/contributions earned (gross)	2,875,945	3,061,626
Premiums ceded to reinsurers	134,287	196,391
10. Premiums/contributions earned (net)	2,741,658	2,865,235
Insurance benefits (gross)	2,241,977	3,166,198
Claim recoveries from reinsurers	135,689	196,387
11. Insurance benefits (net)	2,106,288	2,969,811
Personnel expenses	441,222	463,388
Other administrative expenses	277,019	258,122
Amortisation, depreciation and impairment	41,023	52,104
12. General administrative expenses	759,264	773,614
Amount carried forward	59,486	169,967

	1 Jan 2008 to 30 Sep 2008	1 Jan 2007 to 30 Sep 2007
	EUR 000's	EUR 000's
Amount brought forward	59 486	169 967
13. Measurement gain/loss for non-current assets and disposal groups classified as held for sale	—	– 1 145
Other income	289,604	233,677
Other expenses	258,086	201,731
14. Net other income/expense	31,518	31,946
15. Earnings before taxes from continued operations	91,004	200,768
Taxes on income	– 3,680	37,969
Other taxes	4,220	3,278
16. Taxes	540	41,247
17. Earnings after taxes from discontinued operations	—	20,556
18. Consolidated net income	90,464	180,077
a) Result attributable to shareholders of W&W AG	84,526	173,075
b) Result attributable to minority interests	5,938	7,002
19. Earnings per share in EUR¹	0.98	2.01
of which: attributable to continued operations (in EUR)	0.98	1.78

¹ Basic earnings per share correspond to diluted earnings per share.

Segment overview

Segment income statement	Home Loan and Savings		Banking		Investment Products	
	1 Jan 2008	1 Jan 2007	1 Jan 2008	1 Jan 2007	1 Jan 2008	1 Jan 2007
	to	to	to	to	to	to
	30 Sep 2008	30 Sep 2007	30 Sep 2008	30 Sep 2007	30 Sep 2008	30 Sep 2007
	EUR 000's	EUR 000's	EUR 000's	EUR 000's	EUR 000's	EUR 000's
1. Net income from available-for-sale financial assets	83,460	43,312	61,424	43,534	369	996
2. Net income from/net expense for investments accounted for using the equity method	—	—	—	—	- 74	—
3. Net income from financial assets and liabilities at fair value through profit or loss	- 6,135	4,922	3,899	11,919	—	—
4. Hedge result	3,256	- 283	2,169	- 1,708	—	—
5. Net income from receivables, liabilities and subordinated capital ¹	197,336	209,943	3,660	38,382	886	674
6. Net expense for allowances for credit losses	14,828	18,533	25,874	18,459	—	—
7. Net financial result	263,089	239,361	45,278	73,668	1,181	1,670
8. Net income from investment property^{3,4}	14	- 164	—	—	—	—
9. Net fee and commission result	- 13,369	- 15,059	7,504	8,851	21,242	21,558
10. Premiums/contributions earned (net)²	—	—	—	—	—	—
11. Insurance benefits (net)	—	—	—	—	—	—
Personnel expenses	121,164	130,258	26,051	28,479	7,614	7,541
Other administrative expenses	103,127	92,531	35,627	39,138	6,234	5,290
Amortisation, depreciation and impairment ³	13,962	16,894	2,827	2,247	92	128
12. General administrative expenses	238,253	239,683	64,505	69,864	13,940	12,959
13. Measurement gain/loss for non-current assets and disposal groups classified as held for sale	—	—	—	—	—	—
14. Net other income/expense	36,442	63,245	9,995	5,273	607	257
15. Segment result from continued operations before taxes	47,923	47,700	- 1,728	17,928	9,090	10,526
16. Taxes	6,744	24,903	- 7,780	2,249	1,838	1,604
17. Result from discontinued operations after taxes	—	—	—	—	—	—
18. Segment result after taxes	41,179	22,797	6,052	15,679	7,252	8,922
for information purposes:						
¹ including interest income from other segments	16,686	17,942	14,279	6,063	688	577
¹ including interest income from external customers	574,233	617,859	431,049	468,532	205	103
² Premiums/contributions earned (net) from insurance business with other segments	—	—	—	—	—	—
² Premiums/contributions earned (net) from insurance business with external customers	—	—	—	—	—	—
³ including depreciation and amortisation	7,523	13,053	1,522	710	19	30
³ including impairment losses	3,684	—	—	—	—	—
⁴ including reversals of impairment losses	2,390	—	—	—	—	—

Life and Health Insurance		Composite Insurance		Holding/Reinsurance		Miscellaneous/Reconciliation		Group	
1 Jan 2008	1 Jan 2007	1 Jan 2008	1 Jan 2007	1 Jan 2008	1 Jan 2007	1 Jan 2008	1 Jan 2007	1 Jan 2008	1 Jan 2007
to	to	to	to	to	to	to	to	to	to
30 Sep 2008	30 Sep 2007	30 Sep 2008	30 Sep 2007	30 Sep 2008	30 Sep 2007	30 Sep 2008	30 Sep 2007	30 Sep 2008	30 Sep 2007
EUR 000's	EUR 000's	EUR 000's	EUR 000's	EUR 000's	EUR 000's	EUR 000's	EUR 000's	EUR 000's	EUR 000's
- 521,496	272,114	- 5,771	30,249	62,472	76,738	- 44,895	- 86,499	- 364,437	380,444
3,688	—	—	—	4,347	704	- 2,053	1,899	5,908	2,603
66,808	134,902	883	3,784	- 10,568	3,004	—	—	54,887	158,531
- 102	- 107	—	- 496	—	—	—	—	5,323	- 2,594
478,197	443,904	51,863	46,547	9,772	5,443	4,777	4,725	746,491	749,618
4,928	1,565	140	- 674	—	—	71	66	45,841	37,949
22,167	849,248	46,835	80,758	66,023	85,889	- 42,242	- 79,941	402,331	1,250,653
21,515	43,933	2,496	1,310	1,592	6,667	431	820	26,048	52,566
- 95,019	- 82,595	- 124,409	- 139,854	- 47,432	- 52,197	6,484	4,234	- 244,999	- 255,062
1,774,847	1,807,390	815,058	893,169	156,186	169,093	- 4,433	- 4,417	2,741,658	2,865,235
1,569,003	2,360,692	440,814	511,525	102,540	114,339	- 6,069	- 16,745	2,106,288	2,969,811
49,439	66,652	209,589	202,172	21,920	22,471	5,445	5,815	441,222	463,388
129,689	113,607	150,354	127,489	16,098	15,142	- 164,110	- 135,075	277,019	258,122
14,684	17,400	7,305	13,918	1,101	751	1,052	766	41,023	52,104
193,812	197,659	367,248	343,579	39,119	38,364	- 157,613	- 128,494	759,264	773,614
—	- 1,145	—	—	—	—	—	—	—	- 1,145
23,350	- 45,243	115,940	80,885	11,228	42,261	- 166,044	- 114,732	31,518	31,946
- 15,955	13,237	47,858	61,164	45,938	99,010	- 42,122	- 48,797	91,004	200,768
- 20,497	- 739	20,167	18,875	- 1,580	- 15,496	1,648	9,851	540	41,247
—	501	—	1,719	—	—	—	18,336	—	20,556
4,542	14,477	27,691	44,008	47,518	114,506	- 43,770	- 40,312	90,464	180,077
13,393	7,780	9,323	7,204	8,505	5,894	- 62,874	- 45,460	—	—
544,567	505,602	43,803	45,536	24,579	17,789	- 783	- 659	1,617,653	1,654,762
3,428	3,362	- 180,571	- 202,910	181,576	203,965	- 4,433	- 4,417	—	—
1,771,419	1,804,028	995,629	1,096,079	- 25,390	- 34,872	—	—	2,741,658	2,865,235
38,544	35,333	4,691	11,285	700	576	10,908	13,743	63,907	74,730
96	—	—	—	4	327	—	—	3,784	327
—	—	—	—	—	—	—	—	2,390	—

Statement of recognised income and expense

	1 Jan 2008 to 30 Sep 2008	1 Jan 2007 to 30 Sep 2007
	EUR 000's	EUR 000's
Measurement gains and losses recognised directly in equity from available-for-sale financial assets (net)	- 127,022	- 24,740
Measurement gains and losses from cash flow hedges recognised directly in equity (net)	2,453	755
Currency translation differences of independent foreign operations	7,431	1,025
Actuarial gains and losses from defined benefit plans	3,047	- 16,192
Gains/losses recognised directly in equity from investments accounted for using the equity method	8,061	- 5,433
Total gains and losses recognised directly in equity	- 106,030	- 44,585
Consolidated net income	90,464	180,077
Total recognised income and expenses	- 15,566	135,492
of which: attributable to shareholders of W&W AG	- 16,561	135,438
of which: attributable to minority interests	995	54

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