

### Research Update:

## German Holding Company Wuestenrot & Wuerttembergische Upgraded To 'BBB' On Stronger Credit Profile; Outlook Stable

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## Research Update:

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## Overview

- In our view, the credit profile of German financial services holding company Wuestenrot & Wuerttembergische AG (W&W AG) has improved. We base this on the group's strengthening of its banking segment through acquisitions and distribution partnerships that should enhance earnings diversity.
- We have therefore reduced the differential between the ratings on W&W AG and those on its core operating entities to one notch, from two notches previously.
- We are raising our ratings on W&W AG to 'BBB' from 'BBB-'.
- The stable outlook reflects that on the group's core entities. It also reflects our expectation that W&W AG will continue to maintain a sound balance sheet, low leverage, and good income streams from its operating subsidiaries.

## Rating Action

On Sept. 26, 2011, Standard & Poor's Ratings Services raised its counterparty credit and financial strength ratings on German financial services holding company Wuestenrot & Wuerttembergische AG (W&W AG) to 'BBB' from 'BBB-'. The outlook is stable.

## Rationale

The rating action reflects W&W AG's improved credit profile, following the group's strengthening of its banking segment through acquisitions and distribution partnerships. We believe this should enhance earnings diversity for W&W AG in the future.

W&W AG is the W&W group's holding company and performs overarching functions such as central steering, controlling, and the management of the group's risk, investments, and capital. W&W AG also acts as the group's internal reinsurer, and its own assets represent about one-third of the company's total assets.

The majority of W&W AG's income stems from its subsidiaries, which together form a second-tier bancassurance player in the German financial services retail market. The group is involved in nonlife and life insurance as well as building savings, retail banking, and asset management. In previous years, the holding company's income streams came predominantly from the non-life entity

via a profit-and-loss transfer agreement. However, the banking segment is now showing its ability to reap the benefits of various rounds of restructuring and acquisitions and should gain from recently strengthened distribution capabilities and more risk-conscious management. We believe that the banking group has the potential to contribute about 50% of the holding company's income, significantly improving the diversity of W&W AG's earnings.

## Outlook

The stable outlook reflects the outlook on the core entities of W&W group (see the full analysis "W&W Group," published on March 3, 2011, on RatingsDirect on the Global Credit Portal).

We anticipate that W&W AG will continue to pursue its role as holding company and internal reinsurer within the W&W group and maintain a sound balance sheet, low leverage, and good income streams from the operating subsidiaries.

Any change in the ratings on W&W group's core entities would affect the ratings on W&W AG. We could consider a positive rating action if the group were to demonstrate notable progress in achieving and sustaining net earnings after tax through profitable organic growth, mainly in the banking segment. Downward pressure on the ratings might occur if W&W AG's financial characteristics were to weaken significantly, which we currently view as unlikely, however.

## Related Criteria And Research

All articles listed below are available on RatingsDirect on the Global Credit Portal, unless otherwise stated.

- W&W Group, March 3, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Holding Company Analysis, June 11, 2009
- Interactive Ratings Methodology, April 22, 2009
- Group Methodology, April 22, 2009

## Ratings List

Upgraded

|                                   | To             | From            |
|-----------------------------------|----------------|-----------------|
| Wuestenrot & Wuerttembergische AG |                |                 |
| Counterparty Credit Rating        | BBB/Stable/A-3 | BBB-/Stable/A-3 |
| Financial Strength Rating         | BBB/Stable/--  | BBB-/Stable/--  |

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Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at [www.globalcreditportal.com](http://www.globalcreditportal.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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