

Research Update:

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

Primary Credit Analyst:

Wolfgang Rief, Frankfurt (49) 69-33-999-190; wolfgang_rief@standardandpoors.com

Secondary Contact:

Ralf Bender, CFA, Frankfurt (49) 69-33-999-194; ralf_bender@standardandpoors.com

Table Of Contents

Overview

Rating Action

Rationale

Outlook

Related Criteria And Research

Ratings List

Research Update:

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

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/--

Additional Contact:

Insurance Ratings Europe;InsuranceInteractive_Europe@standardandpoors.com

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at 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.

coref

Copyright © 2011 by Standard & Poors Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.