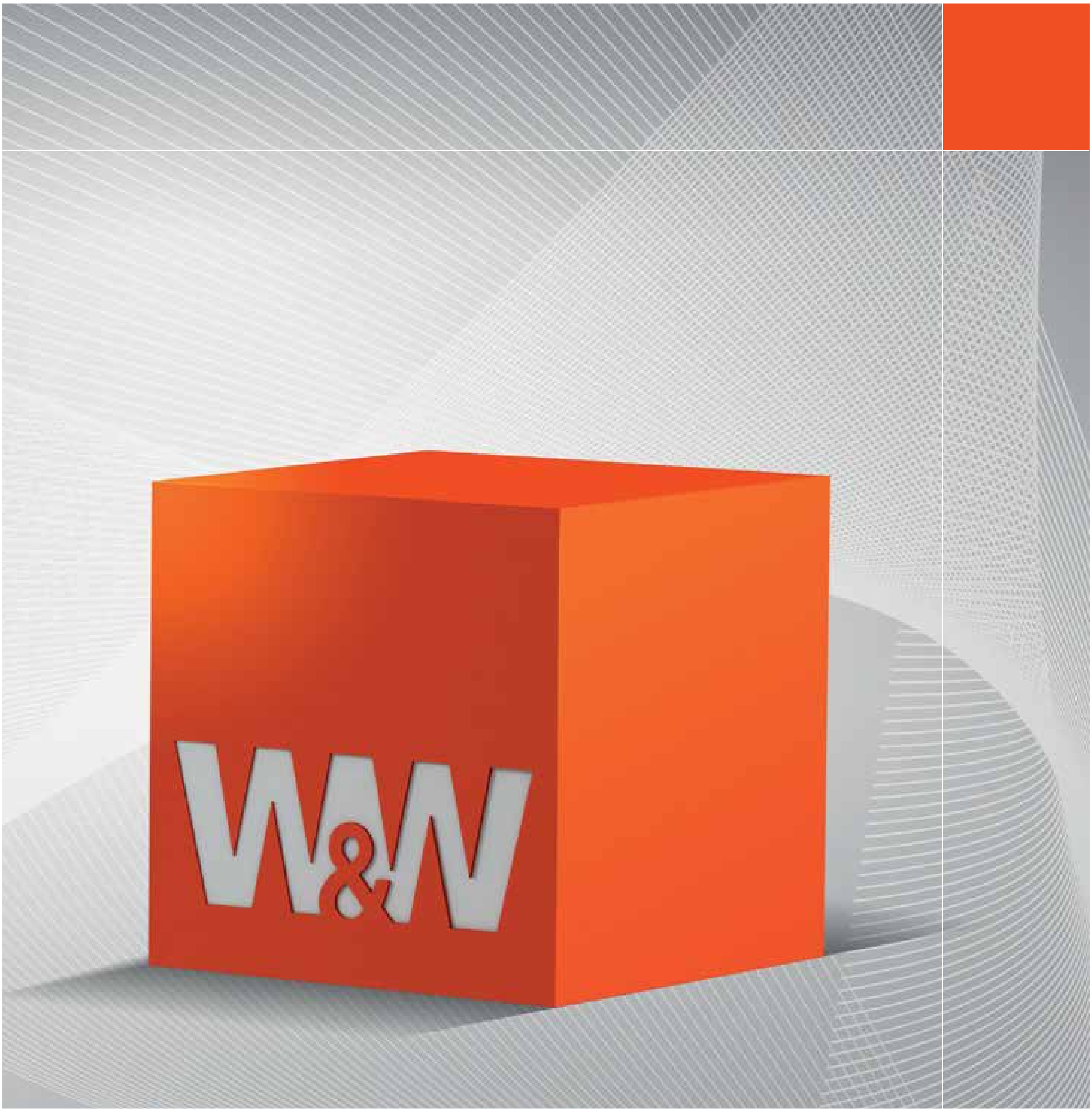
Annual Report 2014

Wüstenrot & Württembergische AG

This is a translation of the German Annual Report. In case of any divergences, the German original is legally binding.



wüstenrot
württembergische

CONTENTS

Overview of key figures of W&W Group

W&W Group (according to IFRS)

Consolidated balance sheet		31.12.2014	31.12.2013
Total assets	€ bn	78.5	75.0
Capital investments	€ bn	49.7	44.7
Financial assets available for sale	€ bn	25.6	21.0
First tier loans and advances to institutional investors	€ bn	16.5	17.1
Building loans	€ bn	25.1	26.3
Liabilities to customers	€ bn	25.7	26.3
Technical provisions	€ bn	32.9	31.2
Equity	€ bn	3.7	3.3
Net asset value per share	€	34.49	31.98

Consolidated profit and loss statement		1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Net financial result (after credit risk adjustments)	€ mn	2,241.4	2,150.8
Premiums/contributions earned (net)	€ mn	3,939.4	3,840.4
Insurance benefits (net)	€ mn	4,426.9	4,264.1
Earnings before income taxes from continued operations	€ mn	283.0	184.6
Consolidated net profit	€ mn	242.0	154.9
Total comprehensive income	€ mn	440.2	–110.0
Earnings per share	€	2.52	1.56

Other information		31.12.2014	31.12.2013
Employees[1]		7,670	8,005
Employees[2]		9,140	9,605

1 Full-time equivalent head count
2 Number of employment contracts

Key sales figures		1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Group			
New construction financing business	€ mn	3,916.3	4,643.0
Sales of own and third-party investment funds	€ mn	285.0	343.5
Home Loan and Savings Bank			
New home loan savings business (gross)	€ mn	13,736.4	15,368.6
New home loan savings business (net)	€ mn	11,533.3	12,775.7
Life and Health Insurance			
Gross premiums written	€ mn	2,428.9	2,391.2
New premiums	€ mn	731.5	662.1
Property/Casualty Insurance			
Gross premiums written	€ mn	1,580.1	1,523.4
New premiums (measured in terms of annual contributions to the portfolio)	€ mn	204.8	209.7

Overview of key figures of W&W AG

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

		1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Net income	€ mn	56.0	71.6
Dividend per share[1]	€	0.50	0.50
Share price at year-end	€	17.81	17.32
Market capitalisation at year-end	€ mn	1,669.2	1,593.3

1 Subject to approval by the Annual General Meeting.

Financial calendar

Annual General Meeting

Annual General Meeting	Thursday, 11 June 2015

Financial reports

2014 Annual Report	Tuesday, 31 March 2015
Interim management statement as at 31 March	Tuesday, 12 May 2015
Half-yearly financial report as at 30 June	Friday, 14 August 2015
Interim management statement as at 30 September	Friday, 13 November 2015

Focus on the customer

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

DR ERDLAND, YOU CALLED LAST YEAR THE "YEAR OF SALES" FOR W&W. THAT'S A BIT SURPRISING. DEEP DOWN, ISN'T VIRTUALLY EVERYTHING ABOUT SALES?

That's right. Every year is primarily a year of sales, and it doesn't take a special announcement on this. However, we were mainly interested in adjusting our focus. In recent years, we have devoted more attention to cost-cutting, risk management and critical issues such as regulatory compliance. These issues are clearly important, but they have dominated perceptions. We were seeking a better balance between communication and ambition without neglecting other core issues. W&W, like any other company, thrives on the sale of its products and services. The stronger our sales organisation is, the better things are for our customers, company, employees and owners.

LOOKING BACK, WAS IT A GOOD IDEA TO MAKE SALES THE FOCUS OF THE COMPANY'S ATTENTION FOR AN ENTIRE YEAR?

It was overall: Especially if you look at the finishing sprint in the 4th quarter. Last year, not only was the market difficult, but we also initiated or implemented additional changes, especially in sales. A good sales team does more than generate revenue; it also ensures quality, value retention and customer satisfaction. Obviously, these goals apply to other departments too.

We increased new business in many of our business segments – including all of our insurance lines – in full conformity with our standards. In fact, we had the largest gross premiums written in our history in Germany in our property and casualty business. Net new home loan savings business declined because 2013 had been such a good year for new business, but we still gained a little market share. Building loans were stable; we refrained from offering loss leader promotions like other industry players. All in all, it has been a successful year for sales. We still need to make some structural improvements though, especially in connection with digitalisation.

LET'S TAKE A CLOSER LOOK AT THE 2014 FINANCIAL YEAR. WHAT DID W&W ACCOMPLISH? WHAT CHALLENGES DID IT FACE?

We have every right to be proud of our accomplishments. Our Group earned around € 242 million in net income for the year according to IFRS in the 2014 financial year. In 2013, we had earned around € 155 million. Business processes and structures were optimised in order to improve efficiency even more. We successfully addressed regulatory requirements. For example, the Home Loan and Savings Bank division received approval to use the internal ratings-based approach (IRBA), which will significantly reduce its capital requirements. We also passed the Financial Market Authority's stress tests without reservations. Large swathes of the "W&W 2015" programme were completed in 2014, even though the programme had only been launched in 2013. In fact, once you adjust for additional restructuring costs for the new bank strategy, we came incredibly close to achieving our annual cost target of € 1 billion last year. That is due to the efforts of all W&W companies. The additional income effects were so strong that the total programme contribution was around € 150 million in 2014, even though we hadn't expected to reach the target corridor of € 120 to 160 million until 2015.

However, these accomplishments are no reason to rest on our laurels. Interest rates fell even further in the 2014 financial year, reaching a new historical low. People are anxious and not sure how to provide for their financial futures in today's unprecedented economic environment. Their demands on our company are changing too. In an era dominated by Google, YouTube and Facebook, customers want more flexible communication and simple, transparent products. At the same time, they still expect security for their investments and personal data.

SO WE'VE JUST FINISHED A SUCCESSFUL, BUT HIGHLY DEMANDING YEAR. WHAT DOES 2015 HOLD FOR US?

We probably won't see a rise in interest rates in 2015 given the ECB's expansive monetary policy. In this environment, we will focus on continuing to protect our business base, managing investments purposefully and cutting costs intelligently. At the same time, we can and will seize this opportunity to be a solid, reliable partner for our customers even in difficult times. That is why we declared 2015 to be a special "Year of the Customer". The W&W Group can, by leveraging the strengths of its divisions, provide people with carefully tailored solutions for building a stable financial future – from sound pension scheme plans to insurance for a wide variety of risks to financial services for real estate.

Politics, society and culture – in short, people with all their needs and ways of behaving – are changing rapidly. Together with the digital revolution, historically unprecedented low interest rates, stricter regulation in consumer protection and other areas, and greater overall uncertainty and change, we are facing an array of daunting new challenges. However, these challenges come with tremendous opportunities as long as we tackle them courageously and intelligently, using our proven skills, expertise and innovativeness. This is a balancing act. On the one hand, today's low-interest environment makes it even more necessary to maintain and improve our risk-bearing capacity and generate additional savings through structural change. On the other hand, we need to be creative, inventive and motivated in our quest to innovate constantly, develop simple, flexible products, maintain transparency, give high-quality advice, provide reliable service in all our interactions and ensure high, sustained customer satisfaction across a wide variety of target groups in a pluralistic society.

WHAT EXACTLY DOES THAT MEAN FOR OUR COMPANY? HOW DO YOU PLAN TO POSITION W&W FOR SUCCESS IN 2015 AND BEYOND?

Württembergische Versicherung is a property and casualty insurance carrier with a tradition of generating outstanding added value. It continues to break one earnings record after another. We need to maintain and build on that momentum. As our customers move into a digital future, we want to support them with new ideas and attractive products. Württembergische Lebensversicherung will strengthen its risk-bearing capacity further in this low-interest phase. Wüstenrot Bausparkasse, for its part, will continue adjusting to the new reality of low interest rates and modify its home loan and savings plans accordingly. Our goals for Wüstenrot Bank's realignment are ambitious: we want to respond to the growing individualisation and digitalisation trend with a high-performance online platform. This direct sales channel will provide access to standard banking products as well as special insurance products, and so meet a large portion of our customers' financial planning needs. Overall, we are focusing our growth on products that promise better returns, less exposure to interest rate risk and high levels of customer satisfaction.

With all these changes, we need our employees to be creative, inventive and adaptable. We have already launched a variety of organisational development and change management programmes and plan to strengthen them further. Also, it is absolutely essential for us to recruit and retain top talents; they are the engine for innovation within the W&W Group. We want to prove to be an attractive employer that offers fulfilling work and excellent benefits every single day. We have a raft of initiatives that allow a healthy work/life balance and flexible work hours, an award-winning health management programme, a proactive gender equality policy and attractive career tracks for professionals and executives. Moreover, we want to support lifelong learning and provide good prospects for high-performing trainees.

The members of the W&W Group have independently survived two world wars, hyperinflation, the Great Depression and multiple international financial crises. That embodies our understanding of stability, reliability and sustainability. It also reflects the cultural understanding of Wüstenrot Stiftung with Wüstenrot Holding as our majority shareholder.

WHAT DOES THAT MEAN FOR OUR INVESTORS?

We know that investors are paying more attention to dividends. The W&W share, with its dividend yield and attractive stock market price, is an attractive proposition for investors, especially in the prevailing low-interest phase. At its current price, the W&W share presents an excellent entry level. We have a distinct interest in improving the liquidity of the W&W share and have made a clear commitment to continuing to list the share. In addition, we will work to further improve our capital-market-oriented transparency level until we meet Prime Standard criteria. In other words, W&W is positioning itself as a reliable partner and an attractive investment. Our minimum goal is to earn our cost of capital, even in today's highly challenging environment of low interest rates and tightening regulation.

THE PROGRAMMES ARE FUNDAMENTAL IN ENABLING YOU TO DO THAT. W&W 2015 IS COMING TO A CLOSE WHILE ITS SUCCESSOR, W&W@2020, IS STARTING TO TAKE SHAPE. WHAT CAN YOU TELL US ABOUT IT?

We believe that it represents the next step in our strategy. You see, we want to answer one question: how can we modernise and better utilise W&W's unique bancassurance business model in order to capitalise on current opportunities more effectively and address rapidly changing requirements?

Unlike previous three-year programmes, W&W@2020 will be more a dynamic process than a programme with an expiration date. It has less to do with executing a pre-defined plan and more to do with accelerating change and innovation while looking far enough into the future to act prudently, reliably and sustainably.

The "@" symbol in the middle of the new strategy name points the way to the digital era. It's not our place to tell our customers how to contact us. Customers want to decide for themselves what communication channel to use, and when, where and for what purpose they want to use it. Our creative thoughts and energy need to start from the individual's point of view – as you would expect in the "Year of the Customer".

Furthermore, we do not want to begin with a numerical target for W&W@2020. Instead, we are retaining our previous goal of earning at least € 220 million a year after taxes in this current phase.

Several internal strategy meetings have been held to trace the basic outline of W&W@2020, identify strategic areas and define general targets for each area. The initiatives will be developed not only in 2015 but in subsequent years as well, and we will implement them all simultaneously. Together, they will help maintain our independence, competitive edge, satisfied customers and attractive work prospects for an exciting new future.

Management Board of W&W Group

Executive Board of W&W AG

Dr Alexander Erdland – Chairman of the Executive Board

Strategy
Communication
Audit
Compliance

Dr Michael Gutjahr

Finance
Risk Management
Human Resources

Jens Wieland

IT
Operations

DIVISION HEADS

NORBERT HEINEN – HEAD OF INSURANCE DIVISION

Chairman of the Executive Board of Württembergische Lebensversicherung AG, Württembergische Versicherung AG and Württembergische Krankenversicherung AG

BERND HERTWECK – HEAD OF HOME LOAN AND SAVINGS BANK DIVISION

Chairman of the Executive Board of Wüstenrot Bausparkasse AG

DIVISIONS OF THE W&W GROUP

The W&W Group has separated its activities into two divisions: Home Loan and Savings Bank, and Insurance.

The heads of the divisions, together with the Executive Board of W&W AG, form the Management Board. It is the Group's central coordination body.

Supervisory Board of W&W AG

HANS DIETMAR SAUER
CHAIRMAN

Former Chairman of the Executive Board
Landesbank Baden-Württemberg

FRANK WEBER[1]
DEPUTY CHAIRMAN

Chairman of the Works Council
Württembergische Versicherung AG/Württembergische Lebensversicherung AG, Karlsruhe site

CHRISTIAN BRAND

Former Chairman of the Executive Board
Landeskreditbank Baden-Württemberg - Förderbank

PETER BUSCHBECK

Member of the Executive Board
UniCredit Bank AG

WOLFGANG DAHLEN[1]

Chairman of the Group Works Council
Württembergische Versicherung AG/
Württembergische Lebensversicherung AG

THOMAS EICHELMANN

Managing Director
Aton GmbH

DR RAINER HÄGELE

Lawyer, Undersecretary (ret'd)
Ministry of Finance, State of Baden-Württemberg

DR REINER HAGEMANN

Former Chairman of the Executive Board
Allianz Versicherungs-AG
Former Member of the Executive Board
Allianz AG

UTE HOBINKA[1]

Chairwoman of the Works Council
W&W Informatik GmbH

JOCHEN HÖPKEN[1]

Task Group Chairman
ver.di (multi-service trade union)

UWE ILZHÖFER[1]

Chairman of the Works Council
Württembergische Versicherung AG/Württembergische Lebensversicherung AG, Stuttgart head office

DR WOLFGANG KNAPP, M.C.L.

Lawyer admitted to the German and Belgian bars
Cleary Gottlieb Steen & Hamilton LLP, Brussels

ANDREAS ROTHBAUER[1]

Chairman of the Works Council
Wüstenrot Bausparkasse AG, Ludwigsburg site

ULRICH RUETZ

Former Chairman of the Executive Board
BERU AG

MATTHIAS SCHELL[1]

Head of Group Accounting
Wüstenrot & Württembergische AG

CHRISTOPH SEEGER[1]

Chairman of the Group Works Council
Wüstenrot Bausparkasse AG

Current at the time of printing March 2015.
1 Employee representatives.

Combined Management Report

GROUP FUNDAMENTALS

Business model

OVERVIEW OF THE GROUP AND W&W AG

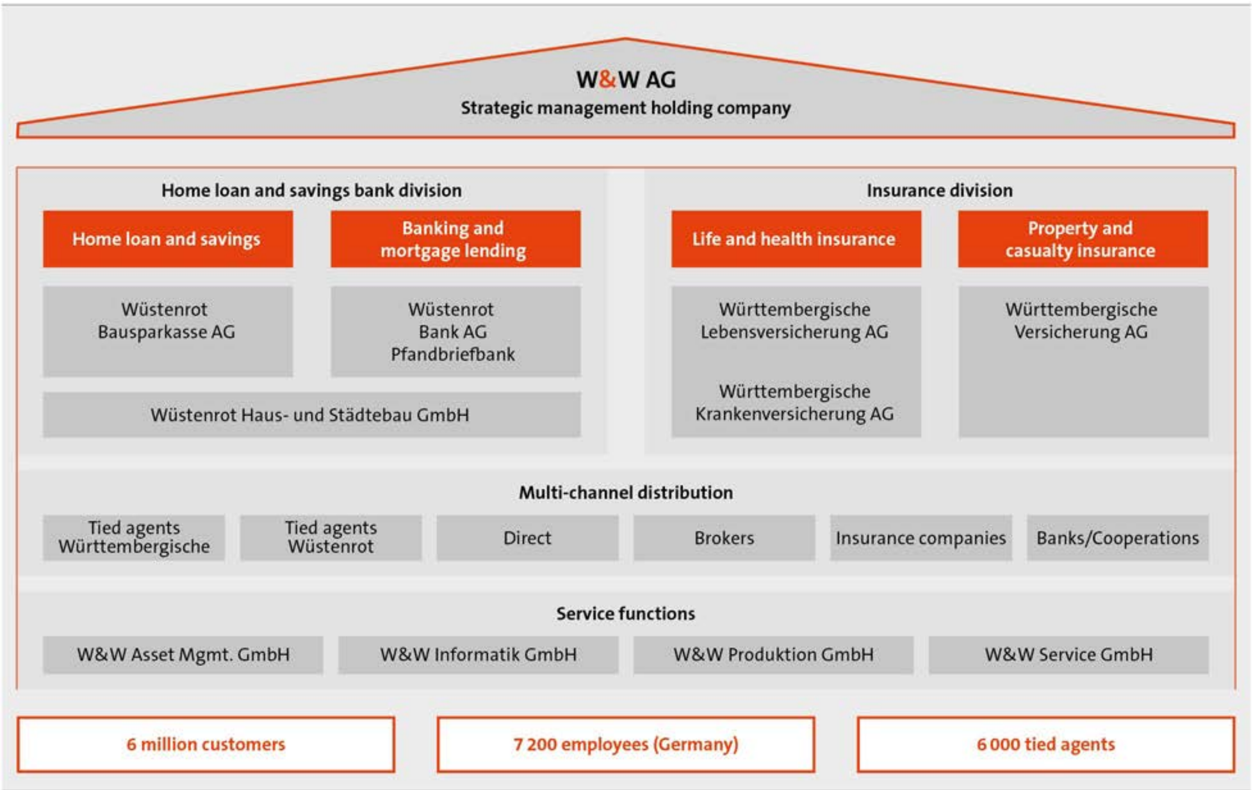
The W&W Group develops and provides solutions for each customer's individual needs in retail banking with a focus on banking products and mortgage lending, life and health insurance, and property and casualty insurance. Formed in 1999 by the merger of the longstanding companies Wüstenrot and Württembergische, the Group contains two equally strong pillars: the Home Loan and Savings Bank division and the Insurance division. This structure allows every customer to receive a carefully tailored solution for their future financial needs.

Wüstenrot & Württembergische AG (W&W AG), headquartered in Stuttgart, Germany, is the Group's strategic management holding company. It coordinates the Group's activities. It sets standards, manages capital and provides various service functions. W&W AG is the parent company of the financial conglomerate and has ultimate responsibility for the Group.

As an individual entity, W&W AG's operations are almost exclusively restricted to reinsuring insurance policies written by the Group.

The Management Board is the Group's central coordination body. It consists of the three members of the Executive Board of W&W AG and the heads of the Home Loan and Savings Bank and Insurance divisions. Each division also has a Division Board. Coordination is additionally supported by a Group Sales Board and a Group Risk Board. The corporate governance section in this Management Report provides details on the boards' composition and how they conduct business.

The W&W Group's business model did not change in the 2014 financial year.



MARKETS AND LOCATIONS

In Germany, the W&W Group is represented by major offices in Stuttgart, Ludwigsburg, Karlsruhe, Bad Vilbel and Berlin. Germany is its core market. The Group's non-German operations are concentrated in the Czech banking and insurance market through Wüstenrot companies in Prague.

REPORTING SEGMENTS

The segment information was prepared in compliance with IFRS 8 on the basis of the internal reporting system. We report on the Home Loan and Savings Bank, Life and Health Insurance and Property/Casualty Insurance segments. All other activities – asset management, real estate activities as well as home loan and savings, bank and insurance business outside Germany – are grouped under "All other segments". The products and services offered by the individual segments are broken down in detail in the segment reporting chapter in the notes.

PRODUCT MIX

Our wide distribution network, comprising partners, brokers and an in-house mobile sales force, gives us access to a market of more than 40 million people across Germany. We sell more and more products and services directly too.

We offer attractive products in banking and mortgage lending as well as life, health, property and casualty insurance. Roughly six million W&W customers appreciate the excellent service, skills, expertise and close personal service provided by our employees, both in the mobile sales force and internally. Our customers are both private individuals and businesses. They count on us to be a one-stop shop for financial planning services at every stage in their lives.

Wüstenrot Bausparkasse AG provides an attractive range of financing and home loan savings products for every need: from near-term construction, acquisition and modernisation projects to long-range plans. In the 2014 financial year, it continued to proactively align them with current market trends and developments. Wüstenrot Bausparkasse AG's latest generation of home loan and savings plans – adapted to today's low interest rates and changing customer needs – has gained a solid foothold in the market. The Wüstenrot Ideal Bausparen family of savings plans combines security, product benefits and adaptability to changes in life circumstances. Wüstenrot Bausparkasse has done particularly well with its Wüstenrot Wohn-Riester range. These home loan and savings plans that qualify for subsidies under the German government's Riester programme have won multiple awards (from Finanztest, Focus Money, etc.). In January 2015, consumer review magazine Stiftung Warentest gave Wüstenrot Bausparkasse a "good" for its advisory services as the nation's best provider.

Wüstenrot Bausparkasse AG also optimised its range of financing products for modernisation projects even further. As a result, it has achieved high double-digit growth in this segment since the products were launched. Between these efforts and its many attractive service offerings, including several unique programmes, it has positioned itself as a key provider of loan and savings plans for home modernisation.

Wüstenrot Bank AG Pfandbriefbank provides customers with attractive banking products such as current accounts, deposit accounts, security investments and construction loans. Last year, it incorporated credit cards with added services to its card range. Wüstenrot Bank AG Pfandbriefbank is the only bank to package Internet legal expenses insurance with its gold and premium cards. Its decision to simplify its construction loan portfolio and concentrate on value-based management has begun to pay lasting dividends. Not only that, but the deliberate avoidance of niche product financing helped to strengthen its Tier 1 capital ratio. The bank has positioned itself as a specialised digital bank for retail customers as part of W&W 2015. To enhance the appeal of its products and expand the W&W Group's customer base, it offered attractive special terms for call money accounts and a bonus for opening a current account used primarily to receive regular salary or pension payments. In addition, the bank launched the Wüstenrot Cash Back programme that gives customers discounts on online purchases.

Being a high-service insurer, Württembergische Versicherung AG provides retail and corporate customers with a wide range of policies in virtually all lines of property and casualty insurance. In 2014, it once again earned plaudits from MSR Consulting for its high levels of customer satisfaction. Württembergische Versicherung AG scored particularly high in premium car policies and in motorcycles and classic cars within the motor vehicle line. The corporate customer segment grew as well. The cyber policy represents an entirely new target group product. In the retail customer segment, Stiftung Warentest confirmed the high quality of PremiumSchutz Platinum and PremiumSchutz private liability products by awarding them a "very good" (12/2014 issue).

Württembergische Lebensversicherung AG provides its customers with a wide range of products for risk coverage and private and occupational pension schemes.

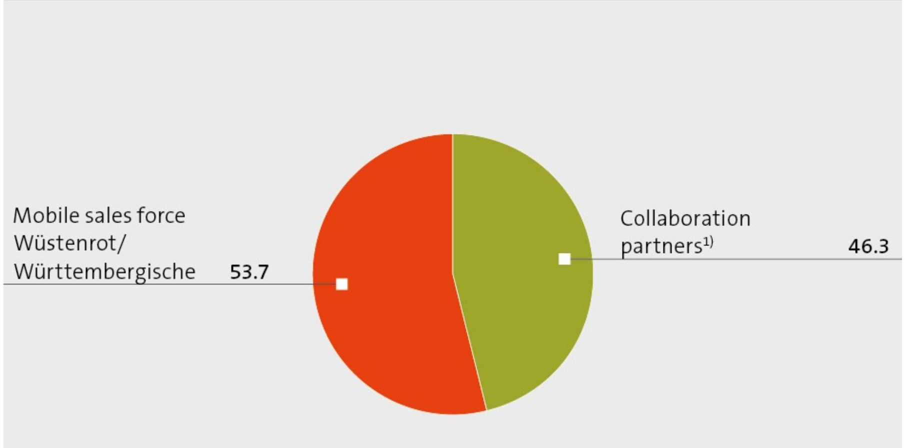
The Genius product family expanded in 2014: it now features a new multi-asset scheme with active asset management as part of a fund. Württembergische Lebensversicherung AG now pays the new guaranteed interest rate of 1.25% on products as required by the German Life Insurance Reform Act (LVRG) enacted in 2014. Also, it began disclosing the effective costs for old-age pension products this year. Starting on 1 January 2015, all the costs of an insurance policy will be more transparent and comparable for customers. In addition, Württembergische Lebensversicherung AG expanded its product range and in 2015 started offering standard basic pensions on a single-premium basis. Privatrente Extra should roll out in the middle of the year. This innovative pension plan offers a modern balance between guaranteed interest payments and capital market opportunities. It is intended for the private and occupational pension segments, which we want to strengthen further.

SALES CHANNEL MIX

The W&W Group serves customers through multiple sales channels and values the competence and reliability that comes from personal service. Our mobile sales force, the main pillar in our sales organisation, consists of the two tied-agents sales organisations at Wüstenrot and Württembergische.

Sales channel mix

In % of the gross home loan savings contract volume 2014



1) incl. Luxemburg and others

Our success is also supported by a host of business partners. When the W&W Group bought Allianz Dresdner Bauspar AG (ADB) in 2010, it gained attractive sales channels for its home loan and savings products, including Commerzbank branches, the Allianz sales organisation and Oldenburgische Landesbank branches. The sales organisation had already been augmented in 2009 by the acquisition of Vereinsbank Victoria Bauspar AG, which resulted in relationships with Unicredit Bank AG and the ERGO Group.

The sales force is supplemented by relationships with other credit institutions, brokers, outside insurance sales teams and direct sales platforms such as the online banking portal operated by Wüstenrot Bank AG Pfandbriefbank.

We bring financial planning to the people – through social media

The W&W Group has been on social media since 2011. We want to bring financial planning to the people and engage meaningfully with our users. Around 40,000 people have liked our Facebook page, making it one of the most successful in the financial industry. We are also on Twitter, Google+, XING and YouTube. Our financial planning advisors provide practical tips and tricks based on their wealth of experience. Campaigns and competitions are a regular feature. We even respond to service requests and potential complaints through social media in order to quickly help customers.

Commitment to sustainability

In the 2014 financial year, the W&W Group once again disclosed its efforts to promote sustainability in its declaration of conformity with the German Sustainability Code (DNK). W&W is also one of the first signatories of the WIN Charter for Baden-Württemberg, an integral part of the State of Baden-Württemberg's sustainability strategy. Both projects are coordinated by a central Group Sustainability Committee (GSC) that oversees the Group's sustainability programmes. This represents our response to growing societal interest in corporate social responsibility issues that go beyond the legal requirements. Being a financial planning specialist, we understand that, in the long run, companies can only survive and thrive in a constantly changing world if they seize the initiative and assume responsibility for protecting human health and the environment.

Sustainability can take many forms. In environmental protection, for example, W&W lowered the CO_2 emissions of its company fleet, installed roof-mounted photovoltaic systems on its buildings in Gronau, Bad Vilbel and Munich, and established strict environmental standards for the planned expansion of its Ludwigsburg/Kornwestheim site. The W&W Group also helps home loan and savings customers build and modernise their homes in an energy-efficient manner by providing free subsidy consultations with energy consultants.

W&W views its responsibilities towards its employees as a key aspect of sustainability. That is why it helps employees maintain a healthy work-life balance with flexible work hours, a corporate health management programme and special support for parents and caregivers, including day care centres. To ensure gender diversity, W&W aims to raise the percentage of women in management positions to 30% by the end of 2015.

We believe strongly in supporting worthy projects. That is why we support the Stifterverband, a grant-making institution for scientific research, as well as the Friedrich August von Hayek Foundation, the Bach Academy Stuttgart and various cultural events in Baden-Württemberg. In keeping with our own focus on planning for the future, we also fund local prevention programmes. They include two projects at both of our primary sites: "Violence in the Life of Older People" by the Safe Ludwigsburg Association and "Fire Safety Education in Preschool" by Stuttgart's volunteer fire department.

REGULATORY REQUIREMENTS

The W&W Group consists of several subgroups of companies that are consolidated for regulatory reporting purposes: the mixed financial holding group, the insurance group and the financial conglomerate. As such, W&W is subject to many different regulatory requirements.

When the Omnibus II Directive was published on 22 May 2014 in the Official Journal of the European Union, it stated that the new risk-based solvency regime (Solvency II) would apply as of 1 January 2016. The German Federal Financial Supervisory Authority (BaFin) applies all the guidelines published by the European Insurance and Occupational Pensions Authority (EIPOA) in the Solvency II preparatory phase (1 January 2014 to 31 December 2015). BaFin organised the guidelines thematically to help companies covered by Solvency II. The W&W Group examines all the guidelines in detail and complies with the requirements set out in them.

Wüstenrot Bausparkasse AG and Wüstenrot Bank AG Pfandbriefbank received permission to use the internal ratings-based approach (IRBA), which will significantly reduce their capital requirements. They passed the ECB's bank stress test without having to take remedial measures.

W&W 2015 OPTIMISATION PROGRAMME SUCCESSFUL

The W&W 2015 optimisation programme has done very well. Large proportions of the measures were adopted by the end of 2014 and had an early quantitative impact in the form of lower costs, higher income and a stronger capital base. After adjusting for additional restructuring costs for the implementation of the new bank strategy, the cost and income benefits for the W&W Group translated to around € 150 million after taxes in 2014. The programme thus reached the 2015 target corridor of € 120 to 160 million well ahead of schedule. It came close to the domestic cost target of around € 1 billion, since actual costs amounted to € 1.02 billion in 2014. The decline resulted in part from a rapid domestic workforce reduction of 670 employees (on a full-time equivalent basis) between the end of 2012 and the end of 2014. The total income effect of W&W 2015 was € 70 million after taxes in 2014.

Württembergische Versicherung AG is optimising and modernising its business model as part of the W&W 2015 programme. Its efforts include efficiency and customer service improvements and process cost reductions. All these measures reflect its clear positioning as a high-service insurer and its close attention to customers' needs. In keeping with this approach, a new sales-driven regional processing model was implemented for property and casualty insurance in 2014, while electronic files and workflows were extended to other areas. Württembergische is starting to write policies based on the market-adjusted rates for residential property insurance that were introduced in the previous year.

Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG are also modernising their operating model. This involves changes to their organisational structures, processes and operational management. Ultimately, they hope to anticipate and respond effectively to market requirements and optimise interactions between different departments and between advisors and customers. A general outline of their plans was prepared in 2014. The premium long-term care insurance rates introduced in the previous year strengthened Württembergische's market positioning even more.

Wüstenrot Bausparkasse AG is implementing the W&W 2015 programme by focusing on its strengths as a specialist for home loans and savings, home construction and modernisation. As such, it successfully launched a new home loan and savings plan in 2013 and promoted high-margin standardised financing products. It also expanded the construction financing portal launched to address more complex customer requirements, which also presents products from third-party credit institutions. Business processes and structures were extensively streamlined and automated in order to lower operating costs for the long term.

Wüstenrot Bank AG Pfandbriefbank is expanding its direct sales capabilities. For example, it launched an online app and a new family of cards in 2014. It continued to standardise, digitalise and automate processes, such as those required for tax certifications and account statements, in order to ensure rapid, low-cost execution in the operational units. Greater diversification of capital investments for the bank and home loan and savings business helped generate additional income.

New W&W@2020 strategy

The new W&W@2020 strategy, which is currently under development, will enable the W&W Group to tackle the growing influence of digitalisation on customer behaviour as well as interest in enhanced product offerings.

As the leading digital company within the W&W Group, Wüstenrot Bank AG Pfandbriefbank plans to carry the bancassurance specialist into the digital future. The bank has clearly positioned itself as a digital bank and wishes to attract new customers through digital channels and leverage Group synergies by reaching out directly to the Group's current customer base. Simple, online-ready products and processes with state-of-the-art online tools and solutions will be developed for direct business and the mobile sales force organisation. The simpler product range, when combined with the implementation of a new core banking system, will enable more efficient processing and execution. All services and processes are customer-centric in order to support customers' financial transactions and build a long-term relationship with them. In addition to its primary digital focus, the bank also plans to make it easy to obtain personal consultations at brick-and-mortar locations.

Business management system

The W&W Group's integrated business management system is designed to retain value. A three-year plan is drawn up on the basis of the business strategy and presented to the Supervisory Board for approval. The approved plan for the following financial year is utilised to establish the main metrics for management to use as quantitative targets. These metrics go into developing key performance indicators. We add two extrapolations to our operational plan during the financial year. Management activities are performed throughout the year using a "management cockpit", which tracks targets monthly. Swift counteraction is taken if actual performance deviates from the target.

Key performance indicators

To properly manage the W&W Group, key performance indicators were defined for two areas: finance/risk and customers/sales. The performance review goals of the W&W Group's board members and managing directors are constantly being revised and updated as requirements change. Key figures for regulatory solvency no longer count as key performance indicators for the 2015 financial year. While they are still an important element of our management system, especially as regulation tightens, our focus has shifted to customers under W&W@2020, the new successor strategy to W&W 2015.

In addition to Group-wide indicators that apply to all segments, we also manage segments based on segment-specific performance indicators.

Consolidated net profit and general administrative expenses are used globally as central performance indicators of finance and risk. Segments, by contrast, are managed using segment income after tax as well as the general administrative expenses including service income. The general administrative expenses include internal eliminations with other segments within the Group. These key figures appear in the W&W Group's annual financial statements.

Customer/sales performance is largely measured by segment-specific figures in order to take account of the W&W Group's different business models for home loans and savings, construction financing, life/health insurance and property/casualty insurance. In the future, we will report on the key cross-segment performance indicator Group customer growth, i.e. the number of customers in the W&W Group. When establishing performance review goals for the board members and managing directors, we will also report on cross-selling customer growth, which refers to the customers shared by the tied-agents organisations of Wüstenrot and Württembergische, as well as "New customers WBP", which are the new customers of Wüstenrot Bank AG Pfandbriefbank. Both targets are implicitly included in Group customer growth.

Home Loan and Savings Bank

In this segment, we look at new Bauspar-business (net) based on contract volume. This amount includes the contract volume of new home loan and savings plans concluded and paid in by customers. The performance of the construction financing business used to be measured by contribution margin IV, but this has been replaced by new construction financing business (approvals). This figure refers to new business concluded between customers and the company.

The annualised contribution margin IV for the deposit business no longer counts as a key performance indicator.

Life and Health Insurance

We use the value-oriented net valuation amount to sustainably manage the new life business. It weights the contribution amount of the new business in each product group using value-oriented factors. The factors are determined based on the product group's profitability. As a rule, the more profitable the product group is, the higher the weighting factors.

Property/Casualty Insurance

The key segment-specific performance indicator in Property/Casualty Insurance is the value-oriented net sales of Württembergische Versicherung AG. We use this key figure to sustainably manage new business and the growth of business in force. Factors are used to weight new and replacement business minus cancellations of contracts in force in individual lines of insurance (based on annual contributions to the portfolio). These factors are determined based on profitability. Once again, the more profitable the business line is, the higher the weighting factors.

Wüstenrot & Württembergische AG

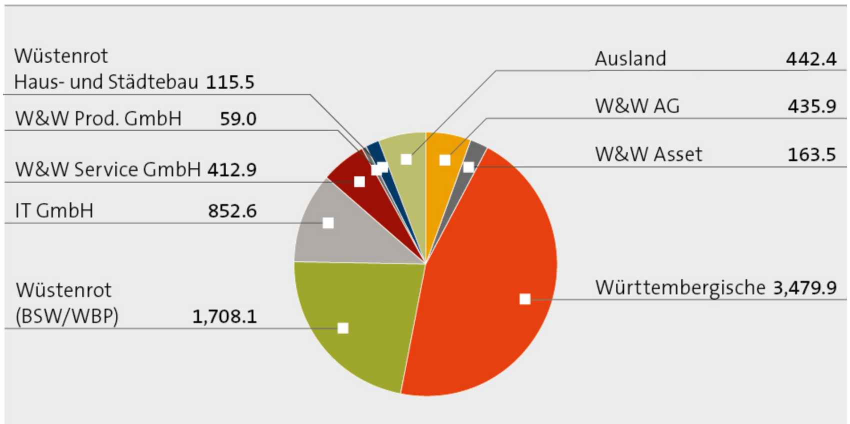
W&W AG, as the parent company, manages the W&W Group and its long-term equity investments. Its key performance indicator is net income for the year (German Commercial Code (HGB)). This is used to calculate dividend payments to shareholders and helps build equity at W&W AG. General administrative expenses including net income from services are also used as a management metric. This key performance indicator includes all company costs. In the annual financial statements, however, we are required by law to break down the costs by functional area for insurance companies, e.g. expenses for insurance business, expenses for capital investments, etc.

Employees

As at 31 December 2014, the W&W Group employed 7,227 employees (previous year: 7,567) in Germany calculated based on full-time equivalents.

W&W Group employees

as at 31 December 2014



The 2014 financial year was characterised by restructuring and workforce reductions intended to hone our competitive edge. We supported our employees by providing assistance in these tough times. Resilience was a key issue for us last year. We won the InnoWard, the German insurance industry's training award, for our project entitled "Von Glückspilzen und Stehaufmenschen – Umgang mit Druck und Veränderung" in the "Staff development/continuing education" category. The project promotes employee tolerance for stressful situations as part of our corporate health management programme.

We were also industry pioneers for better health management: we implemented holistic hazard analysis (HHA) and launched a corporate integration management system that exceeds the legal requirements. We have completed 39 HHAs at Wüstenrot & Württembergische since July 2013. In this process, managers and analysts agreed on various measures. Over 100 of these measures have already been put in place. The Group-wide integration management system enables employees to return to work easily and painlessly, even after a long illness, by following a multi-stage action plan.

One key focus of our HR activities is customer-facing units. We are very interested in our employees' professional development – particularly in these units. In the year under review, we enhanced the training and recognition systems in order to specifically support employees and managers. We want to strengthen these units, which are important value drivers, and prepare them properly for the future.

We continue to focus on developing our specialists and managers. Talent management is largely about empowering employees, helping them overcome challenges and giving them an opportunity for personal and professional development.

Particularly talented individuals cultivate professional, business and social skills in our Premium Talent programme. Mentors – including board members and managers – assist promising young employees in developing professional skills and achieving personal growth. Prospects abound throughout the W&W Group on both the professional and executive career tracks.

We have helped employees reconcile their personal and career objectives with flexible work hour and workplace models as well as professional childcare and assistance. This includes allowing teleworking and, in special cases, mobile working. The "Feuerseepiraten" corporate childcare centre in Stuttgart (since 2012) and the "Seepferdchen" childcare centre in Ludwigsburg (since 2014) also contribute to a better work-life balance.

ACKNOWLEDGEMENT

We want to thank our internal and mobile sales force staff for their dedication and extraordinary commitment throughout the previous financial year. Their expertise and motivation are essential to our future.
We also want to thank the employee representatives and their committees, the representatives of the mobile sales force organisations and the executive representative committees for their close cooperation and constructive support of all the action taken to prepare our company for the future.

Ratings

In the year under review, Standard & Poor’s (S&P) confirmed the "A-" rating of all core companies in the W&W Group. The holding company Wüstenrot & Württembergische AG maintained its "BBB+" rating. The outlook remains stable for all Group divisions. S&P's rating reflects the W&W Group's good business and financial risk profile, among other things.

The German mortgage covered bonds issued by Wüstenrot Bank AG Pfandbriefbank maintain their top rating of "AAA" with a stable outlook.

Like the previous hybrid bond, the hybrid bond issued by Württembergische Lebensversicherung AG in May 2014 received a "BBB" rating.

STANDARD & POOR'S RATINGS

	FINANCIAL STRENGTH RATING	ISSUER CREDIT RATING
W&W AG	BBB+ Outlook stable	BBB+ Outlook stable
Württembergische Versicherung AG	A– Outlook stable	A– Outlook stable
Württembergische Lebensversicherung AG	A– Outlook stable	A– Outlook stable
Wüstenrot Bausparkasse AG		A– Outlook stable
Wüstenrot Bank AG Pfandbriefbank		A– Outlook stable

Share

After hovering around its 2013 closing price of € 17.32 in the first quarter of 2014, the W&W share briefly rose to € 18.75 in early April. This was followed by a correction that lasted until the end of April. The price then began moving upwards again.

The W&W share reached its yearly high of € 19.50 in mid-June. Subsequent profit-taking in a generally weak market environment caused the W&W share to adjust to € 16.61 by October. By the end of the year, it was trading at € 17.80 following another price rally. Overall, the W&W share gained 2.8% in the 2014 calendar year. It even outperformed the DAX, which gained a mere 2.7% over the same period. If the dividend payout of € 0.50 is added, the total performance is 5.7%. Consequently, the W&W share is an attractive proposition for investors, especially in the current low-interest environment, since it represents excellent value.

COMPARISON OF SHARE PRICE PERFORMANCE (INDEXED)

2014

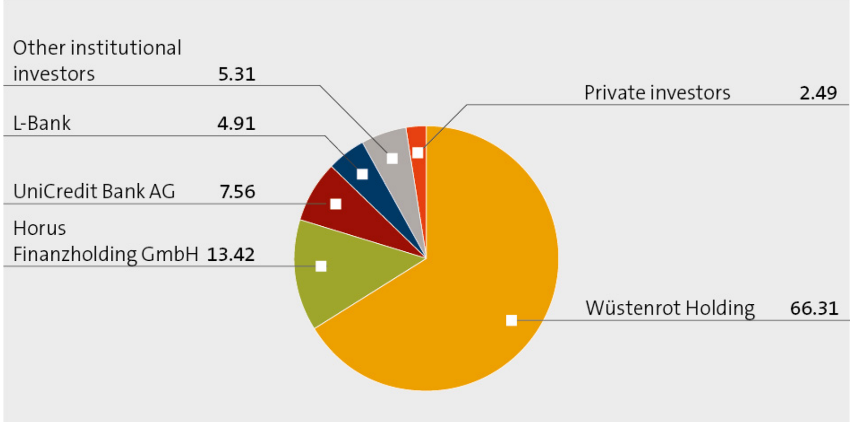
SHARE DIVIDEND

On 28 May 2014, the Annual General Meeting of W&W AG resolved to pay a dividend of € 0.50 per no-par-value share for the 2013 financial year. Shareholders were given the option of receiving the dividend in cash or € 0.35 of the dividend owed on each no-par-value share for the 2013 financial year in the form of shares in the company (share dividend) and the remaining amount in cash. To pay the share dividend, a resolution was passed to increase the company's share capital with contributions in kind. All told, 85.91% of the shareholders chose the share dividend; 1,757,098 new W&W shares were issued, and W&W AG's share capital increased by € 9,189,622.50. W&W AG's share capital now stands at € 490,311,035.60 and is broken down into 93,749,720 no-par-value shares.

A proposal will be put forward at the Annual General Meeting held on 11 June 2015 to pay a cash dividend of € 0.50 for the 2014 financial year.

Shareholder structure

In % of share capital



Investor Relations

Investor relations work aims to raise awareness of the W&W share in the capital market. Its main goals include increasing the liquidity of the W&W share and improving the transparency of our financial reporting. We continuously report on the company's performance to shareholders, potential investors and other interested parties. Due to our corporate strategy's focus on long-term value creation, we communicate transparently with capital market players about events as they happen. The Executive Board met with investors in London, Frankfurt and Zurich during road shows and investor conferences. Private investors can reach us every day by phone, e-mail or post. Investors can find extensive information on our shares, bonds and funds in the Investor Relations section of our website, www.ww-ag.com. The newsletter published by our Investor Relations team covers current topics of relevance to the W&W Group and reminds subscribers of important W&W dates.

Share key figures

Securities identification code	WKN 805100, ISIN DE0008051004
Bloomberg symbol	WUW GY
Reuters symbol	WUWGn.DE
Issue type	Registered share
Securities type	No-par-value share
Exchanges	Stuttgart (Regulated Market), Frankfurt (Regulated Market) Düsseldorf (Open Market), Berlin (Open Market), Xetra
Share capital	€ 490,311,035.60
Number of shares	93,749,720

	2014	2013
Annual low[1]	€ 16.30	€ 13.60
Annual high[1]	€ 19.50	€ 18.00
Year-end closing price[1]	€ 17.80	€ 17.32
Market capitalisation	€ 1,669.2 mn	€ 1,593.3 mn
IFRS earnings per share	€ 2.52	€ 1.56
Dividend[2]	€ 0.50	€ 0.50
Dividend yield[2]	2.81%	2.88%

1 Xetra.
2 Subject to approval by the Annual General Meeting.

BUSINESS REPORT

Business environment

MACROECONOMIC ENVIRONMENT

According to preliminary calculations, the German economy grew by an appealing 1.6% overall in 2014 after having lost much of its momentum following a very favourable start to the year. This was largely due to the sluggish performance of the manufacturing sector. Its foreign trade suffered from geopolitical tensions, economic sanctions against Russia and weakening growth in key buyer countries such as China and France. The dulled export prospects made companies much more cautious about investment. The main growth driver in the past financial year was consumer demand, which benefited from extremely low inflation and favourable developments in the German labour market. Very high employment, a rise in collectively agreed wages and historically low inflation boosted discretionary income and consumer sentiment. The W&W Group continues to benefit from the strong performance of the housing sector, which has been supported by record-low mortgage rates and persistently strong interest in buying and building homes in densely populated regions.

CAPITAL MARKETS

Diminishing returns

Returns in the German bond market continued to fall in 2014. For example, the yield on ten-year Bunds dropped to a historic low of 0.54% (previous year: 1.93%) at the end of the year, which represents a significant decline of nearly 1.4 percentage points. Yields on short-term Bunds were even negative at the end of 2014. This has several reasons. First, occasional weak economic data from Germany and the Economic and Monetary Union (EMU) raised concerns about economic growth. In addition, inflation in the EMU dropped to a historically very low level due to declining wages in the peripheral states of the EMU and the oil price collapse in the fourth quarter. This drove the European Central Bank (ECB) to take further monetary easing measures in 2014, such as base rate reductions and asset purchase programmes. In the fourth quarter of 2014, the bond market began to suspect that the ECB would buy significant volumes of European government bonds in 2015. These suspicions were confirmed on 22 January 2015 when the ECB announced a European asset purchase programme for government bonds.

Geopolitical events, including the Ukrainian crisis and uncertainty in the Middle East, increased investors' risk aversion and resulted in them demanding more bonds with high credit ratings.

Little change in stock prices

The European stock markets showed minimal price changes for 2014 as a whole. The EMU-wide EURO STOXX 50 index gained a modest 1.2%, while the German benchmark DAX index did only slightly better, gaining 2.7%. These figures, however, mask the extreme price volatility experienced in 2014. The DAX, for example, plummeted briefly from mid-September to mid-October, only to reach a new all-time high in early December. The price stagnation at the end of the year, despite strong fluctuations, can be explained by the effect of strongly opposed factors on the stock market. Geopolitical crises impacted real economic performance in the EMU and made investors more hesitant about buying. In addition, many investors took profits following two years of large gains by German shares. In the end, however, European stock markets were shored up by the ultimate stabilisation of the EMU's economic outlook and thus rising corporate profits. In addition, the capital markets were buoyed by the European Central Bank's even more aggressive monetary policy stance. Shares became even more attractive compared to bonds.

INDUSTRY TRENDS

The financial industry faced additional regulatory tightening in 2014. Preparations for Solvency II and the implementation of Basel III/ CRD IV were a major challenge. General economic conditions also impacted the entire sector.

The W&W Group held its ground in this difficult market environment in 2014. Wüstenrot Bausparkasse AG is no. 2 in the home loan and savings market, measured by new business (gross). Wüstenrot Bank AG Pfandbriefbank has been intently focused on online banking since the last financial year. Based on total assets, the bank ranks in the middle of the top 100 in the German banking industry. Württembergische Lebensversicherung AG came in 13th among its benchmark group of German life and health insurers based on gross premiums written, while Württembergische Versicherung AG ranked 11th among property and casualty insurers in 2013 by the same measure.

According to the German association of private home loan and savings banks (Verband der Privaten Bausparkassen e.V.), the contract volume from new business (net) in the sector fell by 10% to € 95 billion. The decline was caused by one-off effects associated with changes that several credit institutions made to their home loan and savings plans in the previous year and represents a normalisation of the business.

In the year under review, private households took out more housing loans. Around € 204 billion was paid out for private home financing for a year-on-year increase of 3%. This increase was fuelled by an additional rise in construction activity and higher transaction volumes for existing properties. Investment in modernisation projects remains high. Housing loan volumes rose on the back of a lack of investment alternatives and the improved economic situation for private households due to a strong employment situation and higher real incomes.

New life insurance business was once again characterised by a politically motivated low-interest environment. The slight increase in total new premiums came from a strong rise in single-premium business. Life insurers' premium income went up in the reporting period compared to the previous year.

In the property and casualty insurance business, premium income carried the strong growth from previous years into the first three quarters of 2014. Incurred claims were much lower than in the previous year, which was dominated by acts of nature. This indicates much better overall performance for the sector as a whole throughout the year.

Development of business and Group position

DEVELOPMENT OF BUSINESS

In the 2014 financial year, the W&W Group earned a record net profit of € 242.0 million (previous year: € 154.9 million). This result was largely due to additional product income and significant reductions in personnel expenses and material costs (rigorous cost management) as part of the W&W 2015 optimisation programme. Other contributing factors included a drop in incurred claims and a high net income contribution by an associated company.

FINANCIAL PERFORMANCE

Total comprehensive income

CONSOLIDATED PROFIT AND LOSS STATEMENT

As at 31 December 2014, consolidated net profit after taxes showed a significant increase of € 87.1 million to € 242.0 million (previous year: € 154.9 million). Earnings per share stood at € 2.52.

COMPOSITION OF CONSOLIDATED NET PROFIT

€ mn	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Home Loan and Savings Bank	51.8	19.8
Life and Health Insurance	45.7	44.3
Property/Casualty Insurance	128.2	50.5
All other segments	62.5	112.5
Consolidation across all sectors	–46.2	–72.3
CONSOLIDATED NET PROFIT	242.0	154.9

Consolidated net income includes a net financial result of € 2,241.4 million (previous year: € 2,150.8 million). The decline of the euro in the past financial year and greater investment in foreign currency vehicles caused significant foreign currency effects that largely cancelled each other out. The effects in detail:

Net income from available-for-sale financial assets rose by a significant € 462.4 million to € 1,166.7 million (previous year: € 704.3 million). Much of the increase comes from exchange rate gains on capital investments in foreign currency. In addition, we deliberately realised gains on fixed-income securities to make provisions for our obligations to our customers. Interest income went up as our portfolio grew considerably. Equity instruments, on the other hand, showed a rise in impairments.

- Net income from financial assets accounted for under the equity method climbed by € 52.1 million to € 83.8 million (previous year: € 31.7 million). The increase was caused by the sale of a long-term equity investment by an associated company.

- Net income from financial assets at fair value through profit or loss fell to € –72.6 million (previous year: € 222.7 million). Net income from derivatives used to hedge against exchange rate risks was down significantly.

- Net income from receivables, liabilities and subordinated capital was € 1,030.8 million, significantly lower than in the year before (previous year: € 1,176.2 million). Net interest income in particular dropped as a result of the lower discount rate for interest bonus provisions for home loan and savings plans as well as a decline in interest income from fixed-income securities caused by lower volumes and interest rates. This was contrasted by higher net currency income. Income from disposals was also higher than in the previous year.

Premiums earned stood at € 3,939.4 million as at 31 December 2014, a significant increase from the previous year (€ 3,840.4 million). Thanks to strong sales, premiums earned increased both in Life and Health Insurance and in Property/Casualty Insurance.

Insurance benefits went up to € 4,426.9 million (previous year: € 4,264.1 million) because continued allocations to additional reserves for low-interest-rate risks had an impact on Life and Health Insurance. This was contrasted by a reduction in benefits resulting from favourable claims development in Property/Casualty Insurance.

General administrative expenses shrank by € 9.9 million to € 1,108.1 million (previous year: € 1,118.0 million). We achieved substantial savings both in material costs (€ –15.7 million) and personnel expenses (€ –15.1 million). This is mainly due to a lower headcount and reduced expenses for advisors. This positive development was contrasted by a write-down of € 20.9 million for an insurance portfolio acquired during the year under review.

Other operating income was € –20.4 million (previous year: € –47.0 million), mainly due to the restructuring expenses of € 43.6 million agreed in the previous year as part of the W&W 2015 optimisation programme. The strategic realignment of Wüstenrot Bank AG Pfandbriefbank incurred restructuring expenses of € 26.5 million in 2014.

Income tax expenses climbed by € 11.3 million to € 41.0 million (previous year: € 29.7 million). This was primarily the result of an increase in earnings before income taxes from continued operations. The financial year's tax expenses were positively affected by tax income, including income from the reversal of income tax provisions that were no longer required.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Total comprehensive income stood at € 440.2 million (previous year: € –110.0 million) as at 31 December 2014. It consists of consolidated net profit and other comprehensive income (OCI). The W&W Group's total comprehensive income is greatly affected by changes in interest rates.

The following shows the effects after allocations to deferred provisions for premium refunds and to deferred taxes:

The discount rate for pension provisions dropped significantly compared to the end of the previous year and now stands at 1.75% (previous year: 3.25%). This resulted in € –250.9 million in actuarial losses from defined benefit plans for pension schemes (previous year: € 0.8 million).

Net income from available-for-sale financial assets showed an unrealised gain of € 466.1 million (previous year: € –190.8 million). The gain results from the decline in interest rates since the start of the year and the associated increase in prices of bearer instruments. In the prior-year period, by contrast, interest rates went up.

Losses from cash flow hedges were € –14.3 million (previous year: € –54.6 million). In the previous year, cash flow hedge accounting mainly consisted of recognising security hedges (receiver swaps) on the assets side of the balance sheet. These hedges expired at the end of 2013. The reserve from these cash flow hedges will be reversed by the final maturity date of the underlying transactions.

We entered into interest rate swaps (payer swaps) in the first half of 2014 to hedge against the interest rate risk posed by floating-rate issued securities (on the liabilities side). The payer swaps resulted in a valuation loss since interest rates fell during the period under review.

Valuation gains recognised directly in equity mainly reflect the interest rate sensitivity of the assets side of the balance sheet. Interest rate changes affect the liabilities side as well and produce losses in technical reserves and deposits. However, they are not shown in total comprehensive income in keeping with IFRS.

Home Loan and Savings Bank

Net income in the Home Loan and Savings Bank segment increased significantly to € 51.8 million in 2014 (previous year: € 19.8 million). New business remained high in the 2014 financial year, albeit below the previous year's level. The segment's total assets were € 38.6 million (previous year: € 37.0 million) and consist primarily of building loans and capital investments in fixed-income securities. The liabilities side is dominated by liabilities from customer deposits.

New business

New business (gross) reached € 13.7 billion, failing to reach the previous year's record-breaking figure (previous year: € 15.4 billion). While new business (net) (paid-in new business) by contract volume reached € 11.5 billion (previous year: € 12.8 billion), or 9.7% less than the previous year, it still outperformed the home loan and savings sector, which reported a drop of 10.1%. The net value thus continued to do better than the gross value. This confirms that the quality improvement measures have had a sustainable impact.

New business key figures

	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	Change
	€ mn	€ mn	%
New business (gross)	13,736.4	15,368.6	–10.6
New business (net) (paid-in new business)	11,533.3	12,775.7	–9.7
New construction financing business (approvals)	2,375.7	2,971.6	–20.1
Construction financing (Group)	3,916.3	4,643.0	–15.7

Due to the stronger focus on profitability, new construction financing business (approvals) in the segment fell to € 2,375.7 million (previous year: € 2,971.6 million). This includes € 480.9 million in follow-up financing (previous year: € 473.4 million), while new lending business reached € 1,894.8 million (previous year: € 2,498.2 million). Low-margin loans were deliberately not included in our own books.

New construction financing business across all the segments in the entire W&W Group stood at € 3,916.3 million (previous year: € 4,643.0 million). This figure includes mortgage loans from Württembergische Lebensversicherung AG of € 287.0 million (previous year: € 336.6 million) and loan disbursements under home loan and savings plans of € 926.6 million (previous year: € 959.4 million). The Czech home loan and savings bank and mortgage bank, whose business activities are reported under "All other segments", contributed € 327.0 million (previous year: € 375.4 million).

The contribution margin IV of the lending business – which includes the present value of income from new construction financing business over the entire term after deducting all costs, including the full cost of capital – stood at € 30.2 million in the 2014 financial year. The prior-year figure was negative at € –17.3 million after updated risk costs. This significant improvement was achieved by focusing on value-retaining lending business, cutting costs under W&W 2015 and introducing the new home loan and savings plan in late 2013.

In the deposit business, the annualised contribution margin IV of Wüstenrot Bank AG Pfandbriefbank amounted to € –9.5 million (previous year: € –9.0 million). We deliberately allowed a slight decline in deposit volume given the prevalence of low-cost funding alternatives in the capital market. This is reflected in the annualised contribution margin, which only measures income for the period from customer deposits (including new business) minus all costs.

FINANCIAL PERFORMANCE

Segment income for Home Loan and Savings Bank stood at € 51.8 million (previous year: € 19.8 million) as at 31 December 2014.

The net financial result in the Home Loan and Savings Bank segment reached € 431.1 million (previous year: € 460.5 million). This was primarily due to the following effects:

- Net income from available-for-sale financial assets went down to € 180.4 million (previous year: € 200.9 million). Interest income declined due to historically low interest rates. Furthermore, capital gains from capital market transactions declined compared to the prior year.

- Net income from financial assets at fair value through profit or loss reached € 31.7 million (previous year: € –94.4 million). It mainly tracks changes in the value of derivatives that are used as hedges but do not meet the requirements for hedge accounting according to IFRS. Interest rate risks are hedged as part of managing the interest book, partly to neutralise the offsetting effect on net income from discounting the provisions for loan savings business (bonus provisions). While interest rates still climbed in the previous year, they dropped significantly in 2014. The development of interest rates resulted in positive net income from freestanding derivatives.

- The hedge result of € 74.0 million (previous year: € 47.2 million) mainly results from the partial ineffectiveness of the offsetting valuations of underlying transactions and derivatives in fair value hedges and cash flow hedges. In addition, the reversal of other reserves (OCI) impacted the cash flow hedges.

- Net income from receivables, liabilities and subordinated capital went down to € 179.6 million (previous year: € 332.4 million). Ongoing interest expenses fell more than interest income as active portfolio management and improvements in funding operations took advantage of lower interest rates. This positive effect was, however, offset by discounting interest bonus provisions by € 126.6 million to account for the interest rate decline and recognising one-off effects resulting from measures to protect the collective.

- Net income from risk provisions was € –34.6 million (previous year: € –25.5 million). This was largely the result of adjustments made following the review of the risk provision parameters and an expansion of the default definition. This increased allocations to individual allowances. There was also an increase in portfolio allowances.

Net commission income grew to € 7.0 million (previous year: € –8.8 million). Sales-based net commission income from new home loan savings business (gross) improved compared to the previous year. New business in the 2014 financial year was down year-on-year, which reduced gross income from acquisition fees and, to a greater extent, sales-based commission expenses. Expenses for competitions and goal achievement bonuses as well as expenses for management commissions and graduated commissions declined in 2014. In addition, there was an increase in net commissions from the construction financing portal for brokering financing for third parties.

General administrative expenses declined by € 37.2 million to € 364.8 million (previous year: € 402.0 million). Material costs fell by a significant € 33.0 million, primarily due to lower fee and commission expenses and lower expenses for advisors and marketing. Legal and audit costs, on the other hand, increased due to the adoption of the internal ratings-based approach (IRBA) and due to stricter regulatory requirements, including the ECB's asset quality review and stress test. Personnel expenses went down by € 3.7 million as a result of the W&W 2015 measures.

Other operating income increased to € –1.0 million (previous year: € –19.2 million), mainly due to the restructuring expenses of € 39.0 million agreed in the previous year as part of the W&W 2015 optimisation programme. The strategic realignment of Wüstenrot Bank AG Pfandbriefbank incurred restructuring expenses of € 19.2 million in the current year.

Life and Health Insurance

Net segment income increased to € 45.7 million (previous year: € 44.3 million) as at 31 December 2014. New premiums in the Life and Health Insurance segment did well in 2014. The segment's total assets were € 33.9 billion (previous year: € 31.7 billion).

New business

New premiums (single premiums and regular/continued contributions) in Life and Health Insurance increased by € 69.4 million to € 731.5 million (previous year: € 662.1 million). This includes € 127.1 million (previous year: € 116.6 million) for policies with regular/continued contributions and € 604.4 million (previous year: € 545.5 million) for single-premium policies.

New business key figures

	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	Change
	€ mn	€ mn	%
New premium (segment)	731.5	662.1	10.5
Single premium, life	604.4	545.5	10.8
Regular/continued contribution, life	116.0	103.5	12.1
Annual new premium, health	11.1	13.1	–15.3

The value-oriented net valuation amount of new business, which weights the contribution amount of new business in each product group using value-oriented factors, increased by 9.8% to € 2,814.4 million (previous year: € 2,562.2 million). The method used to calculate the value-oriented net valuation amount was changed in the reporting period, and so the previous year's values were adjusted accordingly.

Financial performance

The net financial result in the Life and Health Insurance segment increased by € 67.5 million to € 1,614.9 million (previous year: € 1,547.4 million). This is mainly due to the following effects:

- Net income from available-for-sale financial assets increased by a significant € 442.4 million to € 873.8 million (previous year: € 431.4 million). The increase was partly fuelled by higher interest income resulting from larger holdings of fixed-income securities. Gains realised on fixed-income securities were also higher than in the previous year. These activities served to hedge our obligations to our customers. In addition, net currency income from capital investments not denominated in euros rose significantly.

- Net income from financial assets accounted for using the equity method went up by € 25.2 million to € 43.2 million (previous year: € 18.0 million). This was due to the sale of a long-term equity investment by an associated company.

- Net income from financial assets at fair value through profit or loss went down to € –71.9 million (previous year: € 306.6 million). This is primarily attributable to currency derivatives used to hedge capital investments. In addition, net income from capital investments used to cover unit-linked insurance policies declined as the stock market lost some of the previous year's momentum.

- Net income from receivables, liabilities and subordinated capital went down to € 773.0 million (previous year: € 789.6 million) even though realised gains had increased. This was the result of extremely low interest rates for new investments and reinvestments and a decline in the portfolio.

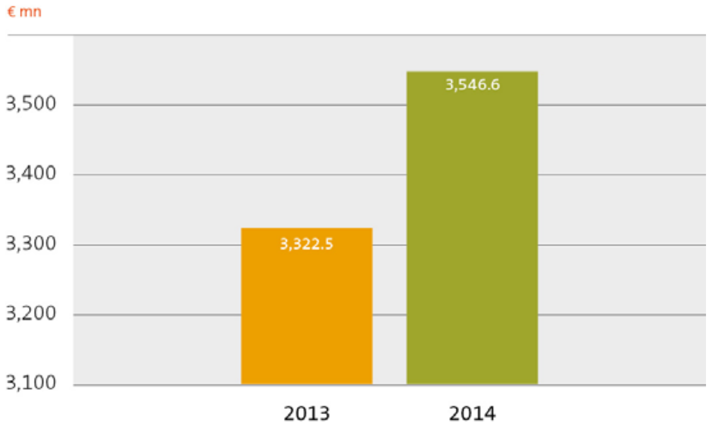
Net income from investment property increased by € 32.4 million to € 56.6 million (previous year: € 24.2 million). The increase was caused by higher rental income following a portfolio expansion, higher income from disposals and significantly lower write-downs.

Net commission income stood at € –161.6 million (previous year: € –148.0 million). Paid sales commissions increased in 2014 due to the increase in new business.

Net premiums earned rose compared to the previous year to € 2,411.1 million (previous year: € 2,365.8 million). The increase in new business with single-premium insurance policies outweighed the decline in renewal premiums for expiring policies.

Insurance benefits stood at € 3,546.6 million (previous year: € 3,322.5 million) as at 31 December 2014. Through the fresh formation of an additional interest reserve and an interest reinforcement, we continued to ensure that we could meet our future benefit obligations to our customers in 2014. The expenses incurred to strengthen the additional interest reserve and for interest reinforcement amounted to € 382.4 million (previous year: € 322.0 million), again exceeding the previous year's already very high level. Consequently, these reserves amounted to € 913.1 million in total.

BENEFITS ARISING FROM INSURANCE CONTRACTS PAID TO LIFE AND HEALTH INSURANCE CUSTOMERS



General administrative expenses in the Life and Health Insurance segment increased to € 289.0 million (previous year: € 273.0 million). This is due to a write-down of € 20.9 million on an acquired insurance portfolio. Personnel expenses and material costs, on the other hand, declined.

Other operating income was € –54.6 million (previous year: € –124.1 million), mainly due to the amortisation of goodwill in the previous year.

Tax income amounted to € 14.9 million (previous year: tax expense € 25.2 million) in the year under review. This was partly due to reduced segment income before income tax, but also due to income from the reversal of income tax provisions that were no longer required.

Property/Casualty Insurance

Net segment income increased significantly to € 128.2 million (previous year: € 50.5 million) in the year under review. Gross premiums written continued to increase. The segment's total assets were € 4.1 billion (previous year: € 3.9 billion).

New business/premium development

New business declined slightly to € 204.8 million (previous year: € 209.7 million) measured in terms of annual contributions to the portfolio. A decrease in the motor vehicle line was contrasted by an increase in the retail customer line. This means that new business was down year-on-year, but was still slightly more than planned.

Business in force increased due to strong net sales in the past financial year, which takes account of replacement business and cancellations in addition to new business. Consequently, gross premium/contribution income went up by € 56.7 million to € 1,580.1 million (previous year: € 1,523.4 million).

New business key figures

	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	Change
	€ mn	€ mn	%
Annual contributions to the portfolio (segment)	204.8	209.7	–2.3
Motor vehicle	152.6	158.7	–3.8
Corporate customers	26.2	26.2	—
Retail customers	26.0	24.8	4.8

Value-oriented net sales in new business stood at € 22.3 million (previous year: € 27.7 million) as at 31 December 2014. This key figure describes net sales by product and weights them using a factor that varies depending on their profitability. As in the previous year, it is positive and indicates a profitably growing insurance portfolio.

Financial performance

The net financial result amounted to € 140.2 million, clearly exceeding the previous year's result (previous year: € 97.2 million). It consists of the following components:

- Net income from available-for-sale financial assets increased by € 41.7 million to € 96.4 million (previous year: € 54.7 million). While impairment charges for investment funds increased slightly, they were offset by income from disposals of Antares Holding Ltd. and significantly higher exchange gains.
- Net income from financial assets accounted for using the equity method went up by € 26.8 million to € 37.9 million (previous year: € 11.1 million). This was due to the sale of a long-term equity investment by an associated company.
- Net income from financial assets at fair value through profit or loss went down to € –32.4 million (previous year: € 3.9 million). This included lower net currency income, which compensated for the exchange gains mentioned above in net income from available-for-sale financial assets.
- Net income from receivables, liabilities and subordinated capital increased by € 11.4 million to € 39.4 million (previous year: € 28.0 million). This item was also affected by a positive exchange rate effect from time deposits. These deposits are used to congruently cover technical provisions in foreign currency. The lower interest income had an offsetting effect.

Net commission income stood at € –213.7 million (previous year: € –208.0 million). The insurance portfolio grew during the financial year, which also raised renewal commissions.

Net premiums earned continued to perform well. They increased by € 47.6 million to € 1,278.1 million (previous year: € 1,230.5 million) due to strong sales in the year under review.

Insurance benefits (net) declined by € 34.9 million to € 721.5 million (previous year: € 756.4 million) despite the larger insurance portfolio. The overall claims development was very favourable due to significantly lower claims and the absence of major acts of nature. Therefore the loss ratios declined considerably in all insurance lines. This resulted in a good combined ratio (gross) of 95.8% (previous year: 115.8%).
General administrative expenses stood at € 343.0 million (previous year: € 342.3 million) and thus remained unchanged at the previous year's level despite collectively agreed pay increases.

Other operating income stood at € 12.2 million (previous year: € 33.4 million). It includes exchange losses from technical provisions that offset the exchange gains in net income from receivables, liabilities and subordinated capital.

Compared to the previous year, tax expense increased significantly to € 25.7 million (previous year: € 5.0 million), largely due to the increase in segment income. Tax expense in the year under review was positively impacted by tax income from the reversal of tax provisions. The income tax provisions had to be reversed at segment level in order to form a consolidated tax group for corporation tax purposes.

All other segments

"All other segments" covers the divisions that cannot be allocated to any other segment. This includes W&W AG, W&W Asset Management GmbH, the Czech subsidiaries and the Group's internal service providers. Total assets of all other segments amount to € 6.0 billion (previous year: € 6.1 billion). All other segments show net income after taxes of € 62.5 million (previous year: € 112.5 million). It mainly consists of the following: W&W AG € 48.8 million (previous year: € 97.2 million), W&W Asset Management GmbH € 15.5 million (previous year: € 9.9 million), Czech subsidiaries € 8.8 million (previous year: € 10.0 million).

The net financial result went down year-on-year to € 133.1 million (previous year: € 178.2 million). This was mainly due to a decline in long-term equity investment income from within the Group received by W&W AG, which is included in net income from available-for-sale financial assets. Dividend income from fully consolidated subsidiaries is eliminated in the consolidation/reconciliation column in order to obtain values for the Group. There was a decline in the income from disposals included in net income from available-for-sale financial assets. Net currency income in net income from receivables, liabilities and subordinated capital, by contrast, went up.

Net commission income grew to € –36.5 million (previous year: € –43.6 million). This was mainly due to higher commission income from the investment business. Net commission income from the Czech companies and from reinsurance declined.

Premiums earned went up by € 5.1 million to € 263.5 million (previous year: € 258.4 million) in the year under review. This was significantly affected by an increase in the volume ceded by Württembergische Versicherung AG to W&W AG under cross-segment reinsurance.

Insurance benefits went down year-on-year to € 175.4 million (previous year: € 200.7 million). This is mainly due to the better claims development in the period under review, which saw no major losses or losses due to acts of nature.

General administrative expenses increased by € 8.8 million to € 104.2 million (previous year: € 95.4 million). Personnel expenses went up primarily because certain functions within the Group were transferred from Württembergische Lebensversicherung AG to W&W Asset Management GmbH. Service income was also lower. Material costs, by contrast, declined, especially for advisory services and shipping and postage expenses, which was partially due to the switch to electronic account statements.

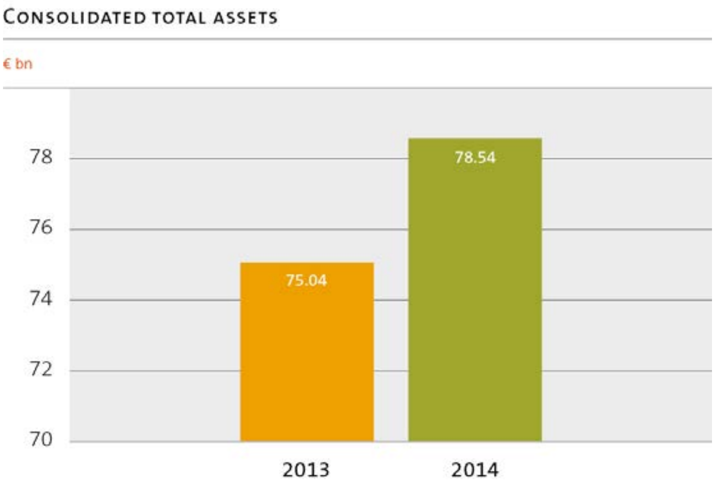
Other operating income went down year-on-year to € 16.8 million (previous year: € 37.6 million). Restructuring expenses amounted to € 7.3 million. In addition, exchange losses from reinsurance rose year-on-year, while income from the reversal of other provisions declined.

A table summarising all the segments of the W&W Group is provided in the segment reporting chapter in the notes.

NET ASSETS

Asset structure

The consolidated total assets of the W&W Group increased by € 3.5 billion to € 78.5 billion (previous year: € 75.0 billion) in the past financial year.



Receivables still represented the bulk of assets. Their decline is mainly attributable to having a smaller portfolio of building loans of € 25.1 billion (previous year: € 26.3 billion.) In the 2014 financial year, the focus remained on value retention in the financing business. Sales of low-margin and complex financing products were deliberately curbed as part of W&W 2015. This not only boosted profitability but also lowered drawdowns of building loans.

Fixed-income securities continued to dominate financial assets available for sale. Holdings of these securities increased significantly year-on-year to € 21.3 billion (previous year: € 17.2 billion). This is attributable to the deliberate choice to invest more in fixed-income securities and to the rise in market values associated with declining interest rates.

Capital investments totalled € 49.7 billion (previous year: € 44.7 billion) as at 31 December 2014. Our capital investments are defined in the glossary.

Valuation reserves

Valuation reserves are formed if the current fair value of an asset is higher than the value at which it is carried in the balance sheet (carrying amount). Valuation reserves have increased significantly, largely due to the considerable drop in capital market interest rates. The main valuation reserves were for first-tier loans and advances to institutional investors in the amount of € 3,438.1 million (previous year: € 1,324.5 million), for building loans in the amount of € 920.9 million (previous year: € 923.6 million) and for investment properties in the amount of € 383.0 million (previous year: € 335.6 million).

The European Central Bank kept monetary policy expansive even as the euro zone economy continued to recover. Its policy stance kept interest rates extremely low, historically speaking. This benefited the fair values of fixed-income securities, among other things, because the securities already in the portfolio pay higher coupons than the prevailing market rate. However, it also created hidden liabilities with respect to long-term fixed-rate liabilities and lowered returns on reinvestments. The offsetting effects on the liabilities side, however, are not netted against valuation reserves and must not be reported in the consolidated balance sheet.

Capital expenditure

Most of the capital expenditure for non-current assets was incurred in the Life and Health Insurance segment. It consisted mainly of investment property and increases in capital investments in the form of long-term equity investments. In the "Other" segment, most of the capital expenditure relates to hardware and software purchased by our IT subsidiary.

FINANCIAL POSITION

Regulatory key figures

The financial conglomerate's solvency ratio (according to the German Commercial Code (HGB)) was 148.6% (previous year: 141.1%). The solvency ratio went up primarily because Wüstenrot Bausparkasse AG and Wüstenrot Bank AG Pfandbriefbank switched to IRBA, which reduced their minimum capital requirements.

The insurance group's preliminary solvency ratio stood at 235.2% (previous year: 234.3%) on the cut-off date.

The preliminary Tier 1 capital ratio of the mixed financial holding group was 13.8% (previous year: 11.6%) as at 31 December 2014.

The Tier 1 capital ratio was 12.6% (previous year: 10.5%) for Wüstenrot Bausparkasse AG and 11.0% (previous year: 8.0%) for Wüstenrot Bank AG Pfandbriefbank. The Tier 1 capital ratio compares core equity capital to total risk-weighted assets. Both companies saw the ratio go up partly because they had switched to IRBA, which lowered their minimum capital requirements.

Württembergische Lebensversicherung AG comfortably maintained the risk-bearing capacity ratios required under Solvency I at 155.2% (previous year: 142.7%). The solvency ratio increased mainly because a new subordinated loan of € 250 million was taken out in the second quarter of 2014. As at 31 December 2014, own funds were € 168.3 million higher than at 31 December 2013. This includes € 151.1 million related to an increase in subordinated loans that qualify as own funds under Section 53c of the Act on the Supervision of Insurance Undertakings (VAG).

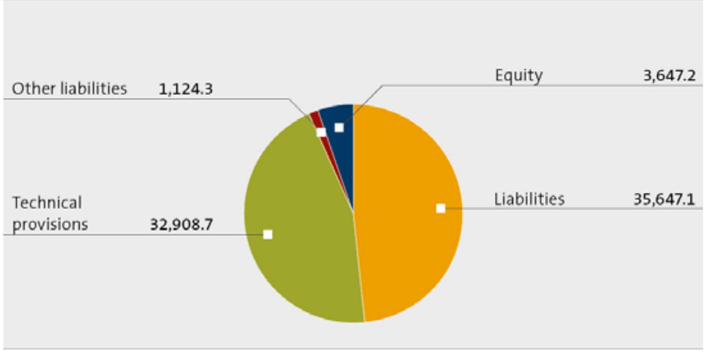
Württembergische Versicherung AG's solvency ratio stood at 156.6% (previous year: 156.6%) on the cut-off date.

Capital structure

Being a financial services group, the liabilities side is characterised by technical provisions and liabilities to customers, which mainly come from the bank's deposit business and the home loan and savings bank.

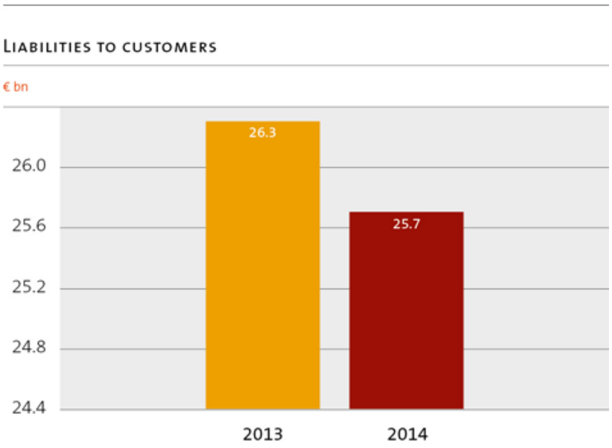
CAPITAL STRUCTURE

€ mn



Technical provisions – including those for unit-linked life insurance policies – totalled € 32.9 billion (previous year: € 31.2 billion). This includes € 27.5 billion (previous year: € 27.0 billion) for the provision for future policy benefits, € 2.6 billion (previous year: € 1.5 billion) for the provision for premium refunds and € 2.5 billion (previous year: € 2.5 billion) for the provision for outstanding insurance claims.

The liabilities are primarily liabilities to customers amounting to € 25.7 billion (previous year: € 26.3 billion). They largely consist of deposits from the home loan savings business amounting to € 18.6 billion (previous year: € 18.5 billion) and savings deposits.



The structure of the liabilities side and the remaining maturities are detailed in note 53 to the consolidated financial statements.

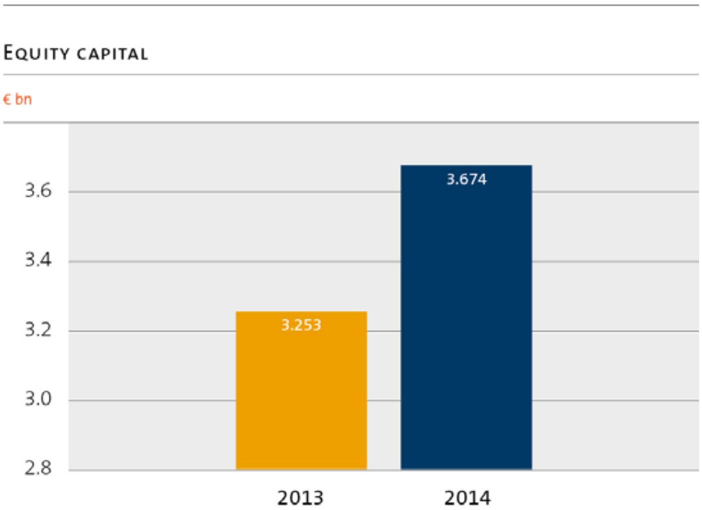
Liquidity

W&W AG and its subsidiaries always had sufficient liquidity in the year under review. We obtain liquidity from our insurance, banking and home loan and savings operations and from financing activities. The risk report contains more information on liquidity management.

The cash flow statement shows inflows of cash amounting to € 2,151.7 million (previous year: € 1,713.8 million) from operating activities and outflows of cash amounting to € –2,677.5 million (previous year: € –1,144.2 million) for investing activities, including capital investments. Financing activities resulted in an inflow of cash of € 134.3 million (previous year: € –101.3 million). This results in a net change in cash of € –391.5 million in the year under review. Further information is provided in the cash flow statement in the notes.

Equity

W&W AG, as the holding company, manages the equity of the W&W Group. Subsidiaries' equity generally meets or exceeds regulatory requirements. Both Basel III and Solvency II impose stricter capital adequacy requirements. For this reason, the W&W Group has defined internal target solvency ratios for large subsidiaries and the Group as a whole that exceed current statutory requirements in order to ensure the continued high stability of the Group and the individual companies.



As at 31 December 2014, the W&W Group's equity reached € 3,674.2 million, compared to € 3,253.0 million as at 31 December 2013. This includes consolidated net profit and net income included in equity of € 440.2 million. Equity was increased by a non-cash capital contribution of € 27.3 million at W&W AG. The dividend payout, by contrast, reduced equity by € 46.3 million.

The effects can be seen in detail in the consolidated statement of comprehensive income and in the statement of changes in equity.

Customer development in the Group

The number of customers decreased slightly by 2.0% to around 6.3 million in the 2014 financial year. The decline was stronger in the Home Loan and Savings Bank division than the Insurance division, while health insurance saw a significant increase in the number of new customers.

OVERALL VIEW

The W&W Group's net assets, financial position and financial performance are stable and orderly. We are extremely pleased with our net income, considering the low interest rates, regulatory tightening and charges from restructuring activities.

COMPARISON OF BUSINESS DEVELOPMENT WITH OUTLOOK

As we predicted, the entire financial sector continues to face major challenges: low interest rates maintained by the European Central Bank, the high cost of complying with additional laws and regulations, and stricter capital adequacy requirements.

We addressed these issues in W&W 2015 and are making excellent headway. Comparing the current development of business with the forecasts made in the 2013 Annual Report for 2014 underscores the W&W Group's strong performance. The market environment may have remained challenging, but we still surpassed expectations in many areas. We improved our stability and competitiveness as forecasted and strengthened the independence of the W&W Group.

Home Loan and Savings Bank segment

Over the past six years, we steadily built up Wüstenrot Bausparkasse AG's new business (net) by contract volume. New business declined in 2014 after peaking in 2013 on the back of one-off effects associated with plan changes. Contrary to our forecast, we were down year-on-year in the 2014 financial year. However, we still strengthened our market position in a smaller home loan and savings market.

The vigorous implementation of the strategic realignment of the Home Loan and Savings Bank segment yielded further successes. With a clearly positive contribution margin IV, we exceeded the forecast for new construction financing business in the Home Loan and Savings Bank segment. We deliberately focused on profitability before volume. Furthermore, we streamlined our previously complex portfolio of construction financing products.

In the funding of Wüstenrot Bank AG Pfandbriefbank, customer deposits changed very little. The bank capitalised on highly favourable funding opportunities in the capital market. In the end, the annualised contribution margin IV came in below forecast due to volume.

Rigorous cost management under W&W 2015 cut general administrative expenses as expected. We significantly increased the Home Loan and Savings Bank segment's income year-on-year as forecasted despite continued low interest rates and restructuring expenses. Another contributing factor was the increase in financial investment valuations.

As forecasted, the total and Tier 1 capital ratios increased significantly at Wüstenrot Bausparkasse AG and Wüstenrot Bank AG Pfandbriefbank, partially due to the BaFin certification as an IRBA (internal ratings-based approach) institution. The capital ratios substantially exceeded legal requirements.

Life and Health Insurance segment

Sales of life insurance products were impacted by negative media coverage of pension schemes and perceptions of low returns. We nevertheless significantly increased the value-oriented net valuation amount in the Life and Health Insurance segment year-on-year, especially for unit-linked life and disability insurance. However, we still fell short of our forecast.

General administrative expenses were slightly higher than in the previous year but performed better than expected due to savings resulting from the rigorous implementation of W&W 2015.

We exceeded the forecast segment income after tax despite the economically challenging environment in 2014. This was partly due to income from disposals in an associated company.

We increased the solvency ratio of Württembergische Lebensversicherung AG (according to Solvency I) year-on-year as expected. We strengthened our equity base further by complying with Solvency II.

Property/Casualty Insurance segment

Sales efforts at Württembergische Versicherung AG focused on the more profitable retail and corporate customer business in 2014. New business in motor vehicle insurance was deliberately curtailed. As forecast, we achieved positive value-oriented net sales overall, remaining slightly below the previous year's figures. This performance was due to solid new business and strong replacement business.

General administrative expenses were affected by cost savings resulting from W&W 2015 and were unexpectedly unchanged year-on-year.

Claims development was better in 2014 than in 2013, in which incurred claims were high due to acts of nature. The forecast of normalised claims development was exceeded. In addition, the financial year was characterised by non-periodic tax effects and income from disposals in an associated company. Consequently, segment income after tax exceeds the previous year's figures far more than expected.

All other segments

Development of business at W&W AG, Asset Management GmbH and the Czech companies was in line with the forecasts.

Group

In the 2014 financial year, we generated a consolidated net profit of € 242.0 million despite continuing low interest rates and thus significantly surpassed our initial forecast of € 180 million. Additional product income, positive claims development, non-periodic tax effects and income from disposals in an associated company had a positive impact on income.

In addition, we reduced our general administrative expenses in the 2014 financial year contrary to expectations thanks to rigorous cost management under W&W 2015.

The W&W Group once again demonstrated that it is well capitalised as a financial conglomerate. We significantly increased the solvency ratio for the financial conglomerate (German Commercial Code), as forecasted, by obtaining BaFin approval for Bausparkasse and Pfandbriefbank to use the internal ratings-based approach (IRBA).

Development of business and position of W&W AG

Unlike the consolidated financial statements, the annual financial statements of Wüstenrot & Württembergische AG are not prepared in accordance with International Financial Reporting Standards (IFRS), but in accordance with the provisions of the German Commercial Code (HGB) and the additional provisions of the German Stock Corporation Act (AktG).

The annual financial statements (HGB) of W&W AG and the combined Management Report are published simultaneously in the electronic German Federal Gazette (Bundesanzeiger).

Development of business

W&W AG closed out the 2014 financial year with satisfactory net income for the financial year (HGB) of € 56.0 million (previous year: € 71.6 million). The decrease was mainly due to lower income from dividends and profit transfer agreements.

The many different regulatory requirements and the preparations for Solvency II posed a challenge for W&W AG in 2014. The continuation of low interest rates left their mark as well.

Financial performance

Annual result

W&W AG's net income (HGB) stood at € 56.0 million (previous year: € 71.6 million) in the 2014 financial year. Based on this result, we can propose to the Annual General Meeting on 11 June 2015 to pay another stable dividend of € 0.50 per share on increased capital for the 2014 financial year and allocate € 9.0 million to reserves. The Executive Board and Supervisory Board did not make any advance appropriations to retained earnings this year. After accounting for € 0.8 million in profit brought forward from 2013, net retained profits amounted to € 56.9 million (previous year: € 51.8 million).

Net capital investment income

W&W AG's net capital investment income decreased to € 148.6 million (previous year: € 170.8 million) in 2014. The decrease was primarily due to lower income from dividends and profit transfers. Income was, however, increased by a write-up on the long-term equity investment in the Czech mortgage bank. Distributions from funds were also higher.

Reinsurance/underwriting result

W&W's insurance business is significantly affected by the business ceded by Group subsidiary Württembergische Versicherung AG.

The underwriting result before the claims equalisation provision amounts to € 2.7 million, an increase of € 21.7 million over the prior-year value (loss of € 19.0 million). The insurance business was impacted in 2013 by major losses due to acts of nature, while the business ceded by Württembergische Versicherung AG showed very positive claims development overall in 2014.

Gross premiums written increased by 2.8% to € 308.8 million (previous year: € 300.4 million) in the year under review due to an increase in the premium income of Württembergische Versicherung AG and thus the volume of reinsurance business ceded. Net premiums earned increased by 3.5% to € 235.3 million (previous year: € 227.4 million).

Net claims expenses reached € 160.1 million (previous year: € 176.9 million). This reduced the net loss ratio to 68.0% (previous year: 77.8%). Expenses for insurance business for own account increased from € 69.9 million in the previous year to € 73.1 million mainly due to reinsurance commission for a proportional reinsurance contract within the Group. The net expense ratio increased to 31.1% (previous year: 30.8%). Due to the positive claims development, € 5.7 million had to be allocated to the claims equalisation provision as stipulated (previous year: withdrawal of € 6.2 million). Overall, the claims equalisation provision still stands at a comfortable € 51.3 million (previous year: € 45.6 million). This corresponds to 21.8% (previous year: 20.1%) of net premiums earned. After the allocation to the claims equalisation provision, the underwriting loss stood at € 3.1 million (previous year: € 12.8 million).

Lines

Gross premium/contribution income increased from € 113.5 million to € 117.9 million in the fire and other property insurance lines. After an allocation to the claims equalisation provision of € 6.4 million, the result was an underwriting loss of € 2.9 million (previous year: € 10.0 million).

Gross premium/contribution income increased to € 109.5 million (previous year: € 106.8 million) in the motor vehicle lines. After an allocation to the claims equalisation provision of € 1.1 million, the loss stood at € 7.0 million (previous year: € 11.8 million).

Gross premium/contribution income increased slightly to € 29.8 million (previous year: € 28.6 million) in the liability line. After a withdrawal from the claims equalisation provision of € 0.7 million, the result was a profit of € 1.6 million (previous year: € 6.1 million).

Gross premium/contribution income grew slightly to € 19.6 million (previous year: € 19.3 million) in the accident line. The profit after the claims equalisation provision was € 2.2 million, lower than in the year before (previous year: € 3.0 million).

Premiums/contributions in transport and aviation hull insurance increased marginally from € 3.1 million to € 3.2 million. The underwriting result after the claims equalisation provision showed a profit of € 1.2 million (previous year: € 0.4 million).

Gross premium/contribution income remained unchanged at € 22.2 million in the other insurance lines (mainly legal expenses insurance). The underwriting result after the claims equalisation provision showed a loss of € 0.6 million (previous year: € 1.7 million).

Gross premium/contribution income in life insurance decreased slightly to € 6.6 million (previous year: € 6.9 million). The result was positive and amounted to € 2.6 million (previous year: € 1.2 million).

Taxes

Taxes on income showed expenses of € 27.4 million (previous year: € 20.6 million) as at 31 December 2014. In the year under review, current tax expense was mainly impacted by lower tax-exempt income from long-term equity investments. In addition, the previous year's tax expense was reduced by income resulting from the tax administration's recognition of a positive ruling by the German Bundesfinanzhof (BFH).

NET ASSETS

Asset structure

W&W AG's total assets increased by € 62.5 million to € 3,293.7 million (previous year: € 3,231.2 million) in the financial year. Capital investments make up most of the assets. Receivables are another large item.

The liabilities side consists mainly of equity, technical provisions and other provisions.

Equity

W&W AG, as the holding company, manages the equity of the W&W Group. Subsidiaries' equity generally meets or exceeds regulatory requirements.

W&W AG's equity stood at € 1,896.5 million (previous year: € 1,858.8 million) as at 31 December 2014. The net income for the financial year of € 56.0 million increased equity. The dividend payout of over € 46.0 million, by contrast, decreased equity.

The conversion of dividend claims to shares increased the share capital by € 9.2 million and the capital reserve by € 18.5 million.

Capital investments

W&W AG pursues a conservative capital investment policy focused on high-quality borrowers. There were no bad-debt losses in the financial year.

The carrying amount of capital investments increased by € 106.9 million to € 3,095.3 million (previous year: € 2,988.4 million). This figure includes mainly shares in affiliated companies and long-term equity investments of € 1,615.7 million (previous year: € 1,612.3 million) and fixed-income securities of € 528.2 million (previous year: € 457.4 million).

Valuation reserves

Valuation reserves are formed if the current fair value of an asset is higher than the value at which it is carried in the balance sheet (carrying amount). W&W AG's valuation reserves for capital investments stood at € 1,202.0 million (previous year: € 1,108.2 million). This includes € 1,064.2 million (previous year: € 1,010.4 million) for shares in affiliated companies, € 57.0 million (previous year: € 50.8 million) for funds and € 48.7 million (previous year: € 26.2 million) for registered bonds/promissory note loans and participation certificates. As in previous years, W&W AG has elected not to use the option provided by German Commercial Code Section (HGB) 341b (2) to use the provisions for fixed assets when valuing securities classified as current assets.

Pension provisions

Pension provisions of € 690.1 million (previous year: € 641.9 million) represent a large proportion of the liabilities held by Wüstenrot & Württembergische AG. This item includes pension provisions for nine subsidiaries in addition to Wüstenrot & Württembergische AG's own pension provisions. Wüstenrot & Württembergische AG assumed joint liability for the pension commitments of these subsidiaries in exchange for a one-time compensation payment and made an internal agreement with the subsidiaries to meet these pension obligations.

FINANCIAL POSITION

W&W AG always had sufficient liquidity in the year under review. We generate liquidity from our reinsurance business and financing activities. The risk report contains more information on liquidity management.

OVERALL VIEW

W&W AG's net assets, financial position and financial performance are stable and orderly. We are pleased with our net income, considering the low interest rates, regulatory tightening and exceptional charges from restructuring activities.

COMPARISON OF BUSINESS DEVELOPMENT WITH OUTLOOK (GERMAN COMMERCIAL CODE)

Due to W&W AG's structure as a holding company, its result after taxes is determined primarily by dividends and profit transfers from subsidiaries. The reinsurance business is another source of income other than income from long-term equity investments.

General administrative expenses in 2014 were below the expectations from 2013. Thanks to the successful W&W 2015 optimisation programme, combined with rigorous cost management, we succeeded in lowering other material costs in the 2014 financial year.

The profit transfer from Württembergische Versicherung AG due to positive claims development and non-periodic tax effects had a positive impact as well. We exceeded the forecast net income for the financial year of € 46 million by roughly € 10 million.

Overall, the current development of the holding company's business is positive despite a persistently challenging market environment.

OPPORTUNITY AND RISK REPORT

Opportunity report

As a strategic management holding, the objective of W&W AG for the W&W Group is to identify, analyse and evaluate opportunities as early as possible and to initiate suitable measures for their realisation.

Opportunity management is part of our integrated entrepreneurial governance approach and is closely aligned with our business strategy, which focuses on customer-oriented operations and sustainable, effective growth. For this purpose, we evaluate market and environment scenarios and examine the internal orientation of our product portfolio, the cost drivers and other critical success factors. On this basis, market opportunities are derived, which the Executive Board coordinates with management and the executive level within the scope of business planning and the target agreements. At the same time, we endeavour to establish a balanced relationship between opportunities and risks in order to increase the added value for our stakeholders by pursuing market opportunities.

Opportunities are always examined in the context of risks. We have sound governance and control structures to evaluate and pursue opportunities on the basis of their potential, the required investment and the risk profile (see risk report chapter in this Management Report).

Unless indicated otherwise, all opportunities described concern all company segments to different extents. Where opportunities are likely to occur, we have included them in our business plans, our forecast for 2015 and the medium-term prospects that are shown in the course of this Management Report. Therefore the following section concentrates on future trends that could result in a deviation from our forecast and our medium-term prospects which is positive for the W&W Group.

OPPORTUNITIES FROM CHANGED CUSTOMER BEHAVIOUR AND CHANGED VALUES

The following needs and factors will have a significant influence on the financial service markets in the future:

- Security for financial investments along with a low willingness to get tied up on a longer-term basis
- Simplicity and transparency, comprehensibility, cooperation
- Consulting quality for demanding products and price advantages for simple products
- Service efficiency: availability, speed, reliability
- Changed self-image and behaviour of the young generation with great commitment, but also with the desire to "live in the here and now"
- Omni-channel use, digitalisation and the significance of social networks

This challenges us in many respects but also offers enormous business opportunities for the W&W Group through the growing need for financial security. More than ever, customers are looking for flexible, secure and efficient financial planning products that satisfy their need for more self-determination and stable personal financial planning. The W&W Group strategically adapts to the changed financial planning market with its sustainable, integrated advisory approach. Moreover, in view of the financial and government debt crisis, trust in advisors and in the company's performance has become much more important for customers. Especially in times of uncertainty, there is great demand for a stable financial provider with a high degree of credibility. Considering our more than 185 years of financial planning experience in the field of financial services, we are in a good position in this respect.

The W&W Group puts its customers at the centre of its activities and aligns its activities with changed customer needs. To ascertain customer needs and gain constant customer feedback, we engage in intensive market research. The Net Promoter Score (NPS) is used to gauge the willingness of customers to recommend us and their satisfaction with the products and service in connection with our strong brands Wüstenrot and Württembergische. At the same time, we receive feedback that enables us to adapt to market circumstances and compete successfully. The communication between customers, sales and companies is increasingly taking place on the basis of digital or at least Internet-based technology. In the age of the Internet and social media, speed is an indicator for customer satisfaction and is thus increasingly becoming a critical success factor. Customers want to be able to reach us through all communication channels regardless of office hours or distance and perform their business transactions autonomously on the Internet via self-service. For us, the new mobility and networking of customers through digital lifestyles opens up new possibilities for approaching and managing our customers and for the innovation processes that we need to roll out.

OPPORTUNITIES FROM DEMOGRAPHIC DEVELOPMENT

People are living longer and remaining active until an older age. In the long run, the government pension alone will not be sufficient to finance this self-determined, independent lifestyle. Independence, mobility and an active life until old age come at a cost. Without additional company and private pension schemes, it will not be possible to tackle the challenges of demographic change, as the targeted autonomy begins with financial independence.

For the W&W Group with its expertise in the field of retirement benefits, this setting offers substantial market potential for our services and our advisory approach. Through the continuous work on new products with alternative guarantees or additional flexibility, we are quick to adapt to changing customer needs.

OPPORTUNITIES THROUGH DIVERSIFICATION

Thanks to its diversification, our business model with its two pillars Home Loan and Savings Bank, and Insurance offers us the best chance of remaining successful on the market on a long-term basis. Many other financial institutions are currently being forced to change their individual business model fundamentally, often even to downsize it. By contrast, our offer as a financial planning specialist promises further brisk demand due to the demographic development and the limitations of the welfare state. Moreover, our group of companies focuses on Germany. Compared to most European neighbours, Germany has mastered the challenges of past years well, and the outlook remains positive. The economic performance that is above the European average, a low unemployment rate, growing income and a generally optimistic basic mood give us strong momentum in customer business.

All stakeholder groups benefit from the diversification effect. As far as pricing is concerned, we can offer customers lower risk premiums for the same level of security. For our shareholders, the diversification reduces the part of the equity that is tied up through the assumption of risk and stabilises the income and risk profile. A more resilient income and risk situation also makes the companies of the W&W Group more attractive for external creditors, strengthens the competitive position and, last but not least, protects the jobs of employees.

Diversification is of great significance to our business model with its broad product range that spans various business segments and regions, as it curbs the economic impact of a single event. For example, business segments are systemically much less dependent on the development of interest rates and need less capital. This particularly includes the Property/Casualty Insurance segment.

Apart from the risk and earnings diversification, further diversification effects can be used in various areas due to the structure of the W&W Group:

- Capital flexibility within the Group (Group support)
- Networked thinking across division boundaries (know-how transfer)
- Joint liquidity management (cash pooling)

Further information is available in the risk report of this Management Report.

OPPORTUNITIES FROM MARKETING

Through our efficient sales channels with their different strengths and thanks to our good brand awareness, we are able to address a large, broad customer potential of about 40 million people in Germany. The multi-channel sales give the group stability and a good market positioning. The great trust that the W&W Group enjoys among its customers is based on service quality, the competence and customer proximity of our in-house and mobile sales force employees, cooperative and partner sales as well as broker and direct activities.

By approaching customers via multiple sales channels, we can systematically position our financial planning products. Our strategic aim in product design is to consistently arrange for risk-adequate pricing and to intensify customer-based value creation in order to generate stable value contributions.

In particular, the consistent digitalisation of customer contact points offers opportunities for the optimisation of sales channels. The W&W Group has identified this potential and accommodates it by means of the strategy programme W&W@2020.

Furthermore, we believe that, through the combination of the two tradition-rich brands Wüstenrot and Württembergische, we have substantial customer potential within the W&W Group, which also represents an opportunity. This gives us good income opportunities through cross-selling due to the development and use of new products for all customer segments.

Opportunities from capital management

The tense economic development, the politically induced low-interest policy in Europe and the higher strain from regulatory requirements continue to pose challenges to financial service providers, but they also offer opportunities for our products and on the capital markets. As a traditionally large capital investor, we have long-standing capital market expertise and a comprehensive risk management system. Our capital investment is based on a strategic asset allocation that we align with opportunities and risks in the course of a consistent value- and risk-oriented investment strategy, while maintaining the flexibility needed for making use of opportunities at short notice.

Opportunities from optimising cost management

To secure our sustainability by effectively strengthening our earning power and reducing cost disadvantages compared to competitors, we continue to pursue our optimisation programme W&W 2015, which we have implemented systematically so far, and test our business and operating models with respect to the "new reality". Among other things, we endeavour to adapt cost structures to the current circumstances. The primary objective is not to achieve additional short-term savings but to change the cost structure and make it flexible, especially in view of how difficult it is to plan business.

Opportunities from our employees

As a sound and attractive employer, the W&W Group has the opportunity to gain highly qualified employees and executives. The W&W Group is the largest independent employer among the financial service providers in Baden-Württemberg, guaranteeing security even in times of economic turbulence thanks to its high stability. Moreover, in a changed employment world, motivating working environments are attractive to specialists who are increasingly difficult to find. As a financial conglomerate, W&W offers versatile, challenging working conditions. We secure and retain the best brains and most talented people through flexible working time models, the compatibility of work and private life, diverse development opportunities and adaptable career paths. Our business strategy explicitly provides for the promotion of female junior executives. Further information on how we promote the dedication of our employees is available in the employees chapter.

Risk report

RISK MANAGEMENT SYSTEM IN THE W&W GROUP

- The W&W Group is soundly capitalised both according to internal risk-bearing capacity calculations and regulatory standards.
- The liquidity needs of the W&W Group are secured.
- Risk management is firmly rooted in the corporate governance of the W&W Group.
- Risk management contributes to value creation and the protection of financial strength.
- Risk and earnings diversification are strategic success factors for the W&W Group.

According to the provisions of the German Banking Act (KWG), the German Insurance Supervision Act (VAG) and the German Supervision of Financial Conglomerates Act (FKAG), the Wüstenrot & Württembergische Group (W&W Group) represents a financial conglomerate. This results in special requirements for risk management and controlling. Wüstenrot & Württembergische AG (W&W AG) is the umbrella company of the financial conglomerate and of the mixed financial holding group. In this capacity, W&W AG is responsible for defining and further developing risk management standards within the financial conglomerate and the mixed financial holding group and checking compliance with these standards.

The principles and configuration elements of the risk management approach in the W&W Group and the general handling of material risks within our Group are described below. Further analyses and presentations of the risk situation of the W&W Group that arise from international accounting standards are provided in the notes on the risks from financial instruments and insurance contracts in the notes to the consolidated financial statements.

Risk factors can develop more positively than expected. Thus losses/risks may be lower than calculated or predicted. Such positive developments also represent prospective opportunities for the W&W Group. Further opportunities for the W&W Group are explained in the opportunity report.

The systematic and controlled assumption of risk for the purpose of achieving the return targets set is an integral part of corporate governance.
The W&W Group makes use of a comprehensive risk management and controlling system that consistently combines the systems and methods of the individual companies, which are tuned to the particular business requirements.

The risk management and controlling system comprises all internal and external regulations that ensure the structured handling of risks in the W&W Group.

Risk controlling is part of risk management and records, communicates, analyses and evaluates risks. It also monitors risk governance measures.

The principles of the risk management system as well as the organisation of our risk management as presented in the 2013 Annual Report were also applied in 2014 and will generally continue to be applied.

Further developments in 2014 are presented in the section "Further developments and outlook".

Tasks and goals

The tasks and goals of risk management are aligned with the following core functions:

- **Legal**: To ensure compliance with relevant risk-related internal and external requirements.
- **Protection of the going concern**: Avoidance of risks that endanger the going concern, protecting the company as a whole and preserving the capital base as a key precondition for the going concern.
- **Quality assurance**: Establishment of a joint risk understanding, pronounced risk awareness, a risk culture and transparent risk communication in the W&W Group.
- **Value creation**: Governance and action impulses in the case of deviations from the risk profile, impetus for risk hedging and conservation of value, promotion and assurance of sustainable value creation for shareholders, perception of opportunities.

Another duty of risk management is to protect the reputation of the W&W Group as a financial planning specialist. The reputation of the W&W Group as a stable, reliable and trustworthy partner of our customers represents a key factor for our sustainable success.

Risk management framework

The integrated risk strategy of the W&W Group determines minimum requirements for the orientation of the risk policy and the risk policy framework of the W&W Group.

RISK MANAGAMENT FRAMEWORK

Overview

It is derived from the business strategy and describes the type and scope of the material risks in our Group. Our risk strategy defines goals, risk tolerance, limits, measures and instruments to handle assumed or future risks. The risk strategy of the W&W Group is adopted by the Executive Board of W&W AG and is discussed in the Supervisory Board at least once a year. As a matter of principle, efforts are made to balance business opportunities with the associated risks, the top priority always being the ongoing protection of the Group and its companies as a going concern. The objective is to avoid taking risks that endanger existence or that are incalculable. As a matter of principle, the individual companies of the financial conglomerate are integrated in the Group-wide risk management system according to the statutory and regulatory provisions and in the risk consolidation scope. However, the scope and intensity of the risk management activities vary depending on the risk content of the business engaged in (principle of proportionality).

The following companies form the core of the risk consolidation scope and are directly included in the risk management system at Group level:

- Wüstenrot & Württembergische AG
- Wüstenrot Bausparkasse AG
- Wüstenrot Bank AG Pfandbriefbank
- Württembergische Lebensversicherung AG
- Württembergische Versicherung AG
- W&W Asset Management GmbH
- Allgemeine Rentenanstalt Pensionskasse AG
- W&W Informatik GmbH
- Karlsruher Lebensversicherung AG
- Wüstenrot stavební spořitelna a.s.
- Wüstenrot hypoteční banka a.s.
- Wüstenrot životní pojišťovna a.s.
- Wüstenrot pojišťovna a.s.
- Wüstenrot Haus- und Städtebau GmbH
- Württembergische Krankenversicherung AG
- W&W Service GmbH

The consideration of other companies not belonging to the core of the presented risk consolidation scope in the risk management system of the W&W Group is ensured directly by the risk controlling of the respective parent company.

The inclusion of the contribution to the overall risk of the W&W Group is performed with the help of a risk classification procedure (risk classes 1-5) according to the principle of materiality of the minimum requirements for risk management.

In our Group Risk Policy, we define differentiated requirement profiles in order to map both the specific risk management requirements in the individual companies as well as the conditions for the integrated Group risk governance.

Risk governance/risk bodies

Our risk governance is capable of managing our risks throughout the Group and at individual company level. At the same time, it ensures that our overall risk profile corresponds to the objectives of the risk strategy.

The duties and responsibilities of all persons and committees involved in risk management issues are clearly defined. The Executive Board of W&W AG is the supreme decision-making body of the W&W Group with respect to risk issues. Within the scope of the Group Board, the Executive Boards of the represented companies determine the business and risk strategy goals and the main framework conditions in risk management.

Once a year, the audit committee of W&W AG and the audit committees of the large individual companies check whether the risk management organisation in the respective areas of responsibility is adequate.

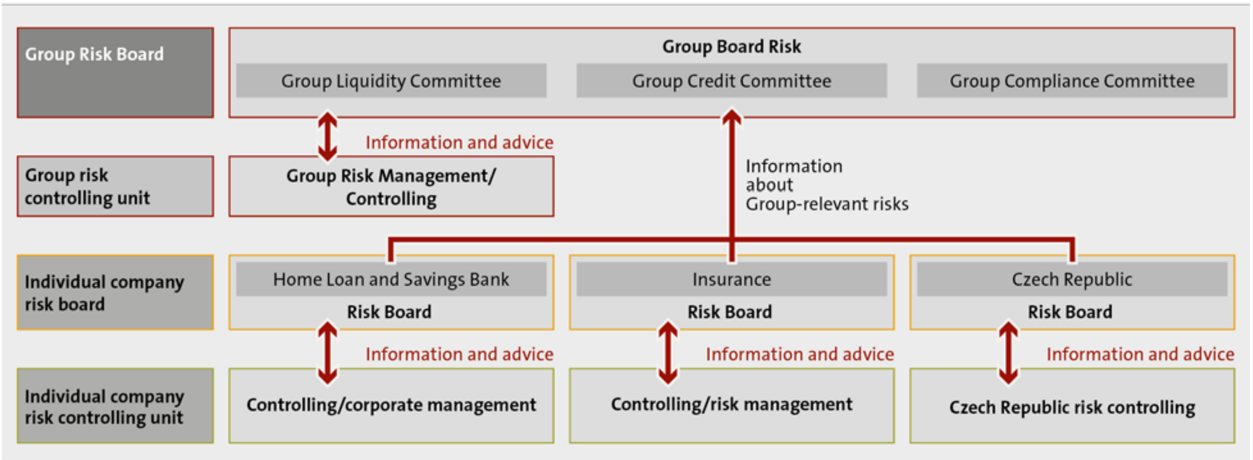
Under the standing agenda item "risk management", the Supervisory Board regularly examines the current risk situation.

As the central body for the coordination of risk management, the Group Board Risk supports the Executive Board of W&W AG and the Group Board in risk issues. Permanent members of the Group Board Risk include the Chief Risk Officer (CRO), who belongs to the Executive Board of W&W AG, the CROs of the Home Loan and Savings Bank, and Insurance segments as well as the management of the Group Risk Management/Controlling department. The body meets once a month; special ad hoc meetings are convened whenever necessary. The Group Board Risk monitors the risk profile of the W&W Group, its appropriate capitalisation and its liquidity. Moreover, it deliberates on Group-wide risk organisation standards and on the deployment of Group-wide risk management methods and instruments and proposes these to the members of the Executive Boards of the Group for approval.

The following illustration demonstrates how the responsible bodies collaborate in risk-related decisions:

RISK BOARD STRUCTURE

Overview



Group Risk Management/Controlling guides and supports the Group Board Risk in defining Group-wide risk management standards. It develops cross-company methods and processes for risk identification, evaluation, governance, monitoring and reporting. Moreover, the department creates qualitative and quantitative risk analyses. The Group Risk Management/Controlling department, which is based in W&W AG, is responsible both for the entire W&W Group and for W&W AG as an individual operating company.

A Group Liquidity Committee has been established for Group-wide liquidity governance. This committee consists of representatives of the individual companies. It is responsible for the general liquidity governance of the Group and elaborates recommendations for the meetings of the Executive Board bodies and for the Group Board Risk.

Another central body, the Group Compliance Committee, serves as a link between the legal department, compliance, audits and risk management. The compliance officer regularly reports directly to the Executive Board of W&W AG and to the Group Board Risk about compliance risks. Like W&W AG, the individual companies that are significant with respect to risk aspects (according to the risk classification system of the Group Risk Policy) have established risk bodies and risk controlling units that are staffed with representatives of various departments as organisational structures for the due monitoring and management of risks. The divisions regularly convene Risk Boards in order to assess the respective risk situation.

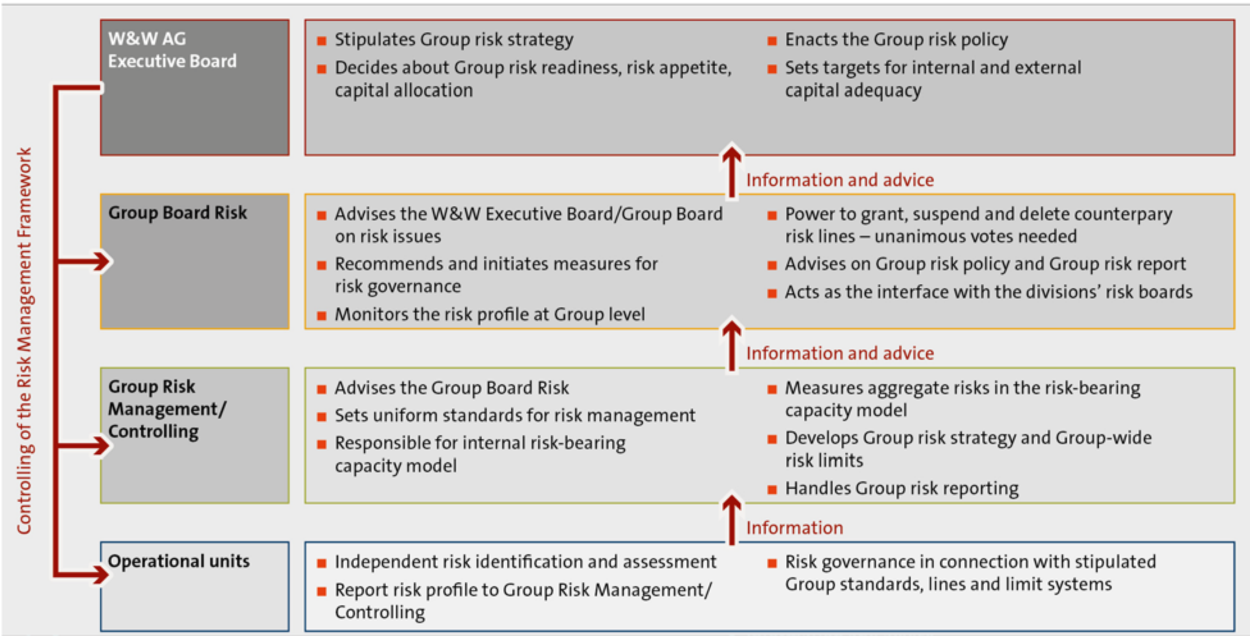
The Risk Board Insurance manages and monitors risks in the Insurance division. The Risk Board Home Loan and Savings Bank takes care of this duty in the Home Loan and Savings Bank division. The participation of the responsible members of the Executive Boards and affected departments guarantees the integration of circumstances pertaining to individual companies as well as the speedy exchange of information and quick action. We integrate risk-relevant aspects of our foreign subsidiaries via a direct reporting line of the Risk Board Czech Republic to the Group Board Risk.

The Group Credit Committee has been implemented for efficient Group-wide credit governance. It elaborates proposals for loan decisions in the institutional area and submits them to the Group Board Risk for adoption.

The following illustration demonstrates the responsibilities of the bodies and their collaboration in risk-related decisions:

RISK GOVERNING BODIES

Overview



The operational business units responsible for decentralised risk governance make informed decisions as to whether to take or avoid risks. In this context, they observe centrally determined standards, risk limits and investment lines as well as the adopted risk strategies.

Defined reporting forms and routes ensure regular and timely communication between the risk bodies, their risk controlling units and the management at Group, division and company level.

We implement the principle of functional separation through strict separation of risk-taking units (e.g. capital investments, active reinsurance) and risk-monitoring units (controlling, accounting, risk controlling).

Limitations of the risk management system

Good and effective risk management improves the implementation of business and risk strategy goals. However, it cannot ensure full security, as the effectiveness of risk management is limited:

Forecast risk. To a significant extent, risk management is based on forecasts of future developments. Though the forecasts used regularly take the latest insights into consideration, there is no guarantee that such future developments – especially extreme events – will always occur as predicted by risk management.

Modelling risk. Risk measurement and governance mostly make use of common models. These models use assumptions in order to reduce the complexity of reality. They merely map the circumstances considered to be material. Thus there is a risk of selecting unsuitable assumptions and a mapping risk if relevant circumstances are reflected insufficiently in the models. The W&W Group minimises model risks by means of careful model governance. By means of a Model Change Policy, model development is submitted to standardised, transparent documentation. The policy regulates processes in the event of changes in the internal risk-bearing capacity model at the level of the W&W Group, including the procedures, models and data provided for its calibration in the individual companies. The assumption of material model changes in the internal risk-bearing capacity model is subject to the approval of the Group Board Risk. Validation and back-testing procedures are used to limit model risks. The measures mitigate the modelling risk in risk measurement and governance. However, they cannot fully compensate for it.

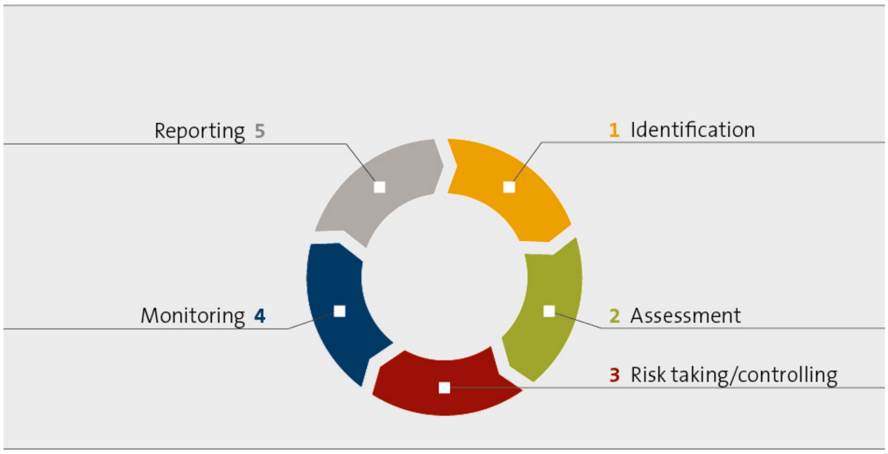
Human risk factor. Moreover, as the intrinsic human judgment in corporate decision-making processes may be faulty despite the implemented control measures (internal control system, double-verification principle), the unpredictability of human action represents a risk. Moreover, there is a risk in connection with the uncertainty of the correctness of decisions made (human behaviour risk).
Though our risk management system is basically suitable, it is therefore possible that risks may not be duly identified or reacted to under certain circumstances.

Risk management process

The risk management process in our Group is based on the risk strategy and comprises risk identification, risk assessment, risk taking and risk governance, risk monitoring and risk reporting in a closed control loop.

Risk management loop

Process steps



Risk identification

Within the scope of the risk inventory, our individual companies regularly record, update and document assumed or potential risks. An implemented relevance filter classifies risks as material and immaterial risks. In the assessment, we also evaluate the extent to which individual risks can take on a material character through interaction or accumulation (risk concentrations).

Risk assessment

Depending on the type of risk, we employ various risk measurement procedures for their quantitative evaluation. If possible, risk measurement takes place with the help of stochastic processes and using the value at risk (VaR). Currently, we determine market price and counterparty risks (except for bad debt risks from reinsurance) as well as underwriting risks in property insurance with this approach. For the other risk areas, we use analytical computing or regulatory standard procedures as well as expert opinions. For example, the risks identified within the scope of the risk inventory are evaluated on the basis of the probability of occurrence and loss potential. Sensitivity and scenario analyses are regularly conducted within the scope of stress scenarios for specific risk areas and across risk areas. Key indicator analyses supplement the risk assessment toolkit.

RISK TAKING AND RISK GOVERNANCE

We define risk governance as the operational implementation of risk strategies. The risk-taking decision is made on a decentralised basis as well as via W&W AG within the scope of the action fields defined in the business strategy. Based on the risk strategy, the individual departments in our individual operating companies manage their risk positions. Thresholds, signal systems and limit and line systems are used to support risk governance.

Apart from IFRS earnings, risk parameters such as regulatory and economic risk-bearing capacity as well as division-specific indicators are used as key management parameters. To combine earnings and risk governance for the purpose of value-oriented governance and to substantiate our decisions, we conduct supplementary analyses with an RORAC approach.

RISK MONITORING

We constantly monitor compliance with the framework requirements for the risk strategy and risk organisation and the appropriateness of the quality and grade of risk governance. Action recommendations are derived from these control activities for quantifiable and non-quantifiable risks, enabling us to take corrective action at an early stage and thus achieve the goals formulated in the business and risk strategy. Our internal risk-bearing capacity model represents an important basis for the Group-wide monitoring of our overall risk profile and economic capitalisation. The ability of the W&W Group and its main individual companies to support assumed risks with sufficient capital is continually tracked by risk management. Additionally, we monitor risk-bearing capacity with the help of regulatory procedures (e.g. Basel II, Solvency I). Within the scope of the preparations for Solvency II and CRD IV/CRR, we track the development of future regulatory models in the fields of insurance and banking.

RISK REPORTING

All material risks of our Group are promptly and regularly communicated to the Executive Board, to the Group Board and to the Supervisory Board of W&W AG. The Group-wide risk reporting system is supplemented with an ad hoc risk communication procedure. In this way, the Executive Board of W&W AG and the Group Board learn of new threats or extraordinary changes in the risk situation that exceed our defined internal thresholds promptly. The operability, appropriateness and effectiveness of our risk management system are checked by means of internal audits. In connection with the audit of the annual financial statements, an audit firm audits the establishment of a risk early-warning system.

Capital management in the W&W Group

Risk capital is kept in the individual companies and in W&W AG. It serves the coverage of losses if assumed risks become effective. Risk management manages and monitors the relationship between risk capital and risk capital requirements that results from the danger of losses in connection with assumed risks (capital adequacy, risk-bearing capacity). Governance takes place in parallel from two perspectives:

With respect to regulatory capital adequacy, the relationship of regulatory capital to the regulatory solvency requirements is examined. For this, the provisions of the German Banking Act (KWG), the German Insurance Supervision Act (VAG), the German Financial Conglomerates Solvency Regulation (FkSolV) and the German Solvency Regulation (SolvV) are applied.

Within the scope of economic capital adequacy, the economic risk capital requirements are determined on the basis of an internal risk-bearing capacity model and compared with the available economic capital.

OBJECTIVES

The primary objective of our capital management is to fulfil the regulatory minimum capital requirements.
Moreover, our capital management aims at

- ensuring adequate risk-bearing capacity on the basis of the internal risk-bearing capacity model,
- optimising capital allocation within the Group,
- enabling an adequate return on the capital employed and
- ensuring capital flexibility.

REGULATORY CAPITAL REQUIREMENTS

The regulatory provisions give rise to requirements for regulatory capitalisation.

The following table shows the equity and solvency indicators of the material companies:

	Available own funds according to VAG/CRR		Solvency requirements according to VAG/CRR		Ratio in %	
€ mn	2014	2013	2014	2013	2014	2013
Wüstenrot & Württembergische AG[1]	1,849.7	1,812.8	40.2	40.2	4,598.9	4,507.3
Wüstenrot Bausparkasse AG[2]	798.0	831.0	5,975.9	7,411.5	13.4	11.2
Wüstenrot Bank AG Pfandbriefbank[2]	493.9	560.0	3,785.1	4,811.8	13.0	11.6
Württembergische Versicherung AG[1]	325.7	325.7	208.0	208.0	156.6	156.6
Württembergische Lebensversicherung AG[1]	1,744.6	1,576.3	1,124.4	1,104.5	155.2	142.7
Württembergische Krankenversicherung AG[1]	25.7	22.7	13.4	12.6	191.5	180.6

1 Minimum requirement of 100%.
2 Minimum requirement of 8%.

In the 2014 year under review, as in the prior year, all companies of the W&W Group that are subject to supervision fulfilled the regulatory minimum capital requirements.

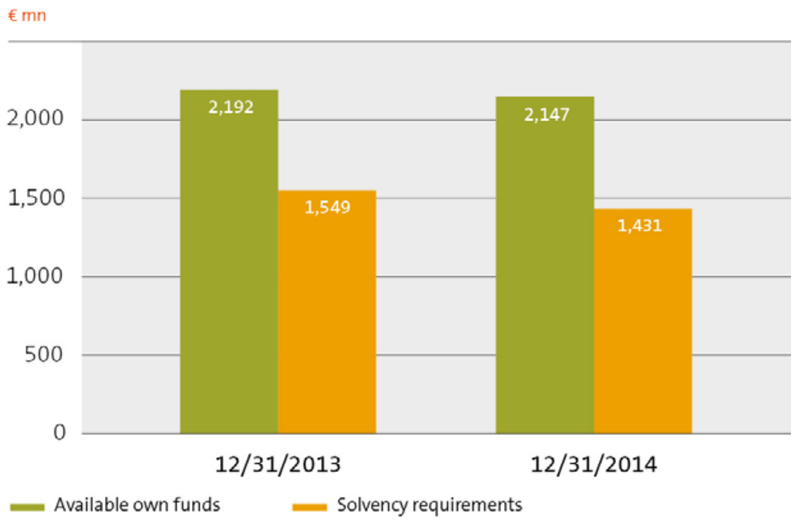
Apart from the supervision at an individual company level, the insurance companies of the W&W Group are subject to additional supervision, as they jointly form an insurance group. In the 2014 year under review, as in the prior year, the insurance group fulfilled the regulatory minimum capital requirements. For the insurance group with all material investments, the preliminary capital-solvency margin relation as at the reporting date amounted to 235.2% (prior year: 234.3%). Pursuant to Section 10a (12) of the German Banking Act (KWG) Wüstenrot & Württembergische AG (W&W AG), as the umbrella company, is also responsible for ensuring that the mixed financial holding group has sufficient funds of its own. As at 31 December 2014, the total capital ratio of the mixed financial holding group amounted to 16.5% (prior year: 13.7%), thereby fulfilling the minimum capital ratio of 8.0% that is required under regulatory law.

W&W AG makes sure that the regulatory requirements for financial conglomerates under the German Supervision of Financial Conglomerates Act (FKAG) and the German Financial Conglomerates Solvency Regulation (FkSolV) are fulfilled.

Every year, W&W AG is required to furnish evidence of its compliance with regulatory minimum requirements by submitting a report to the German Federal Financial Supervisory Authority (BaFin) and Deutsche Bundesbank by 30 September of the following year for the financial year ended. In the financial year 2014, the financial conglomerate the W&W Group fulfilled the regulatory minimum capital requirements.

As at 31 December 2014, the available own funds of the financial conglomerate amounted to € 2,127 million (31 December 2013: € 2,192 million). As of the closing date on 31 December 2014, the financial conglomerate achieved a preliminary capital-solvency margin relation of 148.6% (31 December 2013: 141.1%).

REGULATORY SOLVENCY



Internally, the W&W Group has set target solvency ratios for the large subsidiaries and at the level of the groups and financial conglomerate that are significantly above the current statutory requirements in order to ensure the continued high stability of the Group and of the individual companies. Internal calculations on the basis of the preliminary data for 2014 and on the basis of the extrapolation and planning for 2015 and 2016 show that the regulatory minimum requirements for own funds can be fulfilled in the financial conglomerate, in the mixed financial holding group and in the insurance group.

Our goal is to anticipate the potential capital requirements for the W&W Group. The entry into force of the new statutory regulations according to CRD IV/CRR from 2014 for credit institutions and of Solvency II from 2016 for insurance companies is associated with increasingly strict capitalisation requirements that need to be fulfilled. In preparation for this, the W&W Group is already taking future requirements into consideration. For the domestic credit institutions as well as for the mixed financial holding group, the internal target for 2015 for the total capital ratio has been set at 11.5%. The target for the core capital ratio for 2015 is 10.5% for the domestic credit institutions and for the mixed financial holding group.

For the insurance companies, the regulatory minimum ratios amount to 100%. The planned internal target ratios amount to 150%. Due to some open issues in the computing logic and technical details of the standard model, no target ratio according to Solvency II has been determined so far. For the financial conglomerate, the target ratio is 140 to 150%.

ECONOMIC CAPITAL ADEQUACY

We have developed a Group-wide present-value-oriented risk-bearing capacity model for the quantitative evaluation of the overall risk profile of the W&W Group. The available risk capital is allocated on the basis of the calculations of the internal risk-bearing capacity model, and suitable limits are derived.

The limit process in the W&W Group is based on an interactive bottom-up and top-down process. In consultation with the individual companies, W&W AG determines the maximum risk capital requirements at the individual company level and at the risk area level. Following the approval of the limits at the Executive Board level, their operational implementation takes place in the risk management cycle. For risk limit utilisation, a target corridor of 50 to 90% is usually aimed at. The assessed risk capital requirements are compared with the derived limits in order to ensure that the risk taken does not exceed the designated capital components. Responsibility for the implementation and limit monitoring lies with the individual decentralised risk controlling units and the Group Risk Management/Controlling department for the Group as a whole.

The risk situation is presented on the basis of the data used by the company management for internal risk governance and risk reporting. The material risks, which are determined by means of a standardised approach, are aggregated to form risk capital requirements and compared with the financial funds available for risk coverage. As at the reporting date on 31 December 2014, the total risk capital requirements of the W&W Group after diversification amounted to € 2,625.8 million (prior year: € 2,581.2 million).

For risk consolidation in connection with the measurement of risk-bearing capacity, W&W AG, Wüstenrot Bausparkasse AG, Wüstenrot Bank AG Pfandbriefbank, Württembergische Lebensversicherung AG, Württembergische Versicherung AG, Württembergische Krankenversicherung AG as well as the Czech companies Wüstenrot stavební spořitelna a.s. and Wüstenrot hypoteční banka a.s. are first modelled separately and subsequently aggregated for the Group view. Risks of the other individual companies that are not modelled separately as well as strategic risks are measured with a blanket approach.

Value at risk. The risk measurement takes place according to the value-at-risk approach. The risk is measured as the negative deviation of the loss potential from the statistically expected value for a given security level. The value at risk (VaR) thus indicates what value the unexpected loss of a particular risk position (e.g. of a securities portfolio) will not exceed with a given probability and over a given risk horizon. Based on Solvency II, the Group uses a confidence level of 99.5% for the VaR measurement. The risk horizon is the period during which possible events and their impact on the company's risk-bearing capacity are examined. The risk-bearing capacity of the W&W Group is determined largely stochastically for a risk horizon of one year. The only exception is the market price risk of Wüstenrot Bank AG Pfandbriefbank, whose risk horizon is 10 days, the common value for trading books. Nevertheless, the Group consolidation of Wüstenrot Bank AG Pfandbriefbank takes place on the basis of a one-year risk horizon.

Within the scope of its risk strategy, the W&W Group aims at an economic risk-bearing capacity ratio of over 125%. Our calculations on the basis of the internal risk-bearing capacity model at Group level furnish evidence of risk-bearing capacity above this target ratio as at the closing date on 31 December 2014.

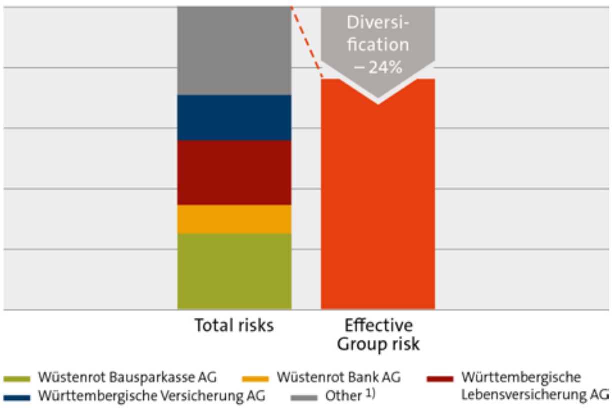
Diversification

The assumption and governance of risks comprise the core of the business model of the W&W Group. As a financial planning specialist, we offer solutions for our customers' individual needs throughout all stages in life in the areas of retail banking with a focus on banking products and mortgage lending, life and health insurance as well as property and casualty insurance.

The risk profiles of Home Loan and Savings, Bank, Property/Casualty Insurance, and Life and Health Insurance differ considerably. As the assumed risks in these companies usually do not occur at the same time, the risk capital requirements of the Group are smaller than the sum of the risk capital requirements of the individual companies. For example, a drop in interest rates, which may constitute a risk for Home Loan and Savings or Life Insurance, is largely independent of the occurrence of a natural disaster, which mainly affects the Property/Casualty Insurance segment. This risk diversification effect depends on the correlation of the risks among each other on the one hand and on their size in the individual companies on the other hand. The alleviation of the economic risk capital requirements at Group level was as follows as at 31 December 2014:

DIVERSIFICATION

schematic



1) W&W AG, Württembergische Krankenversicherung AG, Consolidation

Though the included diversification of the risk, which is measured on a forward-looking basis over a horizon of one year, fluctuates over time, it can be reconstructed on the basis of the past results of the various business segments. The positive diversification effect has been substantiated empirically with the help of an analysis of the quarterly earnings of the past years (2005 to 2014) by examining the correlation between the presented segments.

The overview presents the mutual correlations of the quarterly segment earnings before taxes according to IFRS in % in the period from 2005 to 2014.

Diversification effects

in %	Home Loan and Savings	Bank	Life and Health Insurance	Property/Casualty Insurance
Divisions				
Home Loan and Savings	100	–64	–7	8
Bank	–67	100	4	–1
Life and Health Insurance	–7	4	100	11
Property/Casualty Insurance	8	–1	11	100
Interpretation	Scale in %			
No diversification (divisions follow same direction)	100			
Good diversification (divisions without mutual correlation)	—			
Excellent diversification (divisions move in opposite directions)	–100			

The low and, in some cases, even negative correlations of the quarterly earnings in the divisions document a high earnings diversification and reflect the strong risk diversification. Thus the diversification effects determined with the help of a model have been validated with real values in a historical and empirical analysis.

All material stakeholder groups benefit from this pronounced diversification effect in the W&W Group. A stable income and risk situation makes the companies of the W&W Group more attractive for our customers and external creditors, strengthens our competitive position and, last but not least, protects the jobs of employees.

Diversification is very important for our business model, which features a broad product portfolio over various divisions. Diversification between regions and business segments helps us to handle our risks efficiently, as it limits the economic impact of a single event. As a whole, it also contributes to a relatively stable income and risk profile. The extent to which the diversification effect can be realised depends on the correlation between the risks as well as on the relative concentration within a risk area. We regard diversification as one of the strategic success factors of the W&W Group. Apart from the risk and earnings diversification, further diversification effects can be used in different areas due to the structure of the W&W Group:

- Capital fungibility within the Group (Group Support)
- Networked thinking across division boundaries (know-how transfer)
- Joint liquidity management (cash pooling)

RISK PROFILE AND MATERIAL RISKS

To present our risks transparently, we aggregate similar risks to form so-called risk areas that are standardised throughout the Group. For the W&W Group, we have identified the following standard risk areas as material (see also illustration below):

- Market price risks
- Counterparty risks
- Underwriting risks
- Operational risks
- Strategic risks
- Liquidity risks
- Pool risks

The following table illustrates the risk exposure in the individual segments of the W&W Group:

RISK LANDSCAPE OF THE W&W GROUP

Overview of risk areas

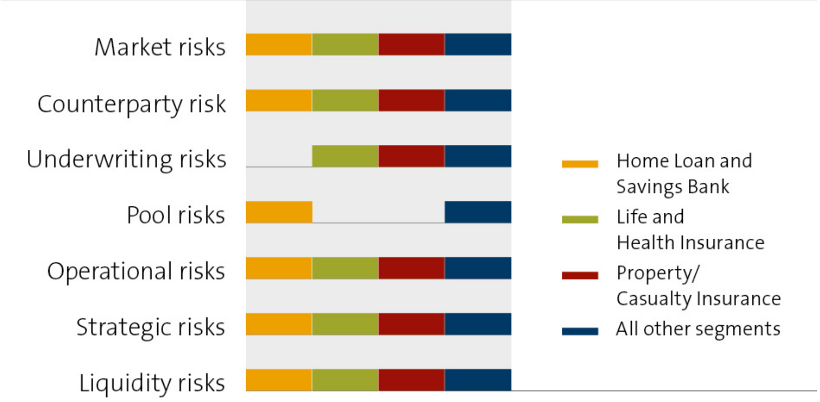
We separately draw attention to any segment-specific risks and risk management methods within the risk areas, where these are viewed as material. In the seamless risk management process, we examine material risks (proportionality principle). Generally, all risk areas that could have a sustainable negative impact on the economic, financial or income performance of the W&W Group or of the W&W company are regarded as material. Thresholds are defined in order to operationalise the concept of materiality. For content-related reasons, it might be appropriate to determine such thresholds at various points of the risk management process (e.g. risk inventory, implementation of limits and lines, ad hoc risk reporting, inclusion limits for internal management reporting).

The risks presented below are explained according to the methodology of our internal risk reporting regulations.

As at 31 December 2014, the risk profile of the quantified risk areas, which was determined according to our methods for internal risk-bearing capacity measurement (see section "Economic capital adequacy"), was distributed as follows:

RISK AREAS

by segment



Due to the exposures in our capital investment portfolios and our customer credit activities, counterparty risks represent the predominant risk area, accounting for 44.3% (prior year: 46.7%).

The market price risks are marked by interest rate change risks. They claim 34.8% (prior year: 33.9%) of the internal risk capital. Underwriting risks account for 14.9% (prior year: 13.1%), operational risks 2.8% (prior year: 4.4%) and pool risks 3.2% (prior year: 1.9%).

We take strategic and liquidity risks, i.e. risk areas that cannot be quantified via the internal risk-bearing capacity model, into consideration in our risk-bearing capacity calculation by applying a blanket discount when determining the aggregate risk cover.

The material individual risk areas and – where relevant for the overall assessment – individual risk types are described in the following sections.

Market price risks

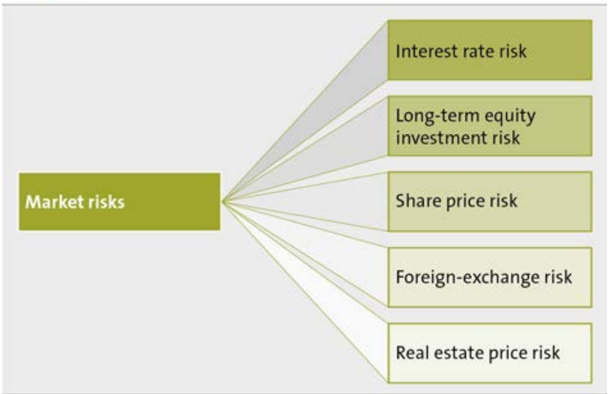
- Intensified risk-minimising measures to manage the interest rate change and interest guarantee risks of the W&W Group due to continually low interest rates
- Retention of the high guarantee level of the share portfolios in 2014

RISK DEFINITION

We define market price risks as potential losses resulting from the uncertainty concerning the future development of interest rates, share prices, currency exchange rates or property prices.

MARKET RISKS

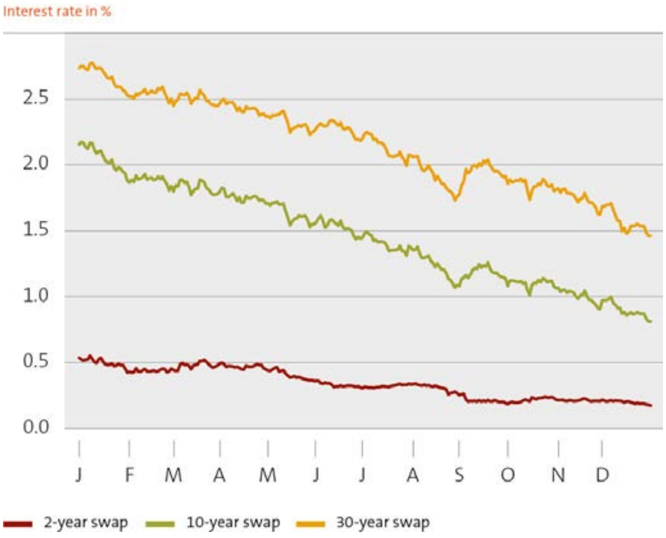
Systemisation



MARKET ENVIRONMENT

Interest rate development. On the annuity markets, the trend of declining yields continued in 2014. For example, the yield on ten-year Bunds dropped to a historic low of 0.54% (previous year: 1.93%) at the end of the year, which represents a significant decline of nearly 1.4 percentage points. Yields on short-term Bunds were even negative at the end of 2014. Compared to the end of 2013, the 30-year swap rate dropped by 1.3% to a level of 1.5% (see chart). The main reasons for this interest decline were the occasional weak economic data from Germany and the Economic and Monetary Union (ECU), which raised concerns about economic growth. In addition, inflation in the EMU dropped to a historically very low level due to declining wages in the peripheral states of the EMU and the oil price collapse in the fourth quarter. Due to these influences, the yield of bonds with short terms to maturity also declined. By the end of 2014, the yield of the two-year swap rate declined by 0.4% to 0.2%.

INTEREST RATE TRENDS IN 2014



Share performance. After the significant price gains of the last two years, the stock markets merely saw moderate increases in the financial year ended. At the end of the year, the DAX German stock market index only increased by 2.7% compared to the prior-year period. Similarly, the EURO STOXX 50, the index of European enterprises, grew by only 1.2%. Though the expansive monetary policy of the leading central banks supplied the markets with additional liquidity and thus increased the investment needs of investors, the European stock markets as a whole were encumbered by the weak growth dynamics.

RISK SITUATION

Interest rate risks. In the W&W Group, Wüstenrot Bausparkasse AG and Württembergische Lebensversicherung AG in particular are exposed to interest rate change and interest guarantee risks. To a lesser extent, W&W AG, Württembergische Versicherung AG and Wüstenrot Bank AG Pfandbriefbank are also exposed to interest rate change risks.

Continually low interest rates are associated with earnings risks, as new investments and reinvestments are only possible at lower interest rates, while previously assured interest rates and interest obligations (interest guarantee risk) still need to be fulfilled for customers. When interest rates drop, long-term obligations react with more severe value changes than interest-sensitive capital investments. The result: lower economic own funds.

This development represents fundamental challenges not only for our risk management but also for our asset liability management (ALM).

Declining income components and higher risk capital requirements must be managed in close interaction.

The extremely low interest rates increase the requirements for our risk-minimising measures.

In the Life and Health Insurance segment (mainly Württembergische Lebensversicherung AG), we implemented the following measures:

- Measures to extend durations
- Reserves: additional interest reserve and reinforcement for old annuity portfolio
- Adjustment of the bonus
- Product development: transformation strategy (products with alternative guarantee forms)

Through the amendment to Section 5 of the German Policy Benefit Provision Regulation (DeckRV), the legislator has expanded the framework, which is also recognised under tax law, for reinforcing the provision for future policy benefits in the form of an additional interest reserve. This regulation was applied for the first time in the financial year 2011.

The amount of the additional interest reserve is determined under consideration of the reference interest rate, which is calculated as the average of the Euro interest swap rates over 10 years. In 2014, the reference interest rate dropped to 3.15% (prior year: 3.41%).

Based on the regulations of the additional interest reserve, an interest reinforcement established in the business plan was provided in the old portfolio. The amount of the interest reinforcement is governed by the measurement interest rate, which amounts to 2.95% (prior year: 3.22%) for Württembergische Lebensversicherung AG. For 2015, we expect a further decline in the interest rates relevant to the measurement and thus a further increase in the additional interest reserve and interest reinforcement.

Moreover, we had already increased the security level of the computation basis "interest rate" in the old portfolio by means of advance reserve reinforcements in 2010, 2011 and 2013. The interest reinforcement in the old portfolio with a measurement interest rate below the reference interest rate for the new portfolio also represents an advance reserve reinforcement. Though these measures contribute to the protection of the long-term risk-bearing capacity, they have a negative impact on the regulatory solvency ratio. A breakdown of the provision for future policy benefits by actuarial interest rate is provided in the notes to the consolidated balance sheet.

To limit the interest rate risks, Württembergische Lebensversicherung AG makes use of suitable hedging instruments (e.g. interest rate swaps, swaptions and futures).

In the Home Loan and Savings Bank segment, we implemented the following measures:

To manage market price risks at the level of the overall interest rate book, Wüstenrot Bausparkasse AG employs derivative financial instruments in the form of swaps, swaptions and forward purchases. Through the use of derivatives and securities, the risks from the home loan and savings pool that result from extreme interest rate changes are reduced on the basis of analyses of the capital-market-based risk transformation model.

To manage market price risks, Wüstenrot Bank AG Pfandbriefbank makes use of derivative financial instruments such as interest rate swaps, swaptions, caps, futures and forward purchases.

Long-term equity investment risk. Within the W&W Group, significant long-term equity investments are held by W&W AG, Württembergische Lebensversicherung AG and Württembergische Versicherung AG. Due to the high proportion of the long-term equity investments in the capital investment portfolio, W&W AG is subject to a material long-term equity investment risk based on its business model. When long-term equity investment risks materialise, measurement losses can lead to write-downs of long-term equity investments being recognised as a loss, the non-payment of dividends or the need to make contributions to earnings.

Among other things, we intervene in the business and risk policy of our long-term equity investments through our representation in the supervisory bodies and other things, depending on the size and significance of the long-term equity investments. The functions are usually assumed by Executive Board members.

Share price risks. Among the companies of the W&W Group, significant share portfolios are held by Württembergische Versicherung AG, Württembergische Lebensversicherung AG and W&W AG.

Sudden and severe price slumps on the stock markets could impair the risk-bearing capacity of the Group companies that invest in shares in the form of write-downs being recognised as a loss.

Share price risks are reduced with suitable hedging strategies by means of derivatives (e.g. put options, short futures).

For the portfolios of our companies with material share portfolios with a total market value of € 1,237.6 million (prior year: € 1,241.7 million), the market value changes in the case of an index fluctuation of the EURO STOXX 50 were as follows as at 31 December 2014:

MARKET VALUE CHANGES OF MATERIAL SHARE PORTFOLIOS

in %	Market value	Increase by 10%	Increase by 20%	Decrease by 10%	Decrease by 20%
				Change in market value	
Württembergische Lebensversicherung AG	981.6	69.6	138.9	—74.7	—141.3
Württembergische Versicherung AG	202.1	12.6	24.7	—15.9	—30.4
W&W AG	53.9	2.8	5.4	—3.8	—6.7
Summe	**1,237.6**	**85.0**	**169.0**	**—94.4**	**—178.4**

The high guarantee level of our insurance companies in this asset category was retained in 2014.

Foreign exchange risk. Foreign exchange risks can result from open net FX positions in globally aligned investment funds and foreign currency bonds of our insurance companies (mainly Württembergische Lebensversicherung AG and Württembergische Versicherung AG). In accordance with our strategic orientation, we concentrate our foreign exchange exposure to Danish krones, US dollars and pounds sterling. Within the scope of individual fund mandates, we also have a minor exposure in other currencies. The open foreign currency investments are of secondary significance to our overall investment portfolio.
We hold the material foreign currency portfolios on the assets side for the purpose of currency-congruent coverage of underwriting liabilities. To limit foreign exchange risks, we mainly invest in capital investment products in the euro zone. The greater part of our foreign currency exposure is hedged against exchange rate fluctuations. By means of active foreign exchange management, the insurance companies systematically make use of income opportunities through open foreign currency positions.

Property price risk. Within the Group, property portfolios in the form of direct investments and via fund mandates and long-term equity investments are held by Württembergische Lebensversicherung AG and Württembergische Versicherung AG. Our diversified property portfolios supplement our capital investment portfolio. Our property investments focus on direct investments in Germany with a stable value development and high fungibility. Due to our predominant investment activity in prime locations, we consider the risk to be generally low.

STRATEGY AND ORGANISATION

Strategic asset allocation. The strategic asset allocation forms the basis of our capital investment policy and thus of one of the most significant factors that influence our risk situation in the risk area market price risk. In this context, the companies put emphasis on an appropriate mix and spread of asset classes as well as on broad diversification by industries, regions and investment styles. The regulatory requirements for the mix and spread are observed. In our capital investments, we pursue a security-oriented investment policy. The two main objectives are to maintain sufficient liquidity and to ensure the required minimum return.

Organisation. The Executive Board of W&W AG and the Audit Committee adopt the strategic asset allocation. The operational governance takes place in the front-office units. The insignificant and strictly limited trading activities are bundled in the treasury of Wüstenrot Bank AG Pfandbriefbank.

Property Portfolio Management develops investment concepts for the asset class property. Our strategic long-term equity investment activities are supervised by Group Controlling. The decentralised and centralised risk controlling units operate as independent monitoring units. Apart from the operational limit monitoring, superior method and risk modelling expertise are taken care of at the respective levels. Functional separation has been implemented between risk-taking units and risk-monitoring units. This is also reflected in the assignment of responsibilities within the Executive Board of W&W AG.

RISK MANAGEMENT METHODS AND RISK CONTROLLING

For the risk area market price risks and the explained risk types, we mainly apply the following risk controlling methods and procedures:

RISK MANAGEMENT

Method depiction

Market risk area	Risk controlling (Group-wide)	
	■ Asset allocation ■ Internal risk-bearing capacity model ■ Limit systems ■ Deployment of financial instruments ■ Sensitivity and scenario analyses ■ Diversification ■ Monitoring ■ New-product process ■ Reporting	
	Company	**Risk controlling** (specific)
Interest rate risk	Wüstenrot Bausparkasse AG Württembergische Lebensversicherung AG Wüstenrot & Württembergische AG Württembergische Versicherung AG Wüstenrot Bank AG Pfandbriefbank	■ Asset liability management ■ Duration control ■ Product and pricing policies
Long-term equity investment risk	Wüstenrot & Württembergische AG Württembergische Lebensversicherung AG Württembergische Versicherung AG	■ Long-term equity investment controlling ■ Business planning ■ Projections during the year ■ Monthly target/actual comparisons
Share price risk	Wüstenrot & Württembergische AG Württembergische Lebensversicherung AG Württembergische Versicherung AG	■ Hedging strategies (stop-loss) ■ Monitoring of hedging ratios
Real estate price risk	Württembergische Lebensversicherung AG Württembergische Versicherung AG	■ Real estate portfolio management
Foreign-exchange risk	Wüstenrot & Württembergische AG Württembergische Lebensversicherung AG Württembergische Versicherung AG	■ Congruent coverage

Internal risk-bearing capacity model. We quantify the risks from interest rate changes both on the assets side and on the liabilities side within the scope of the internal models. The Group companies included in our internal risk-bearing capacity models at Group level measure the market price risks of the interest-bearing securities and of the interest-dependent assets and liabilities positions economically, i.e. we take future discounted cash flows into consideration on the basis of a value-at-risk model (confidence level 99.5%, risk horizon one year). For this purpose, the assets and liabilities are measured in the internal risk-bearing capacity model of the respective individual companies on the basis of generated capital market scenarios. For every individual company, market values are available for the annuity, share, property, long-term equity investment and overall portfolio in 10,000 corresponding capital market scenarios. The value at risk per individual company is calculated on the basis of these scenarios. The application of the procedure to the annuity, share, property, long-term equity investment and overall portfolio delivers the VaR for the risk types in the market price risk (interest rate change risk, share price risk, property risk and long-term equity investment risk). Correlations between the risk types are implicitly taken into consideration in the Monte Carlo scenarios.

We generate possible loss distributions with Monte Carlo simulations. Long-term equity investment, share price and property risks are also quantified with Monte Carlo simulations.

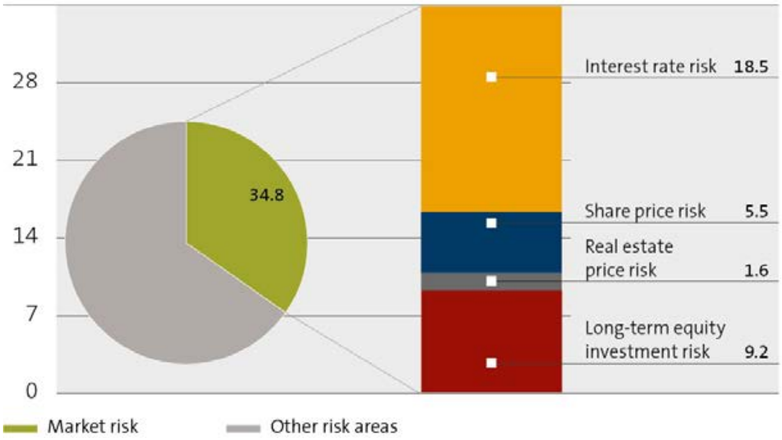
Foreign exchange risks are taken into consideration in the asset classes in which they are incurred. In the case of annuities/cash flows, exchange rate fluctuations that are closely attached to the development of the foreign exchange interest rates are examined simultaneously along with the interest rate fluctuations and are fully allocated to the interest rate change risk. Currency fluctuations of shares listed in foreign currency are duly taken into consideration in the share risk.

We supplement our stochastic modelling with sensitivity analyses that pinpoint the value changes of the portfolios in connection with market fluctuations.
Further model assumptions and procedural premises are explained in the section "Economic capital requirements".

As at 31 December 2014, the risk profile of the risk area market price risks, which was determined according to our methods for risk-bearing capacity measurement (see section "Economic capital adequacy"), was distributed as follows:

Risk profile for market risks

in %



Risk capital requirements. The interest rate change risk plays the predominant role among the market price risks, as the capital investments of our individual companies are mostly invested in interest-bearing securities, and the guarantees and options on the liabilities side are exposed to interest rate change risks. Measured against the total internal risk capital, the proportion amounts to 18.5% (prior year: 18.7%).

Long-term equity investment risks follow, with a weighting of 9.2% (prior year: 9.5%). The share price risk accounts for about 5.5% (prior year: 4.7%), and the property price risk for 1.6% (prior year: 0.9%).

In 2014, the market price risks were in accordance with the risk strategy. The risk limit was consistently complied with.

Company-specific procedures. Apart from our Group-wide perspective, the individual companies conduct an in-depth examination of their market price risks with comparable procedures.

In the Life and Health Insurance segment, the companies additionally made use of balance-sheet-oriented buffer models for the calculation and analysis of whether the planned or projected net income can be achieved.

In the Home Loan and Savings Bank segment, Wüstenrot Bank AG Pfandbriefbank maintains a risk management system designed especially for the German covered bond business pursuant to Section 27 of the German Pfandbrief Act (PfandBG), in addition to the overall bank governance. Moreover, a trading strategy defines the permissible framework for trading activities of Wüstenrot Bank AG Pfandbriefbank.

Sensitivity and scenario analyses. From the Group perspective, we regularly examine economic stress scenarios in order to identify interest rate sensitivities and for the purpose of simulating the developments on the stock and property markets under changed assumptions. The effects of possible market price scenarios on the Group's earnings and equity according to IFRS accounting are presented and explained in note 50 in the notes to the consolidated financial statements.

Asset liability management. Within the scope of asset liability management, the asset and liability positions are managed and monitored in such a way that the assets correspond to the liabilities and the risk profile of the company. We counter the interest rate guarantee risk by managing the durations and by means of a dynamic product and pricing policy.

Financial instruments. In the strategic and tactical asset allocations, the companies of the W&W Group made use of derivate financial instruments in 2014.
To manage market price risks, Wüstenrot Bank AG Pfandbriefbank makes use of derivative financial instruments such as interest rate swaps, swaptions, caps and futures. Wüstenrot Bausparkasse AG employs derivative financial instruments in the form of swaps, swaptions and forward purchases. Württembergische Lebensversicherung AG limits interest rate risks with suitable hedges (e.g. swaps).

Share price risks are reduced with suitable hedging strategies by means of derivatives (e.g. put options, short futures).

Further details are presented in the notes to the consolidated financial statements from note 41 "Disclosures on the measurement at fair value".

Long-term equity investment controlling. Long-term equity investments are subject to stringent controlling. Among other things, this comprises the annual planning of dividends, medium-term economic planning, projections during the year and monthly target/actual comparisons of the material long-term equity investments. In this way, impending long-term equity investment risks can be reacted to at an early stage.

Congruent coverage. As we cover underwriting liabilities in foreign currency with suitable capital investments in the same currency, the currency risks resulting from these positions are limited due to the maximum congruence.

Monitoring. We continually monitor the developments on the capital markets in order to be able to promptly adjust our positioning and our collateral.

New-products process. Prior to their introduction, new products (lending and deposit products) are submitted to a new-products process, especially in order to ensure due handling in the accounts and in the risk controlling systems.

Counterparty risks

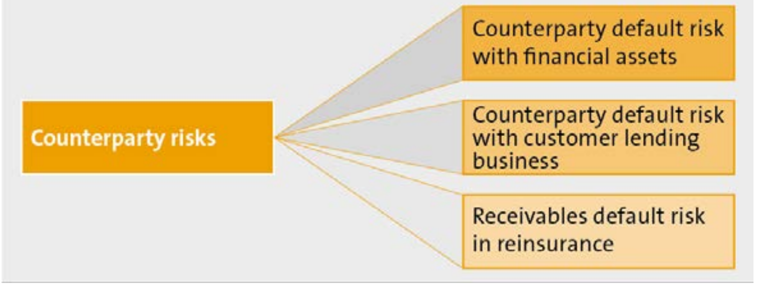
- Annuity portfolio: Focus on high rating and good collateral structure.
- European financial crisis continues to necessitate stringent risk management.
- Risk profile customer credit exposure constantly at a very good level.

RISK DEFINITION

We define counterparty risks as potential losses arising from the default or deterioration in the credit quality of borrowers or debtors.

COUNTERPARTY RISK

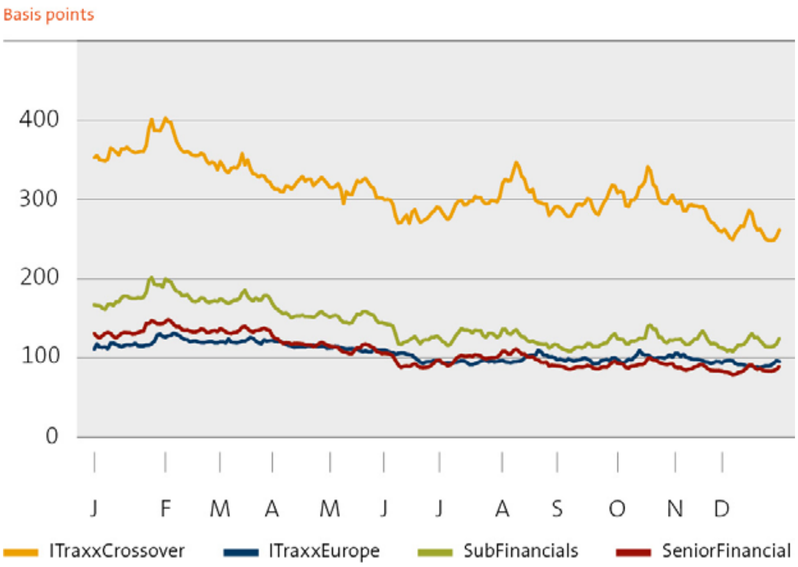
Systemisation



Counterparty risks can result from the default or changed credit quality of securities (counterparty default risk financial assets) and from the default of business partners from the customer credit business (counterparty default risk customer credit business). Moreover, risks for our Group can result from the default of receivables from our counterparties in reinsurance (bad debt risk reinsurance).

MARKET ENVIRONMENT

TRENDS IN RISK PREMIUMS FOR CORPORATE BONDS



All in all, the risk premiums for European financial securities and corporate bonds demonstrated significant declines. In 2014, due to the low yield levels of bonds with high credit ratings, numerous investors switched to alternatives such as corporate bonds and bonds from emerging markets in order to generate yield. As a result, spreads, such as for European corporate bonds with good credit ratings (iTraxx Europe), fell from about 119 basis points to values of approximately 96 basis points. The premiums for senior secured and subordinated bonds of financial institutions (iTraxx Senior Financials and iTraxx Sub Financials) again narrowed considerably.

On the European bond market, the bond markets recorded some substantial price gains last year as a result of partly improved economic data from a number of peripheral countries as well as the continued expansive monetary policy of the European Central Bank (reduction of the base interest rate, securities purchase programmes and negative interest rates on deposits). Thus the yields of ten-year government bonds in Italy dropped from 4.1% at the beginning of the year to 1.9%, and in Spain from the same level to 1.6%. Against the backdrop of the programme for the purchase of EMU government bonds by the ECB generally expected at the end of the year, a further decline of the yields on the European bond market is expected. Again, Greece is an exception, with bond yields of close to 8% in the ten-year segment towards the end of the year. Due to the political and economic national uncertainties, this development is likely to continue in the medium run.

RISK SITUATION

Counterparty default risk financial investments. Württembergische Lebensversicherung AG, Württembergische Versicherung AG, W&W AG, Wüstenrot Bank AG Pfandbriefbank, Wüstenrot Bausparkasse AG and Wüstenrot stavební spořitelna a.s. in particular are exposed to default risks from capital investments.

In line with our strategic orientation, the credit rating structure of our investment portfolio is conservative, with 97.5% (prior year: 97.3%) of the investments in the investment grade range.

Rating (Moody's scale)

	2014		2013	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	€ mn	in %	€ mn	in %
Aaa	18,655.3	44.9	18,140.7	48.8
Aa1	5,269.6	12.7	5,923.6	15.9
Aa2	4,022.8	9.7	2,153.5	5.8
Aa3	1,252.8	3.0	1,485.0	4.0
A1	2,115.5	5.1	1,892.9	5.1
A2	2,025.2	4.9	1,501.9	4.0
A3	2,081.3	5.0	1,553.4	4.2
Baa1	1,055.2	2.5	928.7	2.5
Baa2	3,223.9	7.8	1,553.5	4.2
Baa3	795.5	1.9	1,022.8	2.8
Non-investment-grade/non-rated	1,018.3	2.5	1,019.1	2.7
Total	**41,515.4**	**100.0**	**37,175.1**	**100.0**

The scope of consolidation of the balance sheet serves as the basis for this presentation of our counterparty exposures.

Our risk exposure by asset classes at segment level is shown in the following table:

Rating (Moody's scale) per segment

€ mn	Portfolio carrying amount				Share in overall exposure in %
	Aaa - Aa	A - Baa	NIG/NR	Total	
	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Home Loan and Savings Bank	11,408.9	3,710.2	220.6	15,339.7	36.9
Life and Health Insurance	15,925.9	6,528.8	715.1	23,169.8	55.8
Property/Casualty Insurance	1,094.3	572.3	77.6	1,744.2	4.2
All other segments	771.4	485.3	5.0	1,261.7	3.0
Total	**29,200.5**	**11,296.6**	**1,018.3**	**41,515.4**	**100.0**
Rating cluster share in %	70.3	27.2	2.5	100.0	

Note 51 in the notes to the consolidated financial statements presents all our assets broken down by rating classes and maturity structures in accordance with international accounting requirements.

Our capital investment exposure generally has a good collateralisation structure. Most of the investments with financial institutions are secured by government and guarantor's liability or liens.

SENIORITY

	2014		2013	
	PORTFOLIO CARRYING AMOUNT	SHARE IN %	PORTFOLIO CARRYING AMOUNT	SHARE IN %
	€ mn	in %	€ mn	in %
Public	13,090.5	31.5	10,981.6	29.5
German covered bond	12,945.2	31.2	13,273.8	35.7
With guarantor's liability	433.4	1.0	593.6	1.6
Deposit guarantee or government liability	7,208.4	17.4	6,533.4	17.6
Uncovered	7,837.9	18.9	5,792.7	15.6
TOTAL	**41,515.4**	**100.0**	**37,175.1**	**100.0**

The scope of consolidation of the balance sheet serves as the basis for this presentation of our counterparty exposures.

The collateralisation structure of the W&W Group at segment level is shown in the following table:

COLLATERAL CLUSTER

	PORTFOLIO CARRYING AMOUNT					
	PUBLIC	GERMAN COVERED BOND	WITH GUARANTOR'S LIABILITY	DEPOSIT GUARANTEE OR GOVERNMENT LIABILITY	UNCOVERED	TOTAL
€ mn	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Home Loan and Savings Bank	4,420.9	5,678.3	200.0	2,689.7	2,350.6	15,339.5
Life and Health Insurance	7,887.3	6,303.3	233.4	4,116.8	4,635.5	23,176.3
Property/Casualty Insurance	596.7	494.8	0.0	249.0	397.3	1,737.8
All other segments	185.6	468.7	0.0	152.9	454.6	1,261.8
Total	**13,090.5**	**12,945.1**	**433.4**	**7,208.4**	**7,838.0**	**41,515.4**
Collateralisation structure share in %	31.5	31.2	1.0	17.4	18.9	100.0

Country risks. As at 31 December 2014, the total volume of bonds of the peripheral EMU countries (Portugal, Italy, Ireland and Spain) amounted to € 3,241.2 million (prior year: € 497.2 million). Of this amount, Italy accounted for € 1,497.6 million (prior year: € 342.2 million) and Spain for € 1,398.9 million (prior year: € 101.1 million). As previously, the W&W Group does not hold any direct investments in Greece.

Compared to the end of 2013, the exposure in these countries increased by about € 2,762 million (prior year: € 159.9 million). As interest rates dropped once more compared to the prior-year period (Federal Government Bonds, EUR swap and ECB base interest rate) and due to the largely improved economic data of the peripheral countries, the EMU country exposure of the W&W Group was expanded in the reporting period, especially in Spanish and Italian annuity certificates.

Part of the Italy credit exposure (government bonds) of Wüstenrot Bank AG Pfandbriefbank was hedged with a credit default swap (protection buy) of a nominal amount of € 25 million (term to maturity ten years).

In the year under review, no write-down was applied to the bonds of the peripheral EMU countries. The exposure in these government bonds is subject to limitations and ongoing surveillance.

The structure of our entire government bond exposure by segments is as follows:

Government bonds by regions 2014

€ mn	Germany	Europe	Central/South America	North America	Asia	Africa	Others	Total (Portfolio carrying amount)	Share in total exposure in %
Home Loan and Savings Bank	1,384.6	2,841.1	—	—	—	—	—	4,225.7	32.8
Life and Health Insurance	3,044.9	3,733.0	182.2	116.2	153.2	69.9	563.5	7,862.9	61.1
Property/Casualty Insurance	368.6	94.6	28.7	6.2	18.6	11.0	69.1	596.8	4.6
All other segments	160.2	12.4	0.0	0.0	0.0	0.0	12.9	185.5	1.4
Total	**4,958.3**	**6,681.1**	**210.9**	**122.4**	**171.8**	**80.9**	**645.5**	**12,870.9**	**100.0**
Share in %	38.5	51.9	1.6	1.0	1.4	0.6	5.0	100	

The scope of consolidation of the balance sheet serves as the basis for this presentation of our counterparty exposures.

Subordinate exposure. Our subordinated exposures (profit participation rights, silent long-term equity investments and other subordinated receivables) increased to € 1,218 million (prior year: approximately € 855 million) and thus account for only a small proportion of the total volume of our capital investment portfolio.

As a result of the general financial crisis, increased credit-rating-induced default risks persist for uncovered and subordinated exposures, especially for capital investments in the financial sector. Further loss of interest and reductions of the nominal value (haircuts) can currently not be excluded.

Securitisation. In the Life and Health Insurance (Württembergische Lebensversicherung AG) and Property/Casualty Insurance (Württembergische Versicherung AG) segments, minor risk positions exist in connection with securitisation transactions.

Counterparty default risk customer credit business. The W&W Group's most significant counterparty default risks from customer loans exist in Wüstenrot Bausparkasse AG and Wüstenrot Bank AG Pfandbriefbank.

DUNNING STATUS OF CUSTOMER LOANS

	WÜSTENROT BAUSPARKASSE AG				WÜSTENROT BANK AG PFANDBRIEFBANK			
	2014		2013		2014		2013	
	€ mn	in %	€ mn	in %	€ mn	in %	€ mn	in %
Non-critical	10,747.9	95.2	11,073.0	95.1	7,346.6	94.9	8,040.0	94.8
Dunned	445.0	3.9	463.0	4.0	287.7	3.7	314.0	3.7
Called	101.4	0.9	110.0	0.9	107.6	1.4	123.0	1.5
Total	**11,294.3**	**100.0**	**11,646.0**	**100.0**	**7,741.9**	**100.0**	**8,477.0**	**100.0**

At the end of the year, pursuant to the German Commercial Code (HGB), the credit risk provision rate of Wüstenrot Bank AG Pfandbriefbank (credit risk provision in relation to the credit portfolio) amounted to 0.07% (prior year: 0.11%), and the credit default rate according to the German Commercial Code (HGB) (credit default in relation to the credit portfolio) to 0.14% (prior year: 0.15%). As at the closing date, the expected probability of default of the credit portfolio was 2.42% (prior year: 2.62%). The average loss given default (LGD) amounted to 10.46% (prior year: 8.33%).

At the end of the year, the credit risk provision rate of Wüstenrot Bausparkasse AG pursuant to the German Commercial Code (HGB) (net credit risk provision in relation to the credit portfolio) amounted to 0.15% (prior year: 0.05%), and the credit default rate according to the German Commercial Code (HGB) (credit default in relation to the credit portfolio) to 0.13% (prior year: 0.12%). As at the closing date, the expected probability of default of the credit portfolio was 2.96% (prior year: 2.35%). The average loss given default (LGD) amounted to 9.61% (prior year: 7.66%).

Our receivables portfolio mainly comprises loans, most of which are secured by mortgages and intrinsically diversified. Thus, there are no material risk concentrations. Due to our strategic orientation, our credit portfolios are mainly endangered by collective and structural risks. The risk provision rates and loan defaults are developing steadily within the limits of the planning. Currently, no signs of significant risks are evident in our customer credit portfolios.

Receivables default risk reinsurance. Receivables default risks vis-à-vis our contracting partners in connection with reinsurance can arise at W&W AG and Württembergische Versicherung AG. The reinsurance activities are bundled in the reinsurance unit of Württembergische Versicherung AG. The receivables default risks in the reinsurance business, which have been determined on the basis of the capital requirements according to Solvency II, remain at a continually low level.

STRATEGY AND ORGANISATION

Diversification and core business. We limit counterparty risks through the careful selection of issuers and reinsurance partners as well as broadly diversified investments. In this context, we take the capital investment regulations applicable to the respective business areas into consideration. The contracting partners and securities are primarily limited to top credit ratings in the investment grade range. In the customer credit business, we largely focus on building financing loans for private customers, which are secured with property. Our strategic focus on residential property building loans excludes individual loans that endanger the portfolio. The counterparty risks are strategically and structurally managed by the risk committees of the divisions on the basis of the specifications adopted in the risk strategy. For our credit institutions, credit risk strategies concretise the framework specifications of the risk strategy.

Organisational structure. In customer credit business, operational risk governance is handled by the credit units and the back offices of our subsidiaries. We control and manage credit risks through careful credit assessment and scoring procedures, clear approval guidelines, loans secured by property, various monitored and limited risk indicators and a sophisticated system that automatically determines any impairment.

The front office in the treasury of the Home Loan and Savings Bank division and the financial governance of the Insurance division are responsible for the operational management of our proprietary business activities. The responsible risk controlling areas operate as independent monitoring units.

Apart from taking care of operational limit monitoring, the areas, together with Group Risk Management/Controlling, have superior method and risk modelling expertise.

The Group Credit Committee has been implemented for overarching credit governance. It elaborates proposals for loan decisions in the institutional area and submits them to the Group Board Risk for adoption.

RISK MANAGEMENT METHODS AND RISK CONTROLLING

For the risk area counterparty risks and the explained risk types, we mainly apply the following risk controlling methods and procedures:

RISK MANAGEMENT

Method depiction

Counterparty risk area	Risk controlling (Group-wide)	
	■ Internal risk-bearing capacity model ■ Limit systems ■ Sensitivity and scenario analyses ■ Deployment of financial instruments ■ Diversification ■ Creditworthiness analyses ■ Monitoring ■ New-product process ■ Reporting ■ Risk provision	
	Company	**Risk controlling** (specific)
Counterparty default risk with financial assets	Württembergische Lebensversicherung AG Württembergische Versicherung AG Wüstenrot & Württembergische AG Wüstenrot Bank AG Pfandbriefbank Wüstenrot Bausparkasse AG Wüstenrot stavební spořitelna a.s.	■ Investment lines and risk lines, for issuers and counterparties
Counterparty default risk with customer lending business	Wüstenrot Bausparkasse AG Wüstenrot Bank AG Pfandbriefbank	■ Risk classification and scoring procedures ■ Application and behaviour scoring procedures
Receivables default risk with reinsurance	Württembergische Versicherung AG Wüstenrot & Württembergische AG	■ Monitoring of reinsurance portfolio ■ Reinsurance report

Internal risk-bearing capacity model. In the bank and insurance area, we not only monitor credit risks from proprietary business activities at an individual level but also evaluate them at the portfolio level with our credit portfolio model. For the Group companies included in our internal risk-bearing capacity model, the securities held are economically measured by means of a standard credit-value-at-risk model.

The loss distribution is generated with Monte Carlo simulations. The stochastic model is based on market data and takes default probabilities, credit spreads as well as the probability of migrations between different credit rating categories into consideration.

The risk capital requirements are calculated as value at risk with the prescribed confidence level of 99.5% on the basis of one-year default/migration probabilities and delta spread scenarios.

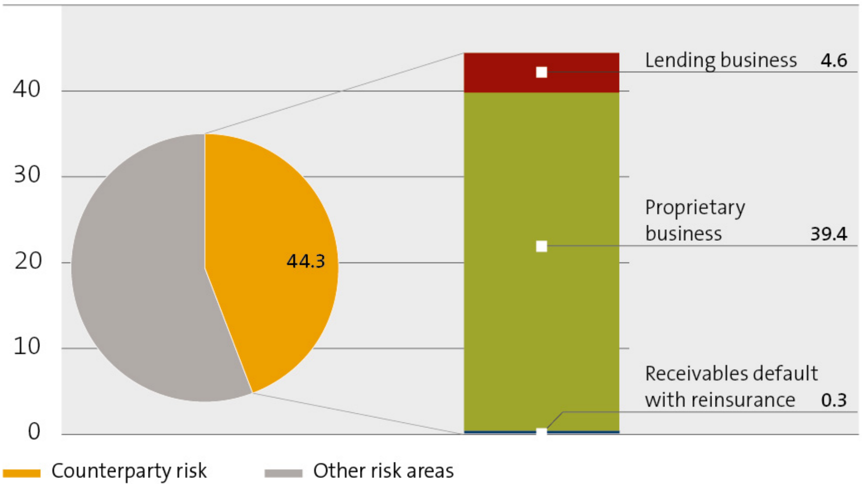
As a governance toolkit, our continually developed credit portfolio model enables us to dynamically adapt credit lines to rating changes.
The customer credit portfolios in the Home Loan and Savings Bank division are also measured with a credit-value-at-risk model that is in line with the industry standard. An analytical approach is used for this purpose.

As at 31 December 2014, the risk profile of the risk area counterparty risks, which was determined according to our methods for risk-bearing capacity measurement (see section "Economic capital adequacy"), was distributed as follows:

Risks from our own business constitute the greatest share in the risk capital requirements for counterparty risks. Measured against the total internal risk capital, the proportion amounts to 39.4% (prior year: 41.3%).

Risk profile for counterparty risks

in %



Counterparty risks from the customer credit business account for 4.6% (prior year: 5.0%). Receivables default risks in the reinsurance business merely account for a proportion of 0.3% (prior year: 0.4%). In 2014, the counterparty risks were in accordance with the risk strategy. The risks limits were consistently complied with.

Sensitivity and scenario analyses. In the risk area counterparty risks, we regularly examine stress scenarios at Group level. On the basis of these, we analyse the effects of changed parameter assumptions and simulated defaults of material counterparties and reinsurance partners on our counterparty risk profile.

Risk classification and scoring procedures. We manage and monitor credit risks in the private customer business with application and behaviour scoring procedures. The risk classification procedure implemented in the Home Loan and Savings Bank segment enables the management of customer credit portfolios through allocation to risk classes on the basis of loss potential.

Limit and investment line methodology. To assess counterparty and issuer risks and determine lines, the W&W Group makes use of the evaluations of international rating agencies, which it supplements with its own creditworthiness analyses. The lines for key issuers and counterparties are continually reviewed. The monitoring of the counterparty and credit risks over the line system takes place both while they are pending (counterparty risk) and after their settlement up to the final maturity (issuer risk). Country risks are assessed with a methodology for monitoring and managing country limits. Lines for individual countries are derived from economic framework data (e.g. national debt, gross domestic product) and external and internal credit rating evaluations.

The utilisation of the limits and investment lines is monitored by the decentralised risk controlling units and overall by Group Risk Management/Controlling.

Collateral management. Collateral management is an integral element in the credit management process of the individual companies in the W&W Group that deal in credits. Our credit risk controlling units apply strict standards for the quality of the accepted collateral. Immovable property collateral is mainly furnished in the form of mortgages. Moreover, we use guarantees and financial collateral. To minimise the counterparty risk for trading transactions, collateral is usually accepted in the form of cash. The groundwork consists of framework agreements with the respective counterparties on the basis of market standards such as the ISDA Master Agreement (ISDA = International Swaps and Derivatives Association) or the German Master Agreement for Financial Futures.

Monitoring. To identify risks that could arise from the development of the capital markets, we carefully monitor and analyse our investments. For this purpose, we draw on the economic expertise of W&W Asset Management GmbH.

Risk provisions. Impending defaults from customer transactions, capital investments or the reinsurance business are taken into account by means of suitable write-downs. The methodology for the establishment of risk provisions and write-downs and their development in 2014 are presented in the risk provisions chapter and in note 6 in the notes to the consolidated financial statements.

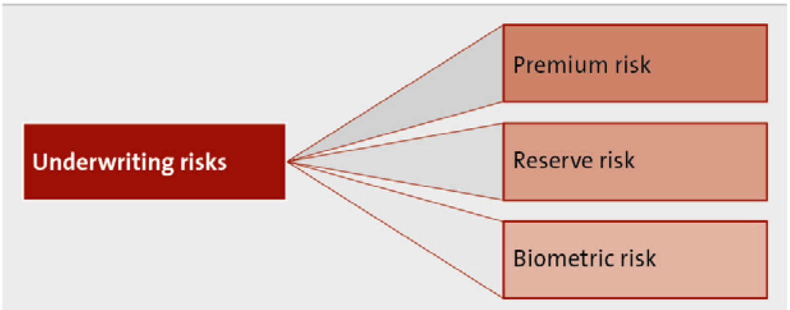
In the customer credit business for the Home Loan and Savings Bank segment, the risk provisions are calculated at the individual contract level with the help of the parameters probability of default (PD), loss given default (LGD) and exposure at default (EAD), and are based on the expected loss. Additionally, an LIP factor (loss identification period) is taken into consideration for non-defaulted exposures. All changes of the customer credit portfolio with respect to the credit quality or collateral structure thus directly result in a change of the risk provisions.

Underwriting risks

Underwriting risks mainly consist of premium and reserve risks (Property/Casualty Insurance segment) and biometric risks (Life and Health Insurance segment). We define premium and reserve risks as possible losses that result from uncertain future developments of claims, benefits and costs from concluded insurance contracts in connection with pre-calculated premiums.

Underwriting risks

Systemisation



Market environment

2014 was marked by good development in the field of claims. In 2014, expenses for natural disaster claims totalled € 39.4 million (prior year: € 67.6 million), a claims level below that of previous years, especially compared to the record year 2013, which had seen the greatest natural disaster incident in the history of Württembergische Versicherung AG.

Risk situation

The interest rate guarantee risk of life insurance must be regarded both as an underwriting risk and as a market price risk. In our quantitative models, we map the interest rate guarantee risk within the framework of the market price risk. It is examined in close coordination between underwriting and capital investment and is described in the market price risks chapter. Concerning the presentation of the risks from our insurance portfolio, please also refer to the information in note 52 "Underwriting risks" in the notes to the consolidated financial statements. Concerning the net claims and net settlement rates, please refer to note 20 in the notes to the consolidated financial statements.

In the Property/Casualty Insurance segment, the underwriting risks arise from the premium and reserve risk.

Premium risk. If costs and claims remain stable or increase, sinking premiums or premiums not duly calculated can result in inadequate premiums. A material portion of the premium risk results from natural disasters, accumulation risks and catastrophes. Cancellation risks are also examined under premium risks. Increased cancellation behaviour by customers can result in greater liquidity outflows than expected. However, as the change in cancellation rates did not undergo any major fluctuations in the past, we currently consider this risk to be low.
Accumulation risks mainly result from natural disasters like storms, hail or flooding.

Reserve risk. A reserve risk exists in the event of inadequate claims reserves. The settlement of claims can fluctuate with respect to time and amount, so the reserves set up for claims benefits may not be sufficient in the case of high volatility. Despite the discontinuation of new underwritings for the UK subsidiary, Württembergische Versicherung AG is liable for the business underwritten until and including 2007. The resulting reserve risk is declining but is still present due to the volume of claims reserves to be settled. The development of claims reserves can be seen from the claims settlement triangles presented in the notes to the consolidated financial statements. As this overview shows as a whole, the claims reserves set up so far have always been adequate.

In the Life and Health Insurance segment (mainly Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG), underwriting risks mainly arise from biometric risks.

Biometric risk. Biometric risks result from the deviation of the expected biometric development from the actual biometric development. They are influenced by exogenous influences such as life expectancy, mortality, probability of invalidity and medical progress. Risks arise both from short-term fluctuations and from longer-term change trends.

STRATEGY AND ORGANISATION

Focus on domestic business. The W&W Group conducts primary insurance business in the Life and Health Insurance and in the Property/Casualty Insurance segments for private and commercial customers in its business-strategic core markets Germany and the Czech Republic. The discontinuation of new underwritings in the UK subsidiary of Württembergische Versicherung AG as at the end of 2007 has greatly reduced the international risk exposure of our Group. In accordance with internal provisions, the companies of the W&W Group only enter into insurance transactions whose risks are predominantly calculable and whose amounts do not endanger the going concern. This is supported by means of optimisations in cost and claims management. Incidental risks that cannot be influenced are limited by suitable and adequate protective instruments (e.g. reinsurance).

Low industrial risks. In the Property/Casualty Insurance segment, industrial risks are only underwritten in a limited and clearly defined scope. As our business orientation focuses on corporate and private customer business, we do not endanger our portfolio with large individual risks.

Limited active reinsurance business. Active reinsurance business with partners outside our Group is now only performed to a very limited extent by W&W AG, which participates in a number of German market pools. Terror risks have been largely excluded from the contracts or forwarded to the special insurer Extremus.

Organisational structure. The risk management of the Life and Health Insurance and the Property/Casualty Insurance segments is closely interwoven with Group Risk Management/Controlling and integrated in the risk management system of the W&W Group through cross-company bodies. Within the segments, risk-relevant facts and analysis results are presented in the quarterly risk report and discussed in the Executive Board and in bodies that meet regularly. Controlling units measure the underwriting risks.

RISK MANAGEMENT METHODS AND RISK CONTROLLING

RISK MANAGEMENT

Method depiction

Underwriting risk area	Risk controlling (Group-wide)	
	■ Internal risk-bearing capacity model ■ Actuarial analyses ■ Reinsurance limit systems ■ Sensitivity and scenario analyses ■ Reporting ■ Risk-oriented product development and structure	
	Company	**Risk controlling** (specific)
Premium risk including cancellation, cost and calculation risk	Württembergische Lebensversicherung AG Württembergische Versicherung AG Wüstenrot & Württembergische AG	■ Price and underwriting policies ■ Portfolio and cost management ■ Monitoring of cancellation behaviour
Reserve risk	Württembergische Versicherung AG Wüstenrot & Württembergische AG	■ Reserves policy ■ Claims management run-off reviews
Biometric risk	Württembergische Lebensversicherung AG Württembergische Krankenversicherung AG	■ Risk-oriented conditioning ■ Determination of profit participation

Internal risk-bearing capacity model. To measure underwriting risks, we use an economic model that is based on the value-at-risk approach. In the Property/Casualty Insurance segment, the calculation is performed with Monte Carlo simulations. To estimate disasters, the W&W Group makes use of simulation results of reinsurance companies and brokers that specialise in this area. These results are incorporated in our stochastic model.

For property insurance (Württembergische Versicherung AG), the quantification of the underwriting risks takes place on the basis of a stochastic approach. The risk is presented as value at risk, with a confidence level of 99.5%. In accordance with the reinsurance business retained by W&W AG, the underwriting risk capital requirements for W&W AG are derived from the underwriting risk of Württembergische Versicherung AG. For Württembergische Lebensversicherung AG, the quantification of the underwriting risk takes place on the basis of the stress scenarios provided for under Solvency II. In this context, the effect of the respective stress scenario on the available solvency margin is examined.

Risk capital requirements. The chart in the internal capital adequacy chapter (section "Internal risk capital") demonstrates the weighting of the risk capital required for underwriting risks. In total, underwriting risks account for 14.9% (prior year: 13.1%) of the overall risk capital requirements of the W&W Group. The main risk carrier is Württembergische Versicherung AG, followed by Württembergische Lebensversicherung AG and W&W AG.

In 2014, the underwriting risks were in accordance with the risk strategy. The risk limit of the W&W Group was consistently complied with.

Limitation. The loss from underwriting risks is limited by means of defined risk limits. The limit utilisation is monitored continually.

Pricing and underwriting policy. The principles and objectives of the underwriting policy and the definition of permissible transactions and the associated responsibilities are documented in strategies and underwriting guidelines and are reviewed at least once a year. Our pricing and underwriting policy is risk- and income-oriented. It is supported with suitable incentive systems for the mobile sales force. Risks are underwritten according to defined guidelines and under consideration of sector-specific maximum underwriting amounts. The natural disaster risk is countered with risk-oriented prices, adjusted contract terms and conditions for critical disaster zones and risk exclusions.

Claims management. Apart from risk balancing through our sector and product mix, efficient loss management and a cautious loss reserve policy limit the underwriting gross risk.

Actuarial opinions. Actuarial opinions are regularly conducted to check whether the reserves in Property/Casualty Insurance are sufficient to cover the reserve risk. The underwriting risks in Life and Health Insurance are also constantly subject to actuarial analyses. To evaluate these risks as precisely as possible, the W&W Group draws on industry recommendations and guidelines of the German Actuarial Association (DAV). The results are taken into consideration in actuarial models for product design and pricing. The calculation basis contains security margins that can balance fluctuating calculation assumptions with respect to biometrics, interest rates and costs. In the event of long-term change trends, the provisions are strengthened with reserves. The supervisory authority, the trustee and the German Actuarial Association (DAV) regard our calculation basis as adequate.

Reinsurance. Adequate reinsurance protection for individual risks and for accumulation risks reduces the underwriting risks in the Property/Casualty Insurance segment. The reinsurance programme is adjusted on a yearly basis under consideration of risk-bearing capacity. Great emphasis is placed on the credit quality of the reinsurers.

Controlling. As a matter of principle, the underwriting development is continually analysed and monitored by way of stringent controlling of premiums, costs, losses and benefits. The operational run-off risks of the Württ UK subsidiary are handled by Antares Underwriting Services Limited via a service contract under the close supervision and governance of Württembergische Versicherung AG. We monitor the settlement risks through our own management and collaboration in material business transactions on site in London, external run-off reviews and continual checking of the claims reserves.
Reserves. For claims that occur, the W&W insurers establish provisions in a timely manner in the form of specific and general provisions. The underwriting provisions as well as the structure of our provisions for future policy benefits are explained in note 20 in the notes to the consolidated financial statements.

Further information on the underwriting risks (Property/Casualty Insurance and life and health insurance business) is provided in note 52 in the notes to the consolidated financial statements.

Pool risks

- Overall risk profile: constant weighting of the pool risks

RISK DEFINITION

Technical pool risks from loan savings business refer to possible deviations from the expected result that arise from changed customer behaviour concerning the exercise of options from home loans and savings contracts, which does not depend on the market interest rate. For example, such deviations may take place in the form of increased terminations or an increase in loan waivers.

Moreover, risk concentrations can result with respect to pool risks from the fact that a specific change of risk factors can influence the cash flows of the home loan and savings pool so severely that a high present-value loss comes about.

RISK SITUATION

Measured against the pro rata risk capital, the pure pool risks at Group level are rather insignificant. However, pool risks are significant to our home loan and savings banks, Wüstenrot Bausparkasse AG (Home Loan and Savings Bank segment) and the Czech Wüstenrot stavebnÌ spořitelna a.s. (all other segments).

STRATEGY AND ORGANISATION

The pool risk strategy defines the home loan and savings banks' dealings with the resulting risks. For this purpose, the market-price-induced risk from the home loan and savings pool is assessed within the scope of the market price risk. Balance. For our pool, we strive to achieve a balanced relation between savings and loan customers and a balanced relation of terms to maturity between the assets side and the liabilities side. This balance is promoted by means of active portfolio management. Pricing and lending decisions are risk- and cost-oriented and take the defined internal guidelines into consideration.

Organisational structure. The respective Executive Boards are responsible for the strategic governance of pool risks. The organisational unit Home Loan and Savings Mathematics is responsible for measuring the pool risks in Wüstenrot Bausparkasse AG. Monitoring within the scope of risk-bearing capacity measurement takes place in risk controlling.

RISK MANAGEMENT METHODS AND RISK CONTROLLING

Technical home loan and savings simulation. To evaluate the pool risks, Wüstenrot Bausparkasse AG and the Czech Wüstenrot stavebnÌ spořitelna a.s. employ statistically supported simulations in which changed customer behaviour is mapped through specific changes of the relevant pool parameters. The parameters are regularly matched against the actual development in order to detect deviations at an early stage. Any detected sustainable deviations are incorporated in the parameterisation of the model. Effects on the long-term model results are analysed, and any material deviations are communicated. The quantification takes place both at the present value and with a view to the income statement and takes future cash flows into consideration on the basis of a value-at-risk approach. For the parameterisation, both historical developments as well as forecast results of the technical home loan and savings simulation model are made use of.

The chart in the internal capital adequacy chapter (section "Internal risk capital") demonstrates the weighting of the risk capital reserved for pool risks. In total, pool risks account for 3.2% (prior year: 1.9%) of the overall risk capital requirements of the W&W Group. The main risk carrier is Wüstenrot Bausparkasse AG. In 2014, all pool risks were in accordance with the risk strategy. The limits were complied with.

Sensitivity and scenario analyses. The results of the simulation calculations are incorporated in the pricing and product development and enable us to identify and control potential disruptions of an appropriate balance between the savings side and the loan side at an early stage.

Portfolio management. Our home loan and savings banks are aware of the limited or greatly deferred governance measures for pool risks. Pool risks can only be managed to a limited extent, e.g. through portfolio measures such as pricing adjustments or the use of options.

Limitation. The risk of loss from pool risks is limited by implementing risk limits, and compliance with these is continually monitored. Within the scope of the ordinary reporting on the overall risk situation, material pool risks and the utilisation of the risk limits are regularly reported on.

Monitoring. The deviation of the actual behaviour of the home loan and savings customers from their predicted behaviour is ascertained through ongoing monitoring of home loan and savings behaviour. The development of the pool is tracked on the basis of various indicators.

Operational risks

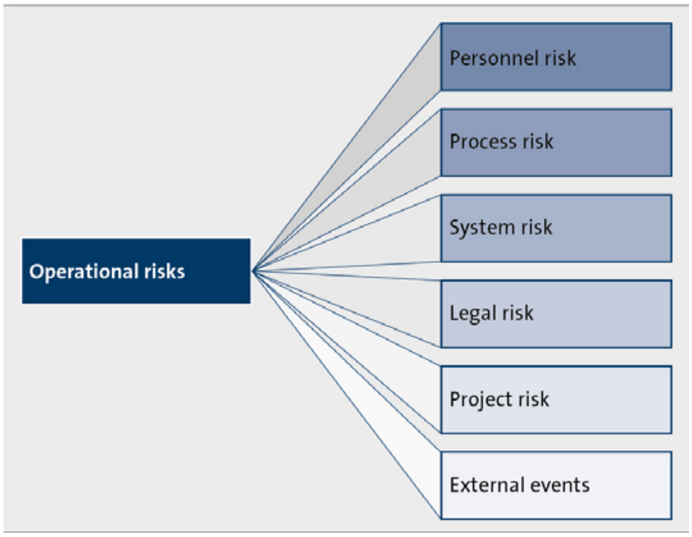
- Legal and compliance risks resulting from case-law, consumer protection and data protection
- Systemic risks resulting from complex data and system structures
- Process risks resulting from Group-wide process harmonisation

RISK DEFINITION

We define operational risks as potential losses incurred as a result of the unsuitability or failure of internal processes, people and systems or externally driven events. They also include legal and tax risks.

OPERATIONAL RISK

Systemisation



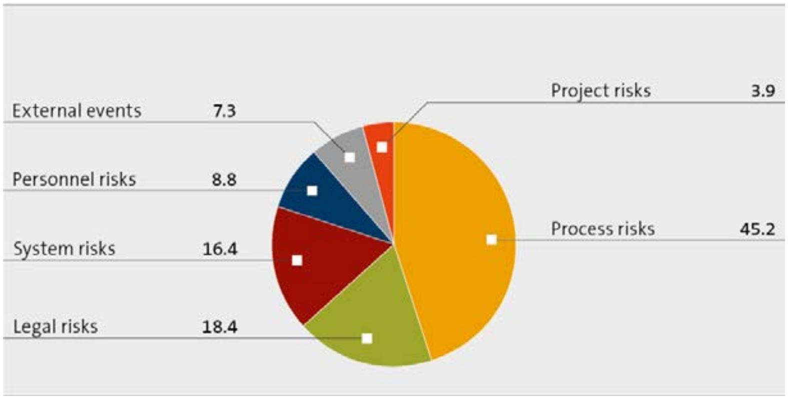
RISK SITUATION

Operational risks are unavoidable when companies do business. In principle, all companies in the W&W Group are exposed to operational risks. In order to understand operational risks, experts estimate them on a quarterly basis in the context of the risk inventory.

The operational risk profile of the W&W Group is as follows:

RISK PROFILE OPERATIONAL RISKS

in %



Personnel risks. Integration projects, internal reorganisation projects and regulatory reforms in the financial industry demand top performance from our employees, and this can lead to increased staff workloads. We rely on effective personnel management in order to support our employees.

Process risks. Unsuitable process management procedures entail the risk of inefficiencies and process errors. If processes and controls are not adequately designed, this can lead to consequential risks. W&W's process management procedure ensures that services are provided in the W&W Group in an effective, efficient manner, particularly at the interfaces of organisational units.

Systemic risks. Systemic risks concern the total or partial outage of our IT systems (IT outage risk) as well as the unsuitability of internal systems, technical equipment and data processing. Although some success has already been achieved in system consolidation, the diversity of the IT landscape, which has been marked by mergers, makes it difficult to summarise and analyse data and to automate processes. We assign high priority to countermeasures designed to address cost inefficiencies and to compensate for information deficits when making observations across departments and companies.

Legal risks. In terms of legal and supervisory requirements, we are witnessing the growing European harmonisation and expansion of creditor and consumer rights and disclosure requirements. In addition, under the German Federal Data Protection Act (Bundesdatenschutzgesetz), additional efforts are called for in order to further optimise the level of data protection already achieved in the W&W Group. Legal proceedings pending in the banking and insurance sector may lead to subsequent financial recovery claims.

STRATEGY AND ORGANISATION

Risk minimisation and acceptance. The Executive Board of the W&W Group stipulates the strategy and parameters for managing operational risks. Because of their varied nature, however, they cannot be completely avoided in certain cases. Our goal is therefore to minimise operational risks. We accept residual risks. Consistent processes, uniform standards and an implemented internal control system facilitate the effective management of operational risks.

Organisational structure. Operational risks are generally managed on a decentralised basis by the responsible organisational units. The Group's Legal department is primarily in charge of identifying and controlling legal risks. The Group Compliance Committee is the central body for compliance-relevant matters. The Group Tax department identifies, assesses and manages tax risks. W&W Informatik GmbH has its own risk management system, which is consistent with the group-wide one and also depicts systemic and IT risks in the individual companies it supports.

RISK MANAGEMENT

Method depiction

Operational risk area	**Risk controlling** (Group-wide)	
	■ Risk Assessments ■ Internes Risikotragfähigkeitsmodell ■ Limitsysteme ■ Sensitivitäts- und Szenario-analysen ■ Reporting ■ Internes Kontrollsystem ■ Schadenfalldatenbank ■ Organisationsleitlinien	
	Company (Group-wide)	**Risk controlling** (specific)
Process risk	In principle, all companies in the W&W Group are exposed to operational risks	■ Business continuity management ■ Internal control system ■ Process management procedures
Legal risk		■ Fraud prevention ■ Legal monitoring
System risk		■ Information security management system ■ Identity management ■ Business continuity management ■ IT risk management
Personnel risk		■ Human resource management
Project risk		■ Project controlling ■ Steering committees

Faced with increased challenges concerning the confidentiality, authenticity, availability and integrity of our databases, we responded by consolidating competencies. The Customer Data Protection and Operational Security area is responsible for a uniform, Group-wide IT management system, a uniform data protection organisation and a business continuity management system with uniform methods and standards. In the coming years, the framework for operational risks associated with IT security will be enhanced further in collaboration with the centralised and decentralised risk control units.

Internal risk-bearing capacity model. Our internal risk-bearing capacity model takes into account the risk capital needs for operational risks. For our credit institutions, this is determined on the basis of the standardised approach pursuant to Basel II. For insurance companies, the approach used is the one found in the most current quantitative impact study (QIS) pursuant to Solvency II.

The risk capital needs for operational risks are measured relatively constantly using standardised approaches in accordance with the chosen measurement method. The chart (section "Risk profile and material risks") depicts the weighting of the risk capital reserved for operational risks. In all, operational risks in the Group contributed 2.8% (2013: 4.4%) to total risk capital needs.

In 2014, operational risks were consistent with the risk strategy. The risk limit within the W&W Group was consistently complied with.

Risk assessment process. The risk inventories of all material individual companies are systematically compiled and assessed using a software application ("Risk Assessment Plus"). The individual risks are classified according to the probability of occurrence and the potential damage they can cause. The information is then transferred to a risk matrix. The operational risk profile is consolidated by the risk control units and made available to the risk committees on a regular basis. Based on the risk inventory, scenario analyses are generated in order to assess the threat posed by operational risks and their sensitivity. Because risk assessments are highly pervasive throughout the organisation, they make an important contribution to supporting the risk culture in the W&W Group.

Loss event database. In the W&W Group, loss event databases are used to compile and evaluate operational loss events. The Group-wide process takes place in an integrated and tool-supported manner analogous to the risk inventory (software application "Risk Assessment Plus").

Internal control system. Processes and control mechanisms essential to business operations are systematically documented, regularly reviewed and updated in the internal control system of the W&W Group according to uniform standards. The software application "Risk and Compliance Manager" provides system support for process modelling and control documentation. Control documentation located in other systems is being gradually migrated to the new application. By linking processes and risks and by identifying key controls, operational risks become transparent.

The success of the W&W Group is largely dependent on qualified, committed employees. Through personnel development measures, we support our employees in fulfilling their responsibilities and duties. In order to manage the fluctuation risk, we regularly analyse fluctuation within the W&W Group. For further information, please see the section "Employees" in the Group profile chapter.

Business continuity management. In order to ensure continued business operations in the event of process or system outages, critical processes were identified throughout the Group in an impact analysis. The contingency plans that are in place are regularly submitted to functionality checks. Our business continuity management system ensures that, even in the event of a major disruption to business operations, critical business processes will remain intact and continue to function.

Fraud prevention. To forestall the risk of fraud, the W&W Group has put measures in place in order to comply with statutory and regulatory requirements concerning controls and technical security systems, as well as to make employees more aware of the issue of fraud prevention. Implemented and documented process controls help to avoid and reduce fraudulent actions, thereby working to counteract damage to our reputation, for example.

Organisational guidelines. Work procedures, conduct guidelines, company guidelines and comprehensive operational rules are in place to limit operational risks.

IT risk management. Extensive testing and back-up procedures for application systems and computing systems form the basis for the effective management of systemic risks. The optimal use of our EDP systems helps to reduce the complexity of our IT infrastructure. The systems and application expertise that has been developed over and beyond this also aids in avoiding IT bottlenecks. An enhanced IT management system and the contingency management system in place for system outages minimise the IT outage risk.

Monitoring and cooperation. Legal and tax risks are addressed through the ongoing monitoring and analysis of case-law and the way they are applied by the financial authorities. Our Legal department works closely with the associations in following relevant draft laws, developments in case law and new requirements imposed by supervisory authorities.

Strategic risks

- Increased regulatory costs and rising capital requirements
- Sustained pressure on capital investment earnings due to historically low capital market interest rates

RISK DEFINITION

We define strategic risks as potential losses incurred as a result of management decisions concerning the business strategy and its execution or the failure to achieve strategic targets. Strategic risks encompass general business risk, risks associated with changes in the legal, political or social environment, and risks relating to sales and procurement markets, cost and earnings, and reputation.

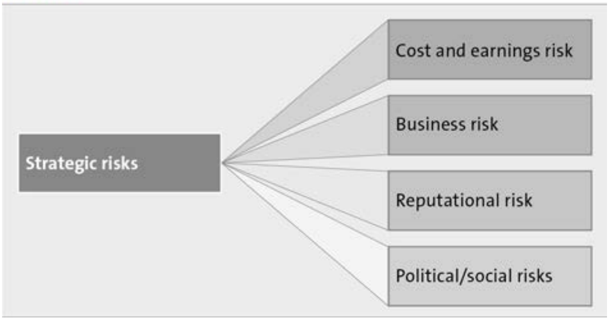
RISK SITUATION

Strategic risks are unavoidable in general business operations and in the event of changes in the industry environment. All companies in the W&W Group are exposed to strategic risks. As the parent company, W&W AG is particularly exposed to them.

All strategic risks are analysed on a quarterly basis in connection with the risk inventory. The strategic risk profile of the W&W Group is as follows:

STRATEGIC RISK

Systemisation



Among strategic risks, the following types are given greater weight.

Cost and earnings risk. In addition to cost risks due to the required regulatory investments mentioned above, our material earnings risks consist of the potential failure to generate the budgeted capital investment earnings. Because of the volume of capital investments, our insurance companies, particularly Württembergische Lebensversicherung AG, are particularly exposed to this type of risk. In light of this, achieving the established yield targets puts high demands on our strategic asset allocation and our front-office units.

Business risk. In the regulatory environment, we are seeing greater requirements being placed on the capitalisation and liquidity of credit institutions and insurance companies. All told, we anticipate significantly increased capital requirements as a result of current supervisory developments (Solvency II, Basel III).

The W&W Group has launched a number of projects to prepare for the planned expansion of statutory and supervisory requirements for credit institutions and insurance companies. In the Insurance division, a key aspect in this regard is the early implementation of parts of Solvency II in connection with the established preparatory phase. The focus here is on implementation of the requirements relating to the forward-looking assessment of own risks (FLAOR) and the preparatory measures for own risk and solvency assessment (ORSA), scheduled to go into effect in 2016.

Reputation risk. If the company's reputation or brand is damaged, there is a risk of losing business volume immediately or in the future. This could lower the enterprise value. As a financial planning specialist, we are particularly reliant when it comes to customers and business partners on our reputation as a solid, secure corporate group. We continuously monitor the W&W Group's public image, and when critical events occur we strive to maintain our reputation through transparent communication policies.

Other regulatory and political issues with substantial effects for companies in the W&W Group:

Data governance. The Basel paper "Principles for effective risk data aggregation and risk reporting" (BCBS 239) establishes broad requirements, scheduled to be implemented in 2016, to ensure that data is available to company management and supervisory authorities.

Financial Conglomerates Directive I (FICOD I). The revised Financial Conglomerates Directive I (FICOD I) was adopted into German law by statute, and a separate Financial Conglomerate Supervisory Act (FKAG) was enacted. In particular, the supervision of groups was tightened to enable better monitoring of specific group risks.

FATCA. Other regulatory risks are associated with implementation of the rules under the Foreign Account Tax Compliance Act (FATCA). The bilateral agreement between the U.S. and Germany, as well as the German implementation act that went into force in 2014, extend FATCA rules directly to credit institutions, home loan and savings banks, and life insurance companies. It imposes substantial (customer) identification and reporting obligations on these institutions.

STRATEGY AND ORGANISATION

Priority of protecting the going concern. Where possible, no individual risks are to be assumed that could threaten the going concern.

Focus on core business. The W&W Group concentrates on the German and Czech markets in private and commercial customer business (for insurance companies). Through a comprehensive product policy tailored to target groups, it strives to achieve greater market penetration, better exploit available customer potential and increase customer loyalty. This is intended to generate long-term, low-risk profitable growth that is above the market average.

Optimisation programme W&W 2015. Historically low capital market interest rates, higher regulatory costs and growing capital requirements pose a great challenge for financial services providers. The W&W Group adjusted to these difficult conditions in a timely manner in connection with this programme. With the new strategic course "W&W@2020", we are implementing the next strategic step. The objectives of the programme, which is currently being developed, are subject to various strategic risks due to internal and external influences.

Organisational structure. The principles and objectives of business policies and the sales and revenue goals derived from them are contained in the business strategy and the sales forecasts. The Group Executive Board is responsible for controlling business risks. Depending on the reach of a decision, it may be necessary to coordinate with the Supervisory Board.

Our operational units identify and assess reputation risks within their business processes. In order to avoid and uncover violations of the law, we have established a Group Compliance Committee. Our Code of Conduct, for which we also regularly conduct internal training courses among other measures, defines the key rules and principles for legally correct and responsible conduct by employees.

RISK MANAGEMENT METHODS AND RISK CONTROLLING

We seek to achieve our strategic goals through the forward-looking evaluation of the critical internal and external factors that influence our business model. We strive to identify strategic risks early so as to be able to develop and introduce suitable measures for risk governance.

Internal risk-bearing capacity model. We assess strategic risks using event-based scenario calculations and expert judgements. The results are taken into consideration across business divisions in our internal risk-bearing capacity model by providing an appropriate share of the risk coverage potential.

Risk assessment process. The risk inventories of all material Group companies are systematically compiled and assessed using a software application.
Our experts evaluate all strategic risks on a quarterly basis in connection with the risk inventory.

Sensitivity and scenario analyses. We use sensitivity analyses to assess risks, including those in the mid-term to long term, as well as our courses of action. As part of our capital management, a variety of scenarios are developed in order to quantify the W&W Group's capitalisation risks and introduce corresponding measures.

Emerging risk management. Our emerging risk management system acts like an early warning system to identify long-term and mega trends, so as to be able to spot strategic risks in a timely manner and introduce countermeasures.

Liquidity risks

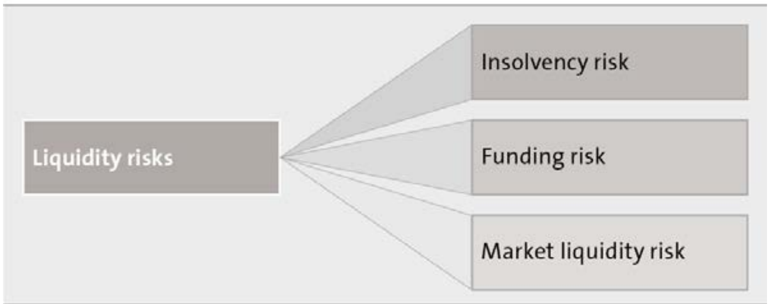
- Competitive advantage of financial conglomerate: diversification of funding sources
- Solid liquidity basis: funding assured for W&W companies

RISK DEFINITION

We define liquidity risks as potential losses that may be incurred as a result of the fact that liquid funds are more expensive to acquire than expected (funding and market liquidity risk), as well as the risk that funds are lacking on a prolonged basis (insolvency risk) for us to honour our payment obligations when due.

LIQUIDITY RISK

Systemisation



MARKET ENVIRONMENT

The ECB continued its expansive monetary policy in the financial year just ended, reducing the rate for main funding operations, which at the start of the year was already extremely low at 0.25%, in two stages to the current rate of 0.05% (deposit rate: –0.20%; marginal lending rate: 0.30%). In addition, at mid-year, the ECB introduced negative interest rates for the first time. The deposit rate fell to –0.10% in June and then to –0.20% in September. Not only the interbank market but also institutional investors, countries, municipalities and regional authorities responded to the introduction of negative interest rates by substantially reducing their liquidity buffers. Also, in light of the fact that the ECB will likely accelerate expansion of the money supply by the end of the year, it is expected on the whole that both (money market) interest rates and the euro will remain under pressure for the foreseeable future.

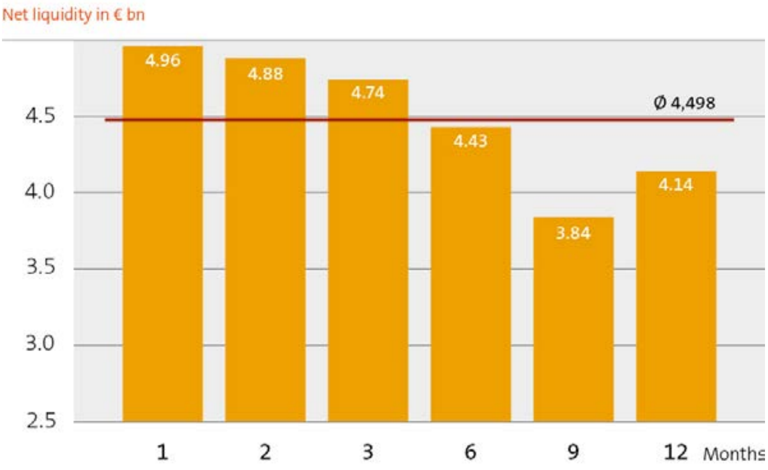
RISK SITUATION

Insolvency risk. Being financial services companies, a number of W&W companies are subject to specific statutory and regulatory requirements, which are intended to ensure that they are able to meet current and future payment obligations at all times.

Liquidity planning makes it possible to control and ensure solvency in the W&W Group at all times. A consolidated liquidity plan enables a Group-wide view of our liquidity position.

As at 31 December 2014, the 12-month plan showed financial resources of € 4.50 billion on average (2013: € 4.49 billion).

Consolidated liquidity planning



Liquidity planning at Group level is based on liquidity data made available by individual companies, which essentially comprises inflow and outflow balances from current business operations as well as available funding potential (securities issues, borrowing from central banks).

Funding risk. The sudden drying up of institutional sources of funding constitutes a serious threat, particularly for credit institutions.

Because of its business model, the Home Loan and Savings Bank segment (Wüstenrot Bausparkasse AG, Wüstenrot Bank AG Pfandbriefbank) requires especially diligent control of funding and liquidity. In order to satisfy the demand for loans and to grant loans, our credit institutions require constant funding.

The funding volume of our credit institutions is assured through diversified funding potential. The main positions of the funding potential are available money market and credit lines, available offer volume for open-market operations/repos, issues of Schuldscheindarlehen (German debentures) and uncollateralised securities, issuing potential of German covered bonds and funding from new deposit business.

The funding risk under stressed scenarios amounted to € –75 million (2013: € –57 million). A 20% haircut was applied to the funding potential of Wüstenrot Bausparkasse AG and Wüstenrot Bank AG Pfandbriefbank. The valuation corresponded to funding costs of 5.5% (maximum Euribor interest rate during the financial crisis) on the existing maximum liquidity gap.

The Life and Health Insurance and the Property/Casualty Insurance segments normally exhibit a positive liquidity balance. This is due to the conditions of the business model, which is characterised by the continuous flow of premium income and returns on capital investments.

Market liquidity risk. Market liquidity risks mainly arise due to inadequate market depth or market disruptions in stressed situations. When these risks materialise, capital investments can be sold, if at all, only in small volumes or by agreeing to discounts. It does not appear from the current situation on the capital markets that there are any acute, substantive market liquidity risks to the capital investments of the W&W Group. The market liquidity risk under stressed scenarios amounted to € –68 million (2013: € –68 million). A 22.5% haircut was applied to the additionally available liquidity buffer.

Looking forward, the W&W credit institutions have sufficient liquid resources or can procure them on short notice, even where adverse scenarios are taken as a basis, meaning that, as things stand today, we do not expect any acute liquidity shortages.

For further information about liquidity and the funding structure, please see "Business performance" (section "Financial position: funding/liquidity") and the depiction of the fair-value hierarchies of our financial instruments (note 42).

STRATEGY AND ORGANISATION

Liquidity premise. Our liquidity management is geared towards being able to meet our financial commitments at all times and on a sustained basis. Our investment policy focuses, among other things, on ensuring liquidity at all times. In the process, existing statutory, regulatory and internal provisions must be satisfied at all times and on a sustained basis. Through forward-looking planning and operational cash management, the established systems are designed to identify liquidity shortages early on and to respond to expected liquidity shortages with suitable measures.

Diversification. As a financial conglomerate, we benefit from the diversification of our funding sources, especially in difficult markets. In addition to lower funding risk, we also benefit from the reduction in our funding costs through diversification of funding potential. Through a defined share of good-quality securities that are eligible for central bank and repurchase transactions, our credit institutions retain flexibility in funding. We use savings deposits and fixed-term deposits primarily in order to substitute short-term, unsecured funding. Aspects of maturity diversification form part of our capital investment policy. We depict the maturity structure of our financial instruments in note 42 of the notes to the consolidated financial statements.

Organisational structure. Individual companies are primarily responsible for managing current cash and cash equivalents balances. The Group Risk Management department monitors and consolidates liquidity plans on a continuous basis. The Group Liquidity Committee is responsible for the Group-wide control of liquidity risks, as well as for liquidity management. Control measures are initiated when necessary. Known or foreseeable liquidity risks are immediately reported to the management of W&W AG within the context of ad hoc reporting.

RISK MANAGEMENT METHODS AND RISK CONTROLLING

Net liquidity and liquidity gaps. We assess liquidity risks by regularly compiling the net liquidity available to us, as well as by calculating liquidity gaps. In order to identify potential liquidity needs, we regularly compare our funding potential at short intervals against the needed funding resources.

Sensitivity and scenario analyses. In the area of liquidity risks, we regularly view stress scenarios from a Group perspective. On this basis we analyse, among other things, the effects of changed cash inflows and outflows, simulated discounts to our funding potential, changed funding costs and our emergency liquidity.

Liquidity planning. We ensure an up-to-date appraisal of our liquidity position through regular reporting by all key companies in the W&W Group. In order to monitor liquidity targets, the expected payments and receipts are compared in a liquidity plan. In the process, the maturity structures of receivables and liabilities are considered. We make investment and financing decisions based on the ascertained over- or under-coverage.

Contingency measures. Through contingency plans and the monitoring of liquidity buffers, we ensure that we are able to handle even extraordinary situations. If a company is unable to cope with existing liquidity shortages on its own, internal Group funding options are available pursuant to contingency planning.

RISK PROFILE AND MATERIAL RISKS OF W&W AG

As the superordinate financial conglomerate undertaking of the W&W Group and the mixed financial holding group, Wüstenrot & Württembergische AG (W&W AG) is responsible for defining and enhancing risk management standards, as well as for checking compliance with these standards. Accordingly, the risk management and risk controlling system of W&W AG is closely interlocked with the monitoring system at Group level and is structured so as to be congruent with respect to many processes, systems and methods (see the depictions in the section "Risk management system in the W&W Group"). The following representations go into the specifics of W&W AG as an individual company. As is the case in the Group, we transparently depict our risks by grouping together similar risks into so-called risk areas.

For W&W AG, we have uniformly identified the following risk areas as material:

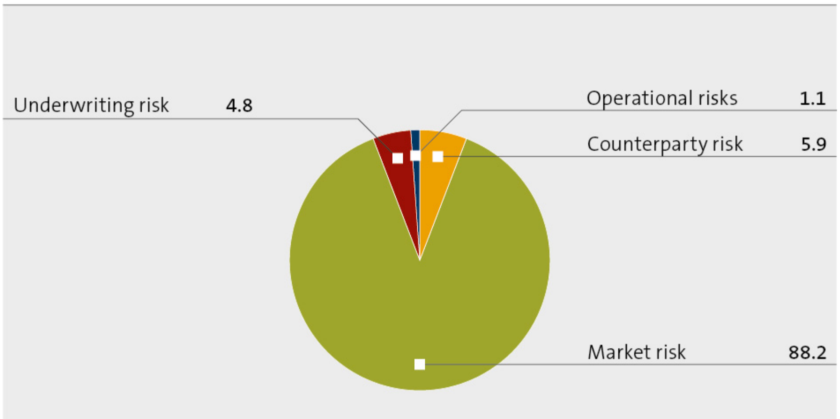
RISK LANDSCAPE OF THE W&W GROUP

Overview of risk areas

As at 31 December 2014, the risk profile of the quantified risk areas, which was determined according to our methods for calculating risk-bearing capacity (see section "Economic capital adequacy"), was distributed as follows:

RISK PROFILE OF W&W AG

in %



We take strategic risks and liquidity risks into consideration in our calculation of risk-bearing capacity by performing a flat-rate discount in determining the capital available for risk coverage.

Owing to the volume of our long-term equity investments, market price risks constituted the predominant risk area at 88.2% (2013: 85.1%).

The following sections describe the individual material risk areas and, where relevant to the overall appraisal, the individual risk types.

Market price risks

Interest rate risk. W&W AG is subject to interest rate risks and interest rate guarantee risks on account of interest obligations to employees (pension provisions) and capital investments in interest-bearing assets.

As at 31 December 2014, under a parallel shift in the swap yield curve, fixed-income securities (direct and fund portfolios, including interest rate derivatives) with a market value of € 1,381.1 million (2013: € 1,251.8 million) experienced the following changes in market value:

INTEREST RATE CHANGE

€ mn	Market value change 31.12.2014	Market value change 31.12.2013
Increase by 100 basis points	–59.2	–48.3
Increase by 200 basis points	–111.6	–91.8
Decline by 100 basis points	68.4	54.7
Decline by 200 basis points	107.1.	85.1

Long-term equity investment risk. Changes in the value of long-term equity investments (write-downs), the non-payment of dividends and the need to make contributions to earnings lead to long-term equity investment risks. For W&W AG, the strategic long-term equity investment portfolio constitutes the key risk.

As at 31 December 2014, capital investments in affiliated companies and long-term equity investments as well as in shares, units or shares in investment funds and other non-fixed-income securities totalled € 2,325 million (2013: € 2,256 million). Of this, holdings in affiliated companies amounted to € 1,586 million (2013: € 1,586 million). When long-term equity investment risks materialise, measurement losses can lead to changes in value of long-term equity investments being recognised as a loss (write-downs), the non-payment of dividends or the need to make contributions to earnings. As a result of implementation of the new business model, this particularly applies to Wüstenrot Bank AG Pfandbriefbank, which has a share of about 15% of the holdings in affiliated companies.

Share price risk. Sudden and severe price slumps on the stock markets could impair the risk-bearing capacity of the Group companies that invest in shares in the form of write-downs being recognised as a loss. W&W AG does not maintain any appreciable share portfolios.

For our portfolios with a market value of € 53.9 million (2013: € 66.3 million), the market value changes in the case of an index fluctuation in the EURO STOXX 50 were as follows as at 31 December 2014:

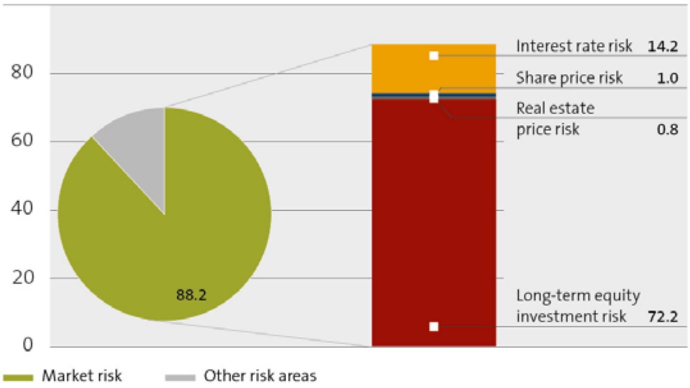
INDEX CHANGE

€ mn	Market value change 31.12.2014	Market value change 31.12.2013
Increase by 20%	5.4	7.8
Increase by 10%	2.8	3.9
Decline by 10%	– 3.8	– 5.8
Decline by 20%	– 6.7	– 11.3

Risk capital requirements. Since W&W AG's capital investments are primarily in long-term equity investments, the long-term equity investment risk within market price risks is the most significant in terms of risk capital weighting. Measured against the total internal risk capital, the proportion amounts to 72.2% (2013: 68.8%).

Risk profile for market risks

in %



This is followed by interest rate risks, with a weighting of 14.2% (2013: 14.3%). About 1.0% (2013: 1.6%) of the total internal risk capital relates to share price risk, and 0.8% (2013: 0.4%) to real estate risk. In 2014, market risks were consistently in conformity with the risk strategy. The limits were observed.

Counterparty risks

W&W AG is exposed to risks of exposures default under capital investments (proprietary business), as well as to risks of exposures default by contractual partners in reinsurance.

Proprietary business. Pursuant to our strategic orientation, the credit rating structure of our bond portfolio is conservative, with over 98.0% (2013: 97.6%) of investments being in the investment grade area.

Rating (Moody's scale)

	2014		2013	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	€ mn	in %	€ mn	in %
Aaa	491.9	37.0	450.3	37.6
Aa1	136.5	10.3	96.2	8.1
Aa2	52.5	4.0	30.5	2.6
Aa3	61.4	4.6	44.4	3.7
A1	55.0	4.1	33.8	2.8
A2	36.9	2.8	33.2	2.8
A3	214.4	16.1	219.2	18.3
Baa1	137.3	10.3	143.3	12.0
Baa2	82.1	6.2	64.2	5.4
Baa3	34.0	2.6	51.2	4.3
Non-investment-grade/non-rated	26.4	2.0	28.3	2.4
Total	**1,328.4**	**100.0**	**1,194.6**	**100.0**

Our capital investment exposure generally has a good collateralisation structure. Most of the capital investments with financial institutions are secured by government and guarantor's liability or lien.

Rating (Moody's scale)

	2014		2013	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	€ mn	in %	€ mn	in %
Public	240.0	18.1	183.1	15.4
German covered bond	435.7	32.8	376.6	31.5
With guarantor's liability	—	—	—	—
Deposit guarantee or government liability	116.0	8.7	215.0	18.0
Uncovered	536.7	40.4	419.9	35.1
Total	**1,328.4**	**100.0**	**1,194.6**	**100.0**

Subordinate exposure. Our subordinated exposures (profit participation rights, silent long-term equity investments and other subordinate receivables) amounted to € 21.9 million (2013: € 42.1 million) and thus make up only a small share of the total volume of our capital investment portfolio.

Reinsurance. The risks of exposures default in reinsurance business have consistently remained at a low level. Currently, no material risks are foreseeable. Also, our retrocessionaires have very good credit qualities.

Credit qualities. As at the end of the reporting period, of the recognised receivables from reinsurance business in the amount of € 192.9 million (2013: € 281.6 million), 97% (2013: 95%) were due from companies with a rating of A or better.

Standard & Poor's

	2014		2013	
	Portfolio carrying amount [1]	Share in %	Portfolio carrying amount	Share in %
	€ mn	in %	€ mn	in %
AAA	—	—	—	—
AA	112.6	58.4	128.8	45.7
A	74.6	38.7	139.9	49.7
BBB	—	0.0	7.9	2.8
BB	0.7	0.4	0.9	0.3
B	—	—	—	—
CCC and lower	—	—	—	—
No rating	—	—	4.1	1.5
Total	**192.9**	**100.0**	**281.6**	**100.0**

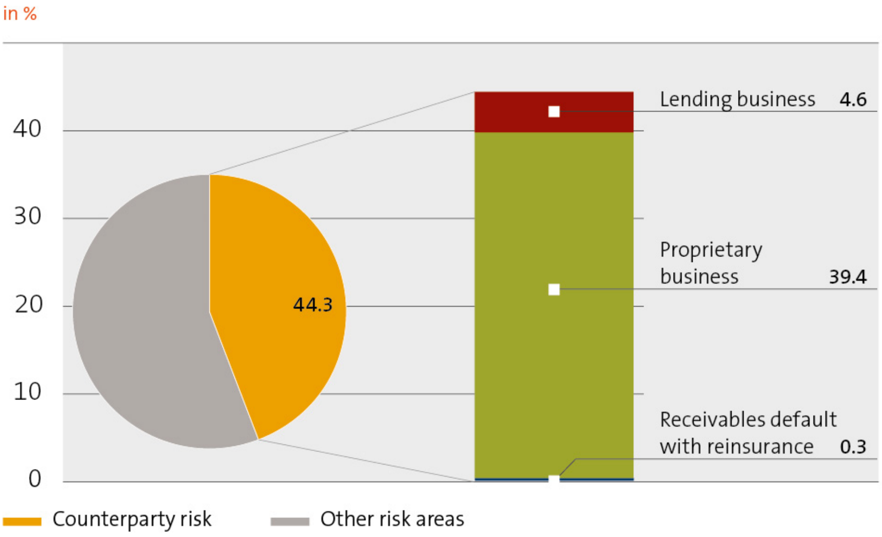
1 Accounts receivable + deposits retained + shares in technical provisions, less collateral

As at the reporting date, of the recognised receivables due from reinsurers, € 1.0 million (2013: € 1.3 million) had been outstanding for more than 90 days. However, it is expected that they will be settled in 2015.

Credit portfolio model. We not only monitor credit risks at an individual level but also assess them at the portfolio level with our credit portfolio model. We measure the bonds we hold according to economic criteria, i.e. taking into consideration future cash flows and using a credit-value-at-risk model that is customary in the industry.

Risk capital requirements. At 5.9% (2013: 8.3%), counterparty risks constitute only a small share of the total risk capital requirements of W&W AG.

RISK PROFILE FOR COUNTERPARTY RISKS



Among counterparty risks, the risks from our own business make up the major share at 5.2% (2013: 7.5%), whereas risks of exposures default in reinsurance business claim only a negligible share of total internal risk capital.

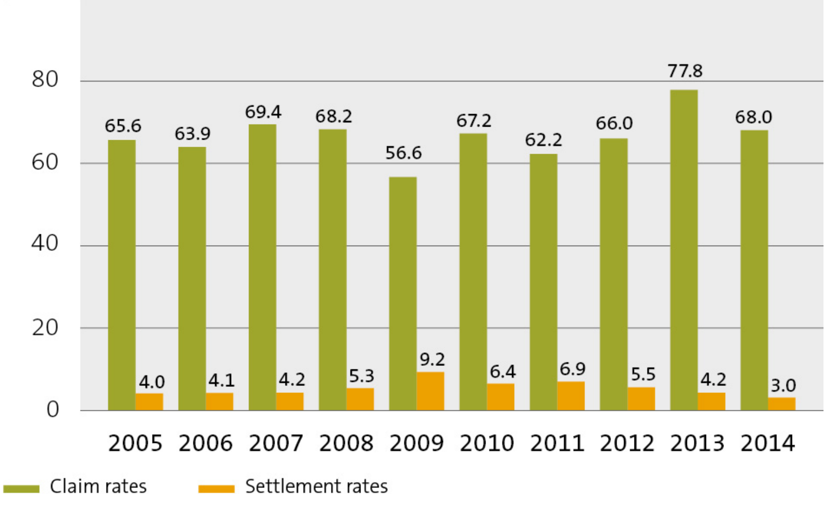
In 2014, counterparty risks were consistently in conformity with the risk strategy. The limits were observed.

Underwriting risks

Premium risk. If costs and claims remain stable or increase, sinking premiums or premiums not duly calculated can result in inadequate premiums. The long-term trends in net loss ratios (ratio of net expenses for insured events to net premiums) and net settlement ratios (ratio of net settlement results from provisions for loss and loss adjustment expenses to initial loss provisions) for W&W AG were as follows:

Claim and settlement rates

in %



Risk capital requirements. The chart W&W AG Risk Profile (see section "Risk profile and material risks of W&W AG") depicts the weighting of the risk capital reserved for underwriting risks. In all, underwriting risks contribute a share of less than 5% (2013: 5%) to the total risk capital requirements of W&W AG.

In 2014, underwriting risks were consistently in conformity with the risk strategy. The limits were observed.

Operational risks

Risk capital requirements. The risk capital needs for operational risks are measured relatively constantly using standardised approaches in accordance with the chosen measurement method. The chart W&W AG Risk Profile (see section "Risk profile and material risks of W&W AG") depicts the weighting of the risk capital reserved for operational risks. In all, operational risks in W&W AG contributed 1.1% (2013: 1.3%) to total risk capital requirements.

In 2014, the operational risks taken were consistent with the risk strategy. The limits were observed.

Strategic risks

As the superordinate management holding company of the W&W Group, W&W AG is exposed to the same risks as those addressed in the section "Strategic risks" for the W&W Group.

Liquidity risks

As the parent company of the financial conglomerate and the mixed financial holding group, W&W AG benefits from the diversification of its funding sources. Please see the remarks in the section "Liquidity risks" for the W&W Group.

Selected risk issues

Emerging risks

Emerging risks describe conditions, developments or trends that in the future may have a significant impact on the financial strength, competitive position or reputation of the Group or of an individual company in terms of their risk profile. The uncertainty with respect to the potential for damage and the likelihood of materialisation is normally very high. The risk arises because of constantly changing underlying conditions, such as those of an economic, geopolitical, social, technological or environmental nature. Emerging risks can be limited if they are identified early, appropriately analysed and suitably managed, and this opens up comparative competitive advantages. As part of the diversity of the W&W Group, internal sensors (e.g. our macroeconomic research) aid in early identification of emerging risks.

According to today's assessment, demographic trends constitute one of the greatest challenges for our company. Suitably meeting these challenges is part of the core expertise of the W&W Group.

Risk concentrations

We define risk concentrations as potential losses that may be incurred as a result of cumulative risks. We distinguish between "intra"-concentrations (synchronisation of risk positions within a type of risk) and "inter"-concentrations (synchronisation of risk positions across various types or areas of risk). Such risk concentrations may result from the combination of risk areas, such as counterparty risks, market risks, underwriting risks or liquidity risks. Noteworthy here are liquidity risks that may arise in conjunction with natural disasters.

In controlling our risk profile, we normally take care to avoid large individual risks in order to maintain a balanced risk profile. In addition, in connection with our risk governance, an effort is made to achieve a reasonable relationship between the risk capital requirements of the risk areas in order to limit our susceptibility to individual risks. We strive to limit risk concentrations as well as possible by diversifying capital investments, employing limit and line systems, clearly defining approval and underwriting guidelines in lending and insurance business, and obtaining appropriate reinsurance coverage from various providers with good credit ratings. The aim in customer business is a broadly positioned, regionally diversified customer structure. Using a variety of sales channels, we reach our customers with a diverse product spectrum.

Because of the supervisory regulations currently in place and high internal rating requirements, the W&W Group is invested heavily in the area of financial institutions. Accordingly, in addition to the credit risk associated with the relevant counterparty, the W&W Group in particular bears the systemic risk of the financial sector. On the other hand, because of their high granularity, our customer loan portfolios do not exhibit any appreciable risk concentrations.

In assessing our credit risks on a portfolio level with our credit portfolio model, we take into account concentration aspects in both proprietary and customer lending business. In the process, credit claims against individual borrowers and borrower groups, for instance, are monitored and limited. For this purpose, we employ a comprehensive limit system that suitably controls credit and counterparty risks for the Group as a whole. Disproportionately large individual risks that can lead to unacceptable losses are monitored closely and are subject to a global limit system.

In business with institutional borrowers, risk concentrations in large or various investments with an issuer are managed with a comprehensive investment line system. This ensures that the W&W Group's counterparty risks are suitably monitored in terms of risk concentration aspects, too. A monitoring and reporting system has been set up under which risk concentrations with regard to a single counterparty, such as an issuer, that are above an internally defined threshold are reported to the W&W Group's Group Risk Management/Controlling.

Identifying risk concentrations requires making regular cross-company, interdisciplinary observations that are not contained in the established processes. For this reason, we conduct analyses in connection with comprehensive workshops in order to identify such risk concentrations.

Stress scenarios across risk areas make it possible to identify risk concentrations. For example, abrupt changes in stress test results may be an indication of risk concentrations. On the product and sales level, comprehensive control measures are in place in order to limit concentrations.

Assessment of the overall risk profile of the W&W Group and W&W AG

In 2014, the W&W Group and W&W AG at all times had sufficient internal and regulatory risk-bearing capacity. Pursuant to our internal risk-bearing capacity model, we had sufficient financial resources in order to be able to cover the assumed risks with high certainty. Scenario calculations likewise did not reveal any indications of an immediately emerging risk position for the W&W Group or W&W AG. In addition, we at all times met the regulatory requirements concerning solvency.

As a consequence of the persistent uncertainty surrounding the EMU debt crisis, which has not been permanently resolved, the entire financial sector and thus also the W&W Group continue to face substantial risks whose effects could by all means pose a threat to the going concern in extreme scenarios.

Linkages within the financial sector give rise to a systemic risk of contagion to which the W&W companies are of course not completely immune. Therefore a political solution to the crisis in the euro area that is definitive and lasting is an important prerequisite for the short- and medium-term prosperity of the W&W Group.

In addition to risk and outcome diversification, we use diversification effects as strategic factors for success in different areas on account of the structure of the W&W Group.

For instance, owing in part to our business model, we have a solid, diversified liquidity basis.

Because of the environment of persistently low interest rates, the interest rate guarantee risk is of critical importance. The focus continues to be on risk-minimising measures to control the W&W Group's interest rate risks and interest rate guarantee risks. A prolonged level of low interest rates can substantially compromise the profitability of endowment life insurance policies and building savings contracts. Here, the portfolio has significant risks from interest rate guarantees.

We pay close attention to changes in the regulatory environment in order to be able to respond flexibly and early on. Although we are confronting the requirements of tighter regulation, they tie up a significant amount of financial, technical and personnel resources and thus constitute substantial cost and earnings risks.

Despite prolonged low interest rates and tighter regulatory requirements, the W&W Group has worked hard to achieve basic economic robustness. This is manifested not only in profitability but also in the continued balance in risk-bearing capacity on the basis of our internal risk-bearing capacity model.

DEVELOPMENTS AND OUTLOOK

By constantly enhancing and improving our systems, procedures and processes, we account for the changing internal and external parameters and their effects on the risk position of the Group and individual companies.

In 2014, we worked to optimise and enhance the entire risk management process on both the Group level and the individual level. The focus was on implementing and introducing the comprehensive new or expanded regulatory requirements under Basel III and Solvency II. In particular, the far-reaching changes in requirements through cumulative European financial supervision prompt a high degree of process- and organisation-related realignments.

Systematic advancement of the existing Group-wide risk management system is intended to ensure the stable, sustained development of the W&W Group in the future as well. In the 2015 financial year, we intend to continually and consistently extend the standards achieved in our risk management system. For this purpose, we have defined an ambitious development programme with a number of measures and projects along our risk management process.

In this regard, we are focusing on the following issues:

- Enhancing models in the internal and regulatory context (Solvency II, Basel III/CRD IV)
- Ensuring the comprehensive own risk and solvency assessment (ORSA) process
- Further networking the processes and methods for risk management
- Operational risks: establishing a framework for operational risks in information security, rolling out a claims event database, expanding scenarios
- Enhancing the cross-company risk management competence centres
- Expanding and optimising the control circles and monitoring supervisory (Group) duties
- Optimising the system architecture in the financial area, developing an integrated financial architecture
- Enhancing reporting and data warehouse solutions in order to optimise reporting quality and speed

All told, the W&W Group and W&W AG are well equipped to successfully implement the internal and external requirements for risk management.

Features of the internal control and risk management system in relation to the (Group) accounting process (report pursuant to Sections 289, para. 5, and 315, para. 2, no. 5 of the German Commercial Code (HGB)

As an integral component of risk management in the W&W Group, the internal control and risk management system with respect to the (Group) accounting process comprises principles, processes and measures designed to ensure

- the effectiveness and profitability of business operations (this also includes protecting assets, including preventing and detecting any loss of assets),
- the correctness and reliability of internal and external financial accounting (IFRS and HGB), and
- compliance with the legal requirements applicable to the W&W Group and W&W AG.

The Executive Board bears overall responsibility for the internal control and risk management system with respect to the (Group) accounting process, as well as for preparing the consolidated financial statements and combined Management Report, the condensed interim financial statements and interim Management Report, and the annual financial statements of W&W AG.

The Executive Board has entrusted responsibility for the internal control and risk management system in the W&W Group in particular to the Group Risk Management and Group Accounting departments, which report to W&W AG's Finance division, as well as to the Group Audit department, which reports to the Chairman of the Executive Board. In addition, it has tasked the Control/Risk Management and Accounting departments, which report to Württembergische Versicherung AG under an agency relationship, with running the internal control and risk management system in W&W AG.

Companies are incorporated through a clearly defined governance and reporting organisation. The IFRS consolidated financial statements and parts of the combined Management Report are prepared in particular by the Group Accounting department. The annual financial statements of W&W AG and parts of the combined Management Report are prepared in particular by the Accounting department of Württembergische Versicherung AG under an agency relationship.

As a component of the internal control system, the Group Audit department reviews the effectiveness and suitability of the risk management and internal control systems in a risk-oriented and process-independent manner, in accordance with the regulations of the German Minimum Requirements for Risk Management (MaRisk).

The Supervisory Board and above all the Audit Committee also engage in their own audit activities in the W&W Group and W&W AG. Furthermore, the Group auditor reviews the consolidated financial statements, the annual financial statements and the combined Management Report.

In the W&W Group and at W&W AG, organisational measures have been adopted and procedures implemented that are designed to ensure that risks are monitored and controlled with respect to the (Group) accounting process and that accounting is correct. Considered material are those components of the internal control and risk management system that could have an impact on whether the consolidated financial statements, the annual financial statements and the combined Management Report are in conformity with the rules and regulations. The material components are:

- Use of IT to depict and document internal controls, monitoring measures and effectiveness tests with respect to the (Group) accounting process
- Use of IT to ensure the process for preparing the (Group) financial statements
- Organisation manuals, internal and external accounting guidelines, and accounting manuals
- Suitable quantitative and qualitative staffing resources in relation to the (Group) accounting process
- Functions and tasks in all areas of the (Group) accounting process are clearly assigned, and the areas of responsibility and incompatible activities are clearly separated
- Four-eyes principle for material processes that are relevant to (Group) accounting, an access authorisation system for the systems related to (Group) accounting, and programme-internal and manual plausibility checks in connection with the entire (Group) accounting process

Business transactions and other circumstances are recognised and documented for the purposes of the consolidated and annual financial statements using a variety of systems, and they are booked via automated interfaces into accounts of a central system solution, taking into account the (Group) accounting guidelines. Key source systems are the SimCorp Dimension securities management system, the portfolio management systems for insurance policies, the commission settlement systems and the customer current accounts. The rules currently in effect are observed in all systems. Information contained in the local accounting systems about business transactions and other circumstances at companies and investment funds is aggregated into Group reporting data for the purposes of preparing the consolidated financial statements. The accounting depiction of capital investments in a management system for the purposes of the consolidated and annual financial statements, as well as their transformation to Group reporting data, is mainly handled centrally by Wüstenrot Bausparkasse AG in connection with a services agreement, though external capital investment companies handle some investment funds.

Group reporting data is supplemented through additional information concerning standardised reporting packages at the level of the relevant fully consolidated company and subsequently checked for plausibility manually and in an automated manner.

The relevant companies are responsible for the completeness and accuracy of the standardised reporting packages. The standardised reporting packages are subsequently compiled centrally by the Group Accounting department in a system solution and submitted to validation.

All consolidation steps for preparing the consolidated financial statements by the Group Accounting department are performed and documented in this system solution. The individual consolidation steps contain plausibility checks and validations that are inherent in the system.

All quantitative information for the individual components of the consolidated financial statements, including the quantitative information in the notes, is mainly generated from this system solution.

OUTLOOK

Macroeconomic outlook

As a result of the continued recent improvement in economic data, the German Federal Government has raised its growth forecast for the German economy to 1.5% for the current year. A marked decline in energy prices and the depreciation of the euro in recent months are the most important reasons for this increased confidence. These positive economic trends again provide the W&W Group in the current year with a favourable macroeconomic environment, since robust trends on the labour market are likely to lead to higher growth rates in disposal household income. Households should thus have greater financial flexibility. The prospects for the construction sector remain positive on the whole. Construction of residential housing will continue to benefit from historically low mortgage rates and growing interest on the part of investors.

Capital markets

Persistently low yields are expected on the European bond markets in 2015. Although impetus for a hike in interest rates is likely to come from the U.S., since the U.S. Federal Reserve is expected to raise the base rate for the first time in mid-2015, economic recovery in the EMU will continue to be too weak to trigger any appreciable increase in yields on the European bond markets. In addition, the European Central Bank (ECB) will continue to keep interest rates at a historically low level through its extremely expansive monetary policy.

European stock markets will likely be subject to the influence of countervailing price factors in 2015 again. On the one hand, the economic recovery in industrialised countries is indicative of a positive business environment and thus of rising company profits. The underlying conditions in the stock market environment are accordingly favourable. In addition, the ECB will continue to structure its monetary policy in an extremely expansive manner. The environment of low interest rates resulting from this should keep investors highly interested in shares. On the other hand, some indexes in Europe, including the DAX in Germany, reached new historic highs in 2013, which indicates that the majority of positive forecasts are already reflected in stock prices. In addition, persistent geopolitical tensions could lead to price declines. In sum, significant price fluctuations are expected in 2015. On balance, viewing the year as a whole, moderate price increases are expected on the European stock markets.

Industry outlook

HOME LOAN AND SAVINGS BANK DIVISION

Whereas 2013 was characterised by one-off effects from rate changes at several home loan and savings banks, new business once again normalised in 2014. New business in 2015 is expected to be slightly above the 2014 level.

The high demand for refurbishment work and energy-related building renovations will likely remain a stabilising factor for investments in residential construction. This is accompanied by the forecast renewed growth in completion numbers. In addition, mortgage rates, which have declined to a historically low level, will again benefit new construction financing business. This is contrasted by the high number of investors, who usually finance with greater amounts of equity than owner-occupiers. On whole, it can be assumed that the use of residential construction loans will again rise moderately.

INSURANCE DIVISION

In 2015, the enduring environment of low interest rates, whose end is still not in sight, will continue to be a great challenge for the life insurance sector. It will have a negative impact on the overall rate of return. In a cross-comparison with other sectors of the financial industry, life insurance companies continued to achieve respectable yields. They have no alternative for the needs of lifelong pension payments. Overall, the industry is expecting a slight decline in 2015 both in new business and in premium income.

On account of the difficult economic environment, expectations on the property/ casualty insurance market are modest for satisfactory business performance in 2015. However, the positive economic situation in households, as well as real gains in purchasing power, will have a positive impact on demand in the coming financial year.

The General Association of the German Insurance Industry (GDV) expects that premium income will rise by a total of 2.5% in 2015.

Company outlooks

The following outlooks relate to the coming financial year and are based on estimates made in the macroeconomic outlook chapter. We assume moderately rising interest rates and share prices.

FUTURE BUSINESS PERFORMANCE OF THE W&W GROUP (IFRS)

In the following, we first address the outlook for the individual segments. We then summarise the expected future performance of the Group in the overall outlook.

Home Loan and Savings Bank segment

Home loan savings and financing products currently benefit from the increased appeal of residential properties. On account of the interest rate certainty in lending, home loan savings in particular are very well suited to smoothing the path into homeownership. Wüstenrot Bausparkasse AG and Wüstenrot Bank AG Pfandbriefbank offer needs-oriented, attractive home loan savings and financing products both for short-term construction projects and refurbishments as well as for long-term plans. For this reason, we expect that in 2015 both net new business in home loan savings and new business in construction financing (approvals) in the Home Loan and Savings Bank segment will be clearly above the 2014 level.

General administrative expenses will decline slightly. Savings will be generated from our standardised product offer as well as from more efficient processing. This is the result of the successful implementation of our optimisation programme "W&W 2015".

For 2015, we expect that segment income after tax will be slightly higher than in 2014 through positive trends in general administrative expenses and the discontinuation of restructuring expenses.

The growing refurbishment market, our strategic alignment as a financial planning specialist, the cross-selling potential associated with this, and the expansion of sales through collaboration partners and direct sales of the bank could create opportunities for our new business and earnings performance. Another opportunity would result if the interest rate level were to rise or the yield curve were to become steeper.

Persistently high volatility in interest rates, a flat yield curve and a prolonged phase of low interest rates would put downward pressure on results in the Home Loan and Savings Bank segment. Economic deterioration would have a negative impact on the income of our customers, thus causing higher counterparty defaults and engendering less new business. Increasing regulatory and statutory requirements being placed on the industry could also jeopardise the segment's earnings. Delays in implementing strategic measures could likewise constitute risks for financial performance.

Life and Health Insurance segment

A variety of factors influence the sale of classic life insurance. These include public debates about life insurance as well as yields, which are considered to be low. Therefore the insurance market working group of the GDV's "National Economy" committee estimates growth opportunities to be limited for life insurance. By contrast, significant growth potential is seen for occupational disability insurance.

Against this background, we are striving to sell more products that are independent of interest rates and that generate high earnings, like Genius, and more term life insurance and occupational disability insurance products, whereas we expect that new business for our classic life insurance products will diminish. On the whole, we expect a slight increase in 2015 for value-oriented net valuation amounts in the Life and Health Insurance segment.

Compared with 2014, general administrative expenses will rise slightly in 2015 due to increased IT investments.

We expect segment income after tax to amount to € 30-50 million for the coming financial year.

Opportunities would result from a significant recovery in the capital market environment or an interest rate level above expectations. In addition, better economic development could enhance the willingness of customers to increase pension provisions and thus the business development in the segment.

A quick rise in the interest rate level would constitute a short-term risk for the results in life insurance. In the medium term, risks would arise from a further sustained phase of low interest rates and, related to this, a further lowering of the actuarial interest rate or strong interest rate fluctuations. In addition, a significant decline on the labour market would impair results. If the debt crisis in Europe intensifies, this could result in counterparty defaults. Moreover, additional regulatory requirements could impair the segment result.

Property/Casualty Insurance segment

In property and casualty insurance, we strive for portfolio growth that is in accordance with industry trends. Such growth will manifest itself in positive value-oriented net sales performance at the level of the previous year.

Likewise, we see general administrative expenses for 2015 at the level of 2014.

By contrast, segment income after tax for the coming financial year will be clearly below the value reported in the 2014 consolidated financial statements. The 2014 financial year was characterised by very positive claims trends. In 2015, we expect claims trends to return to normal. This will result in a decline in the result. In addition, the previous year was characterised by non-periodic tax effects and disposal proceeds in an associated company.

In making our outlooks, we assume that average claim adjustment costs will be stable and that there will be no extraordinary events on the capital markets. Positive claims trends would therefore represent an opportunity for the segment result. Claims significantly exceeding our assumptions would jeopardise the segment result. In addition, there are risks from interest rate and share price trends, as well as counterparty risks.

All other segments

In the following, material factors that influence the results of selected companies are considered.

W&W AG

W&W AG's result is largely determined by dividends and profit transfers from subsidiaries. We present an overview of the performance of the key subsidiaries in the relevant segment outlooks. Earnings from long-term equity investments are based on the HGB financial statements of the subsidiaries and are eliminated in the consolidated financial statements in the course of consolidation. A description of the trends in results and costs can be found in the chapter on the "future business performance of W&W AG (HGB)".

ASSET MANAGEMENT

In the coming financial year, we expect that our asset management companies will generate a result on the level of the previous year.

CZECH REPUBLIC

The result of the Czech companies will show significantly positive development in 2015, with the home loan and savings bank, mortgage bank and property insurance contributing to the growth in the result. The result from Czech life insurance will remain at the level of the previous year.

Various companies are included under "All other segments". Therefore segment performance is dependent on many diverse factors. Most of these companies are significantly influenced by interest rate trends and counterparty risks. This can present both opportunities and risks for the earning position. Special unforeseeable losses constitute another earnings risk for insurance companies in the segment.

Overall financial position of the W&W Group

In the 2014 financial year, despite the persistently low interest rate level, we achieved a consolidated result of € 242 million, thus clearly exceeding our original forecast of € 180 million. In the financial year just ended, our consistent management of costs in connection with the optimisation programme "W&W 2015" bore fruit, particularly with regard to general administrative expenses. Also contributing to this result were additional product earnings, positive claims trends, non-periodic tax effects and disposal proceeds in an associated company.

In terms of future performance, persistently low interest rates, high expenses for implementing additional statutory and regulatory requirements, and rising capital requirements continue to pose a great challenge for the entire financial services industry. With "W&W 2015", we further enhanced our stability and strengthened the competitiveness and independence of the W&W Group.

In addition, with the new strategic course "W&W@2020", which follows on from "W&W 2015", we will in the coming years confront the growing influence of digitalisation on customer behaviour as well as the desire of our customers for a simplified product offer. Both issues will also be the focus of the investment strategy in the coming years.

Against this backdrop, Group customer development is a central control parameter. We expect this indicator to be at the level of the previous year.

Compared with 2014, general administrative expenses of the W&W Group are expected to fall slightly in 2015, particularly on account of further savings in structural costs in connection with "W&W 2015".

We anticipate that consolidated net profit will come in at about € 200 million for 2015. In the 2014 financial year, this was positively influenced by good claims trends. In 2015, we expect claims trends to return to normal. In addition, as mentioned above, the previous year was influenced by non-periodic tax effects and disposal proceeds in an associated company.

In the long term, depending on interest rate trends, we are striving for a consolidated result of € 220-250 million.

We manage our liquidity in such a way as to enable us to meet our financial obligations at all times and on a sustained basis. Liquidity planning shows that in 2015 we will have sufficient liquidity resources available at all times. For further information about the liquidity position, please see the opportunity and risk report in the section "Liquidity risks".
In addition to the challenges mentioned above, particularly with respect to the interest rate environment, there are other risks and opportunities for the W&W Group. The consolidated result could be significantly influenced by extraordinary positive or negative trends in claims. A renewed intensification of the sovereign debt crisis in Europe and associated counterparty defaults or other changes in the political environment would negatively impact our Group. Delays in implementing strategic measures could likewise constitute risks for the earning position. For further information about opportunities and risks in the W&W Group, please see the opportunity and risk report.

FUTURE BUSINESS PERFORMANCE OF W&W AG (HGB)

Because of its structure as a holding company, W&W AG's net income is determined by dividends and profit transfers from subsidiaries. For W&W AG, we expect a result for 2015 on the level of the previous year. As part of this, we assume that both Württembergische Lebensversicherung AG and Wüstenrot Bausparkasse AG will reinvest their net income. This is attributable to arrangements in the German Life Insurance Reform Act (LVRG) and to growing capital requirements for credit institutions pursuant to CRD IV/CRR. On the other hand, we expect a higher profit transfer by Württembergische Versicherung AG to W&W AG in 2015 on account of a higher-than-average dividend distribution by an affiliate.

In addition, the W&W AG result is influenced by general administrative expenses. We anticipate that these will be on the 2014 level in the coming financial year. There is a risk associated with forecast cost trends, particularly in higher additional regulatory requirements.

W&W AG's liquidity management ensures that we are able to meet our financial obligations at all times and on a sustained basis. Liquidity planning shows that in 2015 we will at all times have sufficient liquidity resources available. For further information about the liquidity position, please see the risk report in the section "Liquidity risks".

The performance of W&W AG depends heavily on the various business operations of the relevant subsidiaries and is therefore influenced by many factors. Accordingly, opportunities would arise from an improved result by our long-term equity investments. This would boost profit transfers and thus the earnings of W&W AG. The underwriting result could turn out to be better than expected due to trends in reinsurance business. If trends in interest rates and on the stock markets are exceeded, higher earnings would be possible from directly held capital investments.

The risks to W&W AG's result lie mainly in an aggravated macroeconomic environment, which could negatively influence the earnings situation of subsidiaries. This could translate into lower profit transfers and dividends, as well as reduce the valuations of subsidiaries in the individual financial statements. Particularly the implementation of the new business model of Wüstenrot Bank AG Pfandbriefbank constitutes a material risk of change in value. Unfavourable trends on capital markets, counterparty defaults and growing underwriting risks with respect to the number and amount of claims would likewise have a negative impact on the net income of W&W AG.

Proviso concerning forward-looking statements

This Annual Report and, in particular, the outlook contain forward-looking statements and information.
These forward-looking statements represent estimates based on information that is available at the present time and is considered to be material. They can be associated with known and unknown risks and uncertainties, but also with opportunities. Because of the number of factors that influence the company's business operations, actual results may differ from those currently anticipated.

Therefore the company can assume no liability for the forward-looking statements. There is no obligation to adjust forward-looking statements to conform to actual events or to update them.

OTHER INFORMATION

Events after the reporting date

On 19 January 2015, following publication of the management decision on 10 December 2014, W&W AG made public a voluntary public offer to the shareholders of Württembergische Lebensversicherung AG to purchase up to 1,398,227 shares (corresponding to up to 11.48% of the share capital of Württembergische Lebensversicherung AG) in return for payment of € 17.75 per share, which corresponds to a maximum volume of € 24.8 million. At the time the financial statements were prepared, the acceptance deadline had not yet been reached.

Information pursuant to Sections 289, para. 4, and 315, para. 4 HGB

Pursuant to Sections 289, para. 4, and 315, para. 4 HGB, the following statements as at 31 December 2014 must be made, provided they are relevant to Wüstenrot & Württembergische AG:

COMPOSITION OF SUBSCRIBED CAPITAL

The share capital of Wüstenrot & Württembergische AG amounts to € 490,311,035.60 and is divided into 93,749,720 registered no-par-value shares that are fully paid in. In accordance with German share law (Section 67 of the Stock Corporations Act (AktG)), holders of registered shares are considered shareholders only if they are registered in the share register. This is important, among other things, in relation to attending the Annual General Meeting and exercising voting rights. A total of 102,538 shares are covered by the exclusion of voting rights within the meaning of Section 136, para. 1 AktG, since they are owned by members of the Supervisory Board or the Executive Board. There are no further restrictions affecting voting rights or the transfer of the registered shares. Each share entitles the holder thereof to one vote at the Annual General Meeting. The amount of the company's profit to which shareholders are entitled is determined in accordance with the proportion of the share capital that they hold (Section 60 AktG). If the share capital is increased, the participation of new shares in profit may be determined in derogation of Section 60, para. 2 AktG.

Pursuant to Article 5(3) of the Articles of Association, no shareholder is entitled to issuance of a share certificate.

The majority shareholder of Wüstenrot & Württembergische AG is Wüstenrot Holding AG, with 66.31% of the shares. Of the remainder, 13.42% are held by Horus Finanzholding GmbH, 7.56% by UniCredit Bank AG, and 4.91% by L-Bank, with 7.80% in free float.

There are no shares carrying special rights with powers of control. There are no voting rights mechanisms relating to employee participation schemes.

PROVISIONS CONCERNING THE APPOINTMENT AND REMOVAL OF EXECUTIVE BOARD MEMBERS AND THE AMENDMENT OF THE ARTICLES OF ASSOCIATION

Members of the Executive Board are appointed and removed in accordance with Article 6(1) of the Articles of Association, with Sections 84 and 85 AktG in conjunction with Section 31 of the German Co-determination Act (MitbestG), and with Sections 121a, para. 1, 7a and 13d of the German Insurance Supervision Act (VAG). As a rule, the Articles of Association are amended in accordance with Sections 124, para. 2, second sentence, 133, para. 1, and 179 et seq. AktG. However, pursuant to Article 18(2) of the Articles of Association in conjunction with Section 179, para 2, second sentence AktG, resolutions of the Annual General Meeting to amend the Articles of Association are adopted by a simple majority of the share capital represented at the time of adoption, unless required otherwise by law, for example with regard to a change of the company's purpose. Pursuant to Section 179, para. 1, second sentence AktG in conjunction with Article 10(10) of the Articles of Association, the Supervisory Board may make amendments to the Articles of Association that relate solely to their wording. The Executive Board has no powers over and above the general statutory rights and duties of a management board under German share law.

Powers of the Executive Board to issue shares

Authorised Capital 2014

Pursuant to Article 5(5) of the Articles of Association, the Executive Board is authorised for a period of five years ending on 30 June 2019 to increase, on one or more occasions, the company's share capital by up to € 100,000,000.00 via issuance of new registered no-par-value shares in exchange for cash or contributions in kind, subject to the approval of the Supervisory Board (Authorised Capital 2014). Shareholders are entitled to a statutory subscription right. Shareholders may also be accorded the statutory subscription right by having one or more credit institutions subscribe to the new shares under an obligation to offer them to shareholders for subscription (indirect subscription right). Subject to approval by the Supervisory Board, the Executive Board is authorised to preclude shareholders from exercising the statutory subscription right in the following cases:

- for fractional amounts, or
- with capital increases in exchange for contributions in kind for the purpose of directly or indirectly acquiring companies, part of companies or long-term equity investments in companies, or
- if, pursuant to Section 186, para. 3, fourth sentence AktG, new shares are issued in exchange for cash at a price that is not significantly below the stock exchange price of the shares that are already listed and the pro rata amount of the new shares does not exceed 10% of the share capital at the time this authorisation is recorded in the commercial register or, if less, at the relevant time the authorisation was exercised. Counting towards the 10% limit are other shares that had been newly issued or, following buyback, resold by the company during the term of this authorisation under preclusion of the subscription right or, in accordance with Section 186, para. 3, fourth sentence AktG, in connection with a cash capital increase. Also counting towards the 10% limit are shares with respect to which a warrant or conversion right, a warrant or conversion obligation, or a right in favour of the company to delivery of shares exists on account of warrant bonds, convertible bonds or profit participation rights with warrant or conversion rights or obligations, or rights in favour of the company to delivery of shares that had been issued by the company or its subordinate Group companies during the term of this authorisation under preclusion of the subscription right pursuant to Section 221, para. 4, second sentence in conjunction with Section 186, para. 3, fourth sentence AktG, or
- insofar as it is necessary in order to grant holders of warrant rights or creditors of convertible bonds or profit participation rights with conversion rights that are issued by the company or its subordinate Group companies a right to subscribe to new shares to the extent to which they would be entitled after exercising warrant rights, conversion rights or rights to delivery of shares or after satisfying warrant or conversion obligations.

Subject to approval by the Supervisory Board, the Executive Board is authorised to stipulate the further details of the capital increase, its implementation, including the issue price, and the contribution to be paid for the new no-par-value shares. The Supervisory Board is authorised to modify the wording of the Articles of Association after implementation of an increase of the share capital out of Authorised Capital 2014 to conform to the respective increase of the share capital, as well as after expiry of the term of the authorisation.

Contingent Capital 2014/Authorisation to issue warrant bonds, convertible bonds, profit participation rights, profit participation bonds or a combination of these instruments

By resolution adopted at the Annual General Meeting on 28 May 2014, the Executive Board was authorised to issue warrant bonds, convertible bonds, profit participation rights, profit participation bonds or a combination of these instruments on or before 27 May 2019. Article 5(6) of the Articles of Association accordingly provides that the share capital of Wüstenrot & Württembergische AG is contingently increased by the nominal amount of at most € 240,000,003.46, divided into at most 45,889,102 no-par-value registered shares (Contingent Capital 2014). The contingent capital increase is to be implemented only if

- holders or creditors of warrant rights or conversion rights or those obligated to exercise the warrant or to convert under warrant bonds, convertible bonds or profit participation rights that, on the basis of the authorisation granted to the Executive Board by the Annual General Meeting on 28 May 2014, are issued by the company or a subordinate Group company or guaranteed by the company on or before 27 May 2019 make use of their warrant rights or conversion rights, or
- holders or creditors of warrant bonds, convertible bonds or profit participation rights that, on the basis of the authorisation granted to the Executive Board by the Annual General Meeting on 28 May 2014, are issued by the company or a subordinate Group company or guaranteed by the Company on or before 27 May 2019 are obligated to exercise the warrant or to convert and satisfy such obligation, or
- the company exercises a right to deliver to holders or creditors of warrant bonds, convertible bonds or profit

participation rights that, on the basis of the authorisation granted to the Executive Board by the Annual General Meeting on 28 May 2014, are issued by the company or a subordinate Group company or guaranteed by the company on or before 27 May 2019 shares of the company in lieu of cash payment, either in whole or in part,

and provided that neither cash settlement is granted nor its own shares or those of some other publicly traded company are used to service it. New shares are to be issued at the warrant or conversion price to be stipulated in accordance with the authorisation resolution of 28 May 2014 or at the lower issue amount stipulated in accordance with the authorisation resolution of 28 May 2014. The new shares participate in profit from the start of the financial year in which they come about. To the extent permitted by law, and subject to approval by the Supervisory Board, the Executive Board is authorised to stipulate that, in the event that a resolution on appropriation of profit has not been adopted for the financial year immediately preceding the year of issue at the time of issue, the new shares are to participate in profit from the start of the financial year immediately preceding the year of issue. Subject to approval by the Supervisory Board, the Executive Board is further authorised to stipulate the further details of the implementation of the contingent capital increase. Use may be made of the authorisation granted by resolution of the Annual General Meeting on 28 May 2014 to issue warrant bonds, convertible bonds and profit participation rights only if the warrant bonds, convertible bonds or profit participation rights are structured in such a way that the capital that is paid in for them satisfies the regulatory requirements in effect at the time the authorisation is used for eligibility as own funds at the level of the company and/or the Group and/or the financial conglomerate and does not exceed any intake limits. Furthermore, use may be made of the authorisation granted by resolution of the Annual General Meeting on 28 May 2014 to permit subordinate Group companies to issue warrant bonds, convertible bonds and profit participation rights and have them guaranteed by the company only if this is permissible under the regulatory provisions applying in each case.

Change-of-control agreements

There are no material agreements of Wüstenrot & Württembergische AG or of Wüstenrot & Württembergische AG as parent company that are subject to the condition of a change of control as a result of a takeover offer.

Change-of-control remuneration agreements

Also, no remuneration agreements have been concluded with members of the Executive Board or employees covering the case of a takeover offer.

Relationships with affiliated companies

Wüstenrot Holding AG, Ludwigsburg, maintains a majority holding of 66.31% in W&W AG, Stuttgart, and for its part prepares consolidated financial statements that include our company.

In accordance with Section 312 AktG, the Executive Board has prepared a report on relationships with affiliated companies. In that report, Wüstenrot & Württembergische AG definitively declares that, with regard to the transactions described in the report on relationships with affiliated companies, under the circumstances that were known to us at the time the transactions were carried out, it received appropriate counter-performance for each transaction. No measures were taken or omitted at the instruction of or in the interest of the controlling company or companies affiliated with it.

Remuneration report

The following report on the remuneration paid to the Executive Board and the Supervisory Board was prepared in accordance with the rules of the German Corporate Governance Code (DCGK) and the German Commercial Code (HGB).

Main features of the Executive Board remuneration system

The full Supervisory Board resolves on the Executive Board remuneration system, including the material contractual elements. The Personnel Committee carries out all preparations necessary for the resolution. The full Supervisory Board reviews the remuneration system at least once a year.

The Executive Board remuneration system consists of a fixed and a variable component in a 4:1 ratio. The fixed component consists of a fixed salary (with pension entitlement) and a set bonus. The variable component is granted in the form of a targets bonus.

The variable bonus is linked to a targets agreement system. The amount of the variable bonus paid to a member of the Executive Board for a concluded financial year depends on the degree to which the relevant company targets and the individual targets were achieved. The spectrum of the relevant target achievement ranges from 0% to 140%. Company targets correspond to the annual plan adopted by the Supervisory Board of W&W AG. Individual targets are coordinated between the individual Executive Board member and the Supervisory Board. The overall concept permits performance-related measurement of the variable remuneration component geared towards operational targets and thus performance-based remuneration to a reasonable degree.

The targets applicable to the 2014 targets agreements can be classified into short-, medium- and long-term targets and are geared towards indicators like consolidated annual result, administrative expenses, net new home loan savings business, coverage amount, value-oriented portfolio change funds, value-oriented net sales performance, value-oriented net valuation amount, cross-selling, net promoter score, W&W AG annual result, financial conglomerate solvency, and individual targets. Target weighting for the variable remuneration component is aligned towards stronger consideration being given to components with a multiple-year incentivising effect on sustainability.

Part of the variable remuneration component is paid out over time: 50% is paid out in the following year immediately after the degree of target achievement is determined, and the other 50% is deferred for a period of three years and made subject to the proviso of forfeiture clauses. The deferred amount is paid out only if the W&W Group has average IFRS net income of at least € 100 million p.a. over the relevant three years and does not record a loss in any of the three years. If the average consolidated result is below the threshold of € 100 million p.a., or if the Group records a loss in one or more years, the deferred amount is definitively and completely forfeited for the relevant financial year. The extended payout applied for the first time to the components of variable remuneration for the 2010 financial year, which were paid out in 2011 and 2014 respectively.

No subscription rights or other share-based remuneration were granted in the W&W Group.

Each employment agreement is concluded for the period of the appointment. The employment agreements for Dr Erdland and Dr Gutjahr may be terminated by either party with six months' notice or one year's notice once the Executive Board member has reached the age of 60. Otherwise, only extraordinary termination is possible.

Executive Board members normally receive a company car, group accident insurance coverage and luggage insurance as ancillary benefits.

Pursuant to the requirements of share law, W&W AG has obtained insurance to cover each Executive Board member against risks associated with their professional activity for the company. The insurance provides for a deductible of 10% of the claim, up to a maximum of 150% of the Executive Board member's fixed annual remuneration component.

Severance caps have been agreed on with all Executive Board members in the event of premature ending of the agreement without important cause. In such case, payments to Executive Board members, including ancillary benefits, in each case correspond to at most the value of two years' remuneration (severance cap) and do not exceed the remuneration for the remaining term of the employment agreement. Decisive for the calculation of the severance cap is the entire amount of remuneration paid for the calendar year (fixed salary, fixed bonus and variable bonus) preceding the calendar year in which activity on the Executive Board ends.

The pensions for Dr Erdland and Dr Gutjahr consist of the once customary defined-benefit pension plan in the form of a fixed amount. The pension for Mr Wieland takes the form of a defined-contribution pension plan. The defined-contribution pension plan is tied to reinsurance. The annual premium amounts to 23% of the fixed salary entitled to a pension. Bridge payments following departure are generally not provided for.

A pension is generally granted upon reaching the age of 65. In the case of Dr Erdland and Dr Gutjahr, it can also be granted in the event of premature departure after reaching the age of 61. A pension is also granted in the event of occupational disability.

In the case of Dr Gutjahr, the pension is increased by the percentage points by which salaries are increased for the highest salary groups for the private insurance industry. The development of Dr Edland's pension is geared towards the increase in fixed salary or, as the case may be, the percentage increase of salary group 9 of the private banking industry during the period in which the salary is drawn. Once pension benefits begin to be paid, the increase is limited for both Executive Board members to the rise in the cost-of-living index, plus 2%. Pursuant to Section 16, para. 3 of the

German Act to Improve Occupational Retirement Provision (BetrAVG), ongoing pension benefits under defined-contribution pension plans are adjusted annually by 1%.

Pensions include a widow/widower pension equal to 60% of the pension drawn and an orphan's pension of normally 20%.

Under defined-benefit pension plans, claims to retirement benefits against third parties, regardless of reason, are set off in whole or in part against pension claims.

Claims to pensions and survivor pensions are vested. For Mr Wieland, this applies with the limitation that he does not leave the company at his own request prior to reaching the statutory vesting period.

There was a defined-contribution pension plan for Dr Wicke, whose term of office expired on 30 April 2014.

Detailed information is contained in the full remuneration report in the notes.

Main features of the Supervisory Board remuneration system

Supervisory Board remuneration takes the form of fixed remuneration whose amount is determined by the Annual General Meeting. If the Annual General Meeting does not determine an amount, then the amount of the previous year is applicable. Supplementary amounts are stipulated for the Chairman and the Deputy Chairman, as well as for committee activities. In addition, fees are paid for attending Supervisory Board meetings.

Base remuneration, which is payable after the close of the financial year, amounts to € 25,000 (2013: € 25,000) per year. Committee remuneration amounts to € 8,000 (2013: € 8,000) per year for the Risk and Audit Committee and the Personnel Committee and to € 4,000 (2013: € 4,000) per year for the Mediation and Administration Committee. No committee remuneration is paid for the Nomination Committee. An attendance fee of € 500 (2013: € 500) is paid per Supervisory Board meeting. No fee is paid for attending committee meetings.

Base remuneration and committee remuneration are increased by 150% for the Chairman and by 75% for his deputies.

Detailed information is contained in the full remuneration report in the notes.

CORPORATE GOVERNANCE STATEMENT

At Wüstenrot & Württembergische AG (W&W AG) and in the entire W&W Group, corporate governance means responsible management and control of the companies in a manner aimed at long-term added value. We seek to affirm and continuously strengthen the trust placed in us by investors, financial markets, business partners, employees and the public. Important factors in this regard are good relationships with shareholders, transparent and timely reporting, and effective and constructive collaboration between the Executive Board and the Supervisory Board.

Working methods and composition of bodies

In 2007, BaFin determined that Wüstenrot Holding Aktiengesellschaft, Stuttgart, which holds about 66% of the shares of W&W AG, and regulated affiliates of Wüstenrot Holding AG constitute a financial conglomerate. In this regard, W&W AG was defined as the superordinate financial conglomerate undertaking.

Moreover, since July 2013, due to statutory amendments to banking supervision provisions, Wüstenrot Holding AG, W&W AG, Wüstenrot Bausparkasse AG, Wüstenrot Bank AG Pfandbriefbank and other relevant companies have been subject to consolidated supervision as a mixed financial holding group. W&W AG has been defined by BaFin as the superordinate undertaking of the mixed financial holding group.

The Executive Board manages W&W AG on its own responsibility and represents it in transactions with third parties. Its main tasks have to do with strategic alignment and control of the W&W Group, including maintaining and monitoring an efficient risk management system. It is responsible for ensuring a suitable and effective internal auditing and control system. The bylaws address in detail how the activities of the Executive Board are structured.

The central governance bodies in the W&W Group are: the Management Board, the division boards and the Group boards. The Management Board of W&W AG is composed of the members of the Executive Board, along with the head of the Home Loan and Savings Bank division and the head of the Insurance division. It is the central coordinating body in the W&W Group. The Management Board concerns itself with, among other things, Group control and the definition and development of the business strategy for the Group. In addition, it serves the exchange of information between the Executive Board and the division heads with regard to the integration of the divisions into the Group strategy. The division boards coordinate division-specific issues, while the Group boards coordinate cross-division initiatives in the areas of sales and risk. In order to ensure that decision-making paths are efficient throughout the Group, the Management Board meets monthly with the division boards, which we call the Group Board meeting. The meetings are simultaneously considered to be meetings of the W&W AG Executive Board.

This governance profile, which has been optimised for our Group structure, is a decisive cornerstone of the strategic step of developing the W&W Group holistically as a financial planning specialist.

The Chairman of the Executive Board is in charge of the collaboration between the Executive Board and the Supervisory Board. He is in regular contact with the Chairman of the Supervisory Board and discusses the company's strategy, business development and risk management with him. He promptly notifies the Chairman of the Supervisory Board about important events that are of major significance for the assessment of the company's position and performance, as well as for its management. The Executive Board coordinates the strategic alignment of the W&W Group with the Supervisory Board. In addition, the Executive Board reports to the Supervisory Board in a regular, timely and comprehensive manner about the company's strategy, planning, business development, risk position, risk management and compliance. Details are addressed in bylaws for the Executive Board.

Bylaws likewise address in detail how the activities of the Supervisory Board are structured. The role and composition of supervisory boards became the subject of public attention in connection with the financial crisis. In this regard, central issues in the social policy discussion are the qualification, independence and diversity of supervisory boards. The Supervisory Board of W&W AG took up these issues and by resolution of 20 December 2010 derived from them specific targets for its composition. The targets declaration was augmented by resolution of 22 March 2013 with specific targets for the appropriate number of independent Supervisory Board members.

In view of the special features of the Home Loan and Savings Bank and Insurance divisions and the common Group perspective, the candidates nominated by the Supervisory Board for election to the body are evaluated in terms of their expertise, experience, professional knowledge and individual qualities. Other criteria for nominees are independence and compliance with the age limit of 70 provided for as a target requirement in Section 2(2) of the bylaws for the Supervisory Board.

The Supervisory Board of W&W AG has a total of 16 members, including one woman. In the estimation of the Supervisory Board, all shareholder representatives on the Supervisory Board are independent. In addition, the Supervisory Board believes that the employee representatives elected to the Supervisory Board under the German Co-determination Act are essentially independent. Going forward as well, an appropriate number of independent members will belong to the Supervisory Board. In terms of shareholder representatives, the Supervisory Board considers at least four independent members to be appropriate. Suitable consideration of women is a declared target in filling the Supervisory Board. In the medium term, we are striving for equal representation. In light of general equal opportunities, the Supervisory Board considers this ratio to be appropriate. We respect the free voting decision of those entitled to vote. On account of the company-specific situation, the Supervisory Board does not consider it necessary to strive for a certain minimum number of members who represent, in particular, the quality of "internationality", since the main focus of the W&W Group's business operations is the national insurance and home loan and savings bank area. However, the inclusion of and collaboration between Supervisory Board members with different backgrounds and ways of thinking fundamentally enriches the body and promotes the discussion culture. This ultimately leads to control and advisory activities that are more efficient and more effective. On 28 May 2014, the Annual General Meeting re-elected three members of the Supervisory Board who had already reached the age of 70 for a new, abbreviated term of office. They were elected because of their demonstrated expertise and knowledge of the company.

The Supervisory Board regularly reviews the efficiency of its work. The last efficiency review took place in the 2014 financial year. Supervisory Board work was reviewed on the basis of an internally prepared questionnaire. The focus was on the issues of Supervisory Board information, conduct of Supervisory Board meetings, working methods of the Supervisory Board, committees, structure of the Supervisory Board and conflicts of interest/miscellaneous.

Conflicts of interest, particularly those that may arise because of giving advice to or serving on a governing body of customers, suppliers, lenders or other third parties, are disclosed to the (Chairman of the) Supervisory Board and noted in the report of the Supervisory Board.

In the 2014 financial year, the Supervisory Board of W&W AG established five standing committees, i.e. the Personnel, Mediation, Administration, Nomination, and Risk and Audit committees.

RISK AND AUDIT COMMITTEE

The committee normally meets twice a year to prepare for Supervisory Board meetings dealing with the balance sheet and planning. The committee discusses interim financial reports with the Executive Board in teleconferences. The committee also meets when necessary. The Risk and Audit Committee met three times during the 2014 financial year.

It concerns itself with accounting issues and the monitoring of the accounting process. It prepares the decisions of the Supervisory Board regarding the assessment of the annual financial statements, the approval of the consolidated financial statements, the result of the auditing of the Management Report and the Group Management Report or, as the case may be, a combined Management Report, and the proposal for the appropriation of profits, as well as regarding submission of the corporate governance statement with the corporate governance report, including the remuneration report. For this purpose, it is responsible for the advance review and, if necessary, preparation of the corresponding documentation.

The responsibilities of the Risk and Audit Committee also include monitoring the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as dealing with compliance issues. In addition, the Risk and Audit Committee deals with Issues concerning the current and future overall risk appetite and business and risk strategies at company and Group level and supports by monitoring the implementation of these strategies. The Executive Board reports to the Risk and Audit Committee on business and risk strategies, as well as on the risk situation of the company and the W&W Group. In addition, the Risk and Audit Committee is reported to on the work of the Internal Audit department, including the audit plan, as well as especially serious findings and their handling. In consultation with the Executive Board, the chair of the Risk and Audit Committee may make direct enquiries to the head of Internal Audit and of Risk Control.

The Risk and Audit Committee monitors whether conditions in customer business are in line with the business model and risk structure of the company and the W&W Group. Where this is not the case, the Risk and Audit Committee makes proposals to the Executive Board on how to bring the conditions in customer business into line with the business model and risk structure.

The Risk and Audit Committee examines whether incentives provided by the remuneration system take into consideration the risk, capital and liquidity structure of the company and the W&W Group and the likelihood and maturity of earnings. This is without prejudice to the tasks of the Personnel Committee.

The auditor is selected by the Supervisory Board at the recommendation of the Risk and Audit Committee.

The Risk and Audit Committee resolves on the agreement with the auditor (in particular, the audit mandate, the definition of the main audit areas and the fee agreement), as well as on termination or continuation of the audit mandate. It adopts suitable measures in order to ascertain and monitor the independence of the auditor and the additional services provided by the auditor for the company. The Supervisory Board supports the Executive Board in monitoring the implementation of the statutory audits.

The Risk and Audit Committee supports the Supervisory Board in monitoring the swift rectification by the Executive Board of the deficiencies identified by the auditor.

The Risk and Audit Committee consists of eight members, of which four are shareholder representatives and four are employee representatives.

Members
Thomas Eichelmann (chair)
Peter Buschbeck
Wolfgang Dahlen
Dr Reiner Hagemann (independent financial expert)
Ute Hobinka
Uwe Ilzhöfer
Andreas Rothbauer
Hans Dietmar Sauer

Personnel Committee

The Personnel Committee meets at least once each calendar year, as well as when necessary. The Personnel Committee met six times during the 2014 financial year.

At least one member of the Personnel Committee must have sufficient expertise and professional experience in the area of risk management and risk control, in particular with respect to mechanisms for gearing the remuneration systems to the company's overall risk appetite and strategy and to its capital adequacy. The Personnel Committee also handles the duties of the remuneration committee pursuant to Section 25d, para. 12 of the German Banking Act (KWG) and some of the duties of the nomination committee pursuant to Section 25d, para. 11 KWG.
The Personnel Committee prepares the personnel decisions of the Supervisory Board, in particular the appointment and dismissal of members of the Executive Board and the appointment of the Chairman of the Executive Board.

The Personnel Committee resolves in place of the Supervisory Board, in particular, on the conclusion, amendment and ending of the employment and pension agreements of Executive Board members. This does not apply to the setting of remuneration and decisions pursuant to Section 87, para. 2, first and second sentence of the German Stock Corporations Act (AktG). The Supervisory Board resolves on these following preparations by the Personnel Committee, whereby, in its proposed resolution to the Supervisory Board, the Personnel Committee takes into account, in particular, the impact of the resolution on the company's risk and risk management.

The Personnel Committee monitors the adequate structure of the remuneration systems for the Executive Board and employees and, in particular, the adequate structure of remuneration for the heads of the risk control function and the compliance function and for those employees with a material impact on the company's overall risk profile and that of the W&W Group, and it supports the Supervisory Board in monitoring the adequate structure of remuneration systems for the employees of the company; the impact of the remuneration systems on the management of risk, capital and liquidity are to be assessed.

In particular, the Personnel Committee supports the Supervisory Board

- in monitoring the proper inclusion of the internal control function and all other material functions in the structure of the remuneration systems;
- in identifying candidates to fill Executive Board vacancies;
- in deciding on a target to encourage the representation of the underrepresented gender on the Supervisory Board and a policy on how to meet that target;
- in periodically assessing the structure, size, composition and performance of the Executive Board and the Supervisory Board;
- in periodically assessing the knowledge, skills and experience of the individual members of the Executive Board and the Supervisory Board, as well as of the respective boards collectively; and
- in reviewing the policy of the Executive Board for the selection and appointment of senior management and making recommendations on this matter to the Executive Board.

The Personnel Committee regularly deliberates on the long-term succession planning for the Executive Board. In doing so, it takes into account the company's senior-management planning.
The Personnel Committee consists of two shareholder representatives and two employee representatives. The Chairman of the Supervisory Board is the committee chair.

Members
Hans Dietmar Sauer (chair)
Dr Rainer Hägele
Christoph Seeger
Frank Weber

Nomination Committee

The Nomination Committee consists of three members, all of whom are shareholder representatives, and it meets when necessary. The Nomination Committee supports the Supervisory Board in connection with proposals to the Annual General Meeting for the election of Supervisory Board members. The Nomination Committee met two times during the 2014 financial year.

Members
Hans Dietmar Sauer (chair)
Dr Reiner Hagemann
Ulrich Ruetz

Administration Committee

The Administration Committee is composed of four shareholder representatives and four employee representatives. The committee meets when necessary, for instance in order to prepare Supervisory Board meetings or in urgent cases – where permitted by statute – to adopt resolutions in place of the Supervisory Board.

Members
Hans Dietmar Sauer (chair)
Christian Brand
Wolfgang Dahlen
Dr Rainer Hägele
Ute Hobinka
Jochen Höpken
Ulrich Ruetz
Matthias Schell

Mediation Committee

In addition, the Supervisory Board has at its disposal the Mediation Committee, which is required to be formed by the German Co-determination Act (MitbestG). The Mediation Committee makes personnel proposals to the Supervisory Board where the required majority is lacking for the appointment and dismissal of Executive Board members. The Mediation Committee consists of the Chairman of the Supervisory Board, his deputy by virtue of his office, one member elected by the Supervisory Board members of the shareholder representatives, and one member elected by the Supervisory Board members of the employee representatives.

Members
Hans Dietmar Sauer (chair)
Wolfgang Dahlen
Dr Wolfgang Knapp
Frank Weber

Compliance statement

(Version: 9 December 2014)

The recommendations of the Government Commission for the German Corporate Governance Code, as amended on 24 June 2014 and made public by the German Federal Ministry of Justice in the official part of the electronic German Federal Gazette on 30 September 2014, have been and will be complied with, other than as follows:

According to No. 3.8, second and third paragraphs, in the event that the company takes out a D&O insurance policy for the Supervisory Board, a deductible of at least 10% of the claim up to at least the amount of one and a half times the fixed annual remuneration is to be agreed upon. Wüstenrot & Württembergische AG deviates from this recommendation, because a high deductible, which must be uniform in light of the principle of equality that has to be observed, would affect the members of the Supervisory Board to very different extents, depending on their private income and assets. In a serious case, less wealthy members of the Supervisory Board could find themselves in existential difficulties, which would not be fair in view of the fact that their duties are the same.

According to No. 5.4.1, the Supervisory Board is to specify concrete targets regarding its composition, including an age limit to be stipulated for the members of the Supervisory Board. By resolution of 26 March 2014, the Supervisory Board confirmed its target declaration, which is published in the corporate governance statement. This also covers the age limit of 70 for Supervisory Board members set forth as a target requirement in the bylaws for the Supervisory Board.

At the Annual General Meeting on 28 May 2014, Hans Dietmar Sauer, Ulrich Ruetz and Dr. Rainer Hägele, all of whom are aged 70 or older, were elected to the Supervisory Board for new, abbreviated terms of office. They were elected because of their demonstrated expertise and knowledge of the company, which they can continue to contribute for the benefit of the company, including Mr Sauer in his role as Chairman of the Supervisory Board.

Information about corporate governance practices

COMPLIANCE

W&W AG works to ensure compliance with statutory requirements and internal company guidelines by means of a Group-wide compliance organisation.

The Group Compliance Officer ensures the dissemination, application and implementation of internal and external codes of conduct. In order to further enhance integrity in the tied-agents organisations of the W&W Group, the Group Compliance Officer is supported by a sales compliance officer.

In order to enhance compliance efficiency, a Group Compliance Committee has been set up, which is composed of the head of the Group Legal and Compliance department, the head of the Group Risk Management department, the Group Compliance Officer, the Group Money Laundering and Securities Compliance Officer, the head of the Group Audit department and the Group Data Protection Officer. The committee meets regularly, at least once a month, as well as on an ad hoc basis if necessary. This ensures close collaboration and the ongoing exchange of information between the relevant compliance areas in the Group.

A Code of Conduct has been established within the W&W Group. It applies to all members of governing bodies, managers and employees in the internal and mobile sales force. The Code of Conduct is supplemented by a manual, published throughout the Group, that provides specific examples of conflict situations and their solutions, as well as by a special code of conduct for sales and a comprehensive compliance and fraud prevention manual.

In addition, an external (Group) ombudsman supports W&W Group employees should they wish to bring to light important and criminally significant transactions in the company.

Managers and all employees are notified about insider-trading legislation, cartel legislation and the issues of corruption and compliance through extensive documentation. The legal areas are explained in understandable terms using examples and self-monitoring options.

Together with its subsidiaries that operate the primary insurance business, W&W AG acceded in 2013 to the revised Code of Conduct for Sales enacted by the German Insurance Association (GDV) in 2013.

SUBSIDIARIES

Württembergische Lebensversicherung AG, the publicly traded subsidiary of Wüstenrot & Württembergische AG, also submitted a compliance statement on 10 December 2014. In addition, our domestic subsidiaries that are not publicly traded generally comply with the recommendations of the German Corporate Governance Code, taking into account company-specific characteristics.

CONSOLIDATED BALANCE SHEET (W&W GROUP IFRS)

ASSETS

in € thousands	cf. Note no. [1]	31.12.2014	31.12.2013
A. Cash reserves	1	339,053	531,635
B. Non-current assets held for sale and discontinued operations	2	14,090	14,138
C. Financial assets at fair value through profit or loss	3	3,463,943	2,644,166
D. Financial assets available for sale	4	25,613,428	21,013,226
thereof sold under repurchase agreements or lent under securities lending transactions	46	2,304,793	2,341,526
E. Receivables	5	44,316,001	46,357,895
I. Subordinated securities and receivables		96,354	88,495
II. First-rate receivables from institutional investors		16,520,286	17,095,162
III. Senior fixed-income securities		—	332,298
IV. Building loans		25,127,273	26,253,754
V. Other receivables		2,572,088	2,588,186
F. Risk provision	6	– 214,566	– 203,821
G. Positive market values from hedges	7	51,104	26,736
H. Financial assets accounted for using the equity method	8	184,192	135,544
I. Investment property	9	1,769,358	1,671,715
J. Reinsurers' portion of technical provisions	10	1,353,969	1,427,806
K. Other assets		1,645,487	1,423,474
I. Intangible assets	11	116,633	154,861
II. Property, plant and equipment	12	238,048	239,873
III. Inventories	13	67,815	63,779
IV. Current tax assets	14	72,835	95,576
V. Deferred tax assets	15	1,042,313	766,694
VI. Other assets	16	107,843	102,691
TOTAL ASSETS		78,536,059	75,042,514

1 See numbered notes.

Additional information concerning a number of items is provided under Notes 42-48 "Notes concerning financial instruments and fair value", Notes 49-53 "Notes concerning risks under financial instruments and insurance contracts", and Notes 57 et seq. "Other information".

Liabilities

in € thousands	cf. Note no.	31.12.2014	31.12.2013
A. Financial liabilities at fair value through profit or loss	17	1,012,030	750,820
B. Liabilities	18	35,647,143	35,939,669
I. Liabilities evidenced by certificates		1,165,708	1,266,857
II. Liabilities to credit institutions		6,401,409	6,011,218
III. Liabilities to customers		25,710,869	26,252,943
IV. Finance lease liabilities		32,433	36,366
V. Miscellaneous liabilities		2,336,724	2,372,285
C. Negative market values from hedges	19	608,751	316,378
D. Technical provisions	20	32,908,709	31,201,780
E. Other provisions	21	2,944,398	2,410,190
F. Other liabilities		1,124,310	742,276
I. Current tax liabilities	22	199,245	204,388
II. Deferred tax liabilities	23	916,040	528,439
III. Other liabilities	24	9,025	9,449
G. Subordinated capital	25	616,498	428,383
H. Equity	26	3,674,220	3,253,018
I. Interests of W&W shareholders in paid-in capital		1,487,576	1,460,248
II. Interests of W&W shareholders in earned capital		2,072,948	1,707,797
Retained earnings		1,940,540	1,750,081
Other reserves (other comprehensive income)		132,408	– 42,284
III. Non-controlling interests in equity		113,696	84,973
Total liabilities		78,536,059	75,042,514

Additional information concerning a number of items is provided under Notes 42-48 "Notes concerning financial instruments and fair value", Notes 49-53 "Notes concerning risks under financial instruments and insurance contracts", and Notes 57 et seq. "Other information".

CONSOLIDATED INCOME STATEMENT

in € thousands	cf. Note no.	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Income from financial assets available for sale		1,332,254	1,000,684
Expenses from financial assets available for sale		165,524	296,394
1. Net income/loss from financial assets available for sale	27	1,166,730	704,290
Income from financial assets accounted for using the equity method		83,923	32,586
Expenses from financial assets accounted for using the equity method		163	859
2. Net income from/net expense for financial assets accounted for using the equity method	28	83,760	31,727
Income from financial assets/liabilities at fair value through profit or loss		1,695,195	1,475,952
Expenses from financial assets/liabilities at fair value through profit or loss		1,767,840	1,253,256
3. Net income/loss from financial assets/liabilities at fair value through profit or loss	29	– 72,645	222,696
Income from hedges		352,344	453,097
Expenses from hedges		278,359	405,931
4. Hedge result	30	73,985	47,166
Income from receivables, liabilities and subordinated capital		2,039,923	2,083,480
Expenses from receivables, liabilities and subordinated capital		1,009,095	907,249
5. Net income from receivables, liabilities and subordinated capital	31	1,030,828	1,176,231
Income from credit risk adjustments		100,548	103,728
Expenses for credit risk adjustments		141,849	135,024
6. Net income from risk provision	32	– 41,301	– 31,296
7. NET FINANCIAL INCOME		2,241,357	2,150,814
Income from investment property		125,260	111,974
Expenses from investment property		64,114	83,950
8. Net income from investment property	33	61,146	28,024
Commission income		221,333	229,113
Commission expenses		624,817	634,433
9. Net commission income	34	– 403,484	– 405,320
Earned premiums (gross)		4,091,060	3,998,938
Paid reinsurance premiums		– 151,694	– 158,571
10. Premiums/contributions earned (net)	35	3,939,366	3,840,367
Insurance benefits (gross)		4,586,957	4,624,625
Received reinsurance premiums		– 160,053	– 360,526
11. Insurance benefits (net)	36	4,426,904	4,264,099
CARRYOVER		1,411,481	1,349,786

in € thousands	cf. Note no.	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
CARRYOVER		1,411,481	1,349,786
Personnel expenses		615,726	630,835
Materials costs		403,032	418,747
Depreciation/amortisation		89,327	68,431
12. General administrative expenses	37	1,108,085	1,118,013
13. Net measurement income/loss from non-current assets held for sale and discontinued operations		—	– 165
Other operating income		204,834	237,059
Other operating expenses		225,226	284,085
14. Net other operating income/loss	38	– 20,392	– 47,026
15. CONSOLIDATED NET INCOME FROM CONTINUED OPERATIONS BEFORE INCOME TAXES		283,004	184,582
16. Income taxes	39	41,038	29,727
17. CONSOLIDATED NET PROFIT		241,966	154,855
Net income attributable to shareholders of W&W AG		233,378	143,137
Net income attributable to non-controlling interests		8,588	11,718
18. BASIC (= DILUTED) EARNINGS PER SHARE, IN €	40	2.52	1.56
thereof from continued operations, in €		2.52	1.56

Additional information concerning a number of items is provided under Notes 42-48 "Notes concerning financial instruments and fair value", Notes 49-53 "Notes concerning risks under financial instruments and insurance contracts", and Notes 57 et seq. "Other information".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in € thousands	cf. Note no.	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Consolidated net profit		241,966	154,855
Other comprehensive income			
Elements not reclassified to the consolidated income statement:			
Actuarial gains/losses (-) from defined-benefit plans (gross)	21	– 387,741	907
Provision for deferred premium refunds		22,812	—
Deferred taxes		113,985	– 75
Actuarial gains/losses (-) from defined-benefit plans (net)		– 250,944	832
Elements subsequently reclassified to the consolidated income statement:			
Unrealised gains/losses (-) from financial assets available for sale (gross)	41	1,659,305	– 667,813
Provision for deferred premium refunds		– 985,781	398,530
Deferred taxes		– 207,450	78,442
Unrealised gains/losses (-) from financial assets available for sale (net)		466,074	– 190,841
Unrealised gains/losses (-) from financial assets accounted for using the equity method (gross)	8, 41	– 133	– 7,006
Provision for deferred premium refunds		– 121	2,658
Deferred taxes		– 2	181
Unrealised gains/losses (-) from financial assets accounted for using the equity method (net)		– 256	– 4,167

in € thousands	cf. Note no.	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Unrealised gains/losses (-) from cash flow hedges (gross)	41	– 16,853	– 75,552
Provision for deferred premium refunds		—	—
Deferred taxes		2,553	20,972
Unrealised gains/losses (-) from cash flow hedges (net)		– 14,300	– 54,580
Currency translation differences of economically independent foreign units		– 2,320	– 16,135
Total other comprehensive income, gross		1,252,258	– 765,599
Total provision for deferred premium refunds		– 963,090	401,188
Total deferred taxes		– 90,914	99,520
Total other comprehensive income, net		198,254	– 264,891
TOTAL NET INCOME/LOSS FOR THE PERIOD		440,220	– 110,036
Attributable to shareholders of W&W AG		411,231	– 105,542
Attributable to non-controlling interests		28,989	– 4,494

Additional information concerning a number of items is provided under Notes 42-48 "Notes concerning financial instruments and fair value", Notes 49-53 "Notes concerning risks under financial instruments and insurance contracts", and Notes 57 et seq. "Other information".

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Interests of W&W shareholders in paid-in capital	
		Share capital	Capital reserve
in € thousands	cf. Note no.		
Equity as at 1 January 2013		481,121	979,127
Total net income/loss for the period			
Consolidated net profit		—	—
Other comprehensive income			
Actuarial gains/losses (-) from defined-benefit plans		—	—
Unrealised gains/losses (-) from financial assets available for sale		—	—
Unrealised gains/losses (-) from financial assets accounted for using the equity method		—	—
Unrealised gains/losses (-) from cash flow hedges		—	—
Currency translation differences of economically independent foreign units		—	—
Total other comprehensive income		—	—
TOTAL NET INCOME/LOSS FOR THE PERIOD		—	—
Dividends to shareholders	26	—	—
Changes in ownership interests without loss of control		—	—
Other		—	—
EQUITY AS AT 31 DECEMBER 2013		481,121	979,127

Interests of W&W shareholders in earned capital: Retained earnings	Interests of W&W shareholders in earned capital: Other reserves: Reserve for pension commitments	Reserve for financial assets available for sale	Reserve for financial assets accounted for using the equity method	Reserve for cash flow hedges	Reserve for currency translation	Equity attributable to W&W shareholders	Non-controlling interests in equity	Total equity
1,645,661	– 289,323	329,645	11,195	138,878	16,000	3,312,304	106,186	3,418,490
143,137	—	—	—	—	—	143,137	11,718	154,855
—	698	—	—	—	—	698	134	832
—	—	– 178,920	—	—	—	– 178,920	– 11,921	– 190,841
—	—	—	– 4,062	—	—	– 4,062	– 105	– 4,167
—	—	—	—	– 54,580	—	– 54,580	—	– 54,580
—	—	—	—	—	– 11,815	– 11,815	– 4,320	– 16,135
—	698	– 178,920	– 4,062	– 54,580	– 11,815	– 248,679	– 16,212	– 264,891
143,137	698	– 178,920	– 4,062	– 54,580	– 11,815	– 105,542	– 4,494	– 110,036
– 45,996	—	—	—	—	—	– 45,996	– 266	– 46,262
7,350	—	—	—	—	—	7,350	– 16,453	– 9,103
– 71	—	—	—	—	—	– 71	—	– 71
1,750,081	– 288,625	150,725	7,133	84,298	4,185	3,168,045	84,973	3,253,018

CONSOLIDATED CASH FLOW STATEMENT

Cash flow from operating activities is determined using the indirect method. The balance of cash and cash equivalents consists of the item "Cash reserves" and the balances with credit institutions payable on demand that are contained under "Other receivables" (cf. Note 1 and Note 5).

CONSOLIDATED CASH FLOW STATEMENT

in € thousands	cf. Note no.	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Consolidated net profit		241,966	154,855
Non-cash items contained in consolidated net profit and reconciliation of cash flow from operating activities			
Net income from/net expense for financial assets accounted for using the equity method	8, 28	– 83,760	– 31,727
Amortisation, depreciation, impairment losses (+) and reversals of impairment losses (-) of intangible assets and property, plant and equipment	37	89,327	125,737
Amortisation, impairment losses (+) and reversals of impairment losses (-) of financial assets	27, 32, 33	180,898	152,415
Increase (+)/decrease (-) in technical provisions	20	743,840	752,182
Increase (+)/decrease (-) in other provisions	21	204,626	71,008
Changes in deferred tax assets and liabilities	39	21,259	– 17,846
Net gain (-)/loss (+) from the sale of intangible assets and property, plant and equipment	38	440	2
Net gain (-)/loss (+) from the sale of financial investments (not including participations)	27, 33	– 384,606	– 320,442
Other non-cash expenses (+)/income (-)	27, 29, 38	– 371,089	– 42,174
Other adjustments		– 1,505,520	– 1,578,371
SUBTOTAL		– 862,619	– 734,361

CONSOLIDATED CASH FLOW STATEMENT (CONTINUATION)

in € thousands	cf. Note no.	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Change in assets and liabilities from operating activities			
Increase (-)/decrease (+) in building loans	5, 6	1,090,642	1,197,317
Increase (-)/decrease (+) in first-rate receivables from institutional investors	5, 6	574,877	480,897
Increase (-)/decrease (+) in senior fixed-income securities	5, 6	347,603	2,766
Increase (-)/decrease (+) in subordinated securities and receivables	5, 6	– 7,859	– 51,597
Increase (-)/decrease (+) in other assets	5, 6, 7, 10, 13 14, 16	148,790	1,273,356
Financial assets (-)/liabilities (+) at fair value through profit or loss	3, 17	– 326,691	38,568
Increase (+)/decrease (-) in liabilities evidenced by certificates	18	– 101,149	– 215,508
Increase (+)/decrease (-) in liabilities to credit institutions	18	390,191	– 616,480
Increase (+)/decrease (-) in liabilities from reinsurance business	18	– 2,847	– 24,647
Increase (+)/decrease (-) in loans and advances to customers	18	– 542,074	– 326,679
Increase (+)/decrease (-) in other liabilities	18, 19, 22, 24	– 102,512	– 933,178
Interest received		2,404,130	2,538,560
Dividends received		124,666	109,925
Interest paid		– 971,076	– 998,664
Income taxes paid (-)/received (+)		– 12,346	– 26,470
SUBTOTAL		3,014,345	2,448,166
I. CASH FLOW FROM OPERATING ACTIVITIES		2,151,726	1,713,805

Consolidated cash flow statement (continuation)

in € thousands	cf. Note no.	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Cash receipts from the disposal of intangible assets and property, plant and equipment	11, 12	691	10,034
Cash payments for investments in intangible assets and property, plant and equipment	11, 12	– 50,270	– 67,383
Cash receipts from the disposal of financial assets	2, 4, 9	10,378,804	10,701,771
Cash payments for investments in financial assets	4, 9	– 13,033,534	– 11,788,611
Cash receipts from the disposal of interests in financial assets accounted for using the equity method		26,846	—
II. Cash flow from investing activities		– 2,677,463	– 1,144,189
Dividend payments to shareholders	26	– 18,322	– 45,996
Dividend payments to minority interests		– 266	– 266
Transactions between shareholders		—	– 8,199
Change in funds resulting from subordinated capital	25	188,115	– 18,581
Interest payments on subordinated capital	31	– 30,979	– 24,463
Cash payments towards finance lease liabilities	18	– 3,933	– 3,848
Other cash payments		– 346	—
III. Cash flow from financing activities		134,269	– 101,353
Cash and cash equivalents as at 1 January		1,093,098	630,377
Net change in cash and cash equivalents (I.+II.+III.)		– 391,468	468,263
Change in cash and cash equivalents attributable to the effects of exchange rates and the scope of consolidation		13,423	– 5,542
Cash and cash equivalents as at 31 December		715,053	1,093,098
Components of cash and cash equivalents			
Cash reserves	1	339,053	531,635
Balances with credit institutions payable on demand	5	376,000	561,463
Cash and cash equivalents at the end of the financial year		715,053	1,093,098

The W&W Group can freely dispose of its cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General accounting principles and application of IFRS

GENERAL INFORMATION

Wüstenrot & Württembergische AG is a publicly traded company with its registered office in Stuttgart (Gutenbergstraße 30, 70176 Stuttgart, Germany) and is the parent company of the W&W Group. The business of Wüstenrot & Württembergische AG as an individual company consists of reinsurance business for the insurance companies of the W&W Group, as well as the control of the W&W Group. The ultimate parent company of Wüstenrot & Württembergische AG is Wüstenrot Holding AG, Ludwigsburg, which is wholly owned by the non-profit Wüstenrot Foundation Gemeinschaft der Freunde Deutscher Eigenheimverein e.V., Ludwigsburg.

The W&W Group is "The financial planning specialist" for modern financial planning, offering customised, innovative and attractive products in the following areas:

- Financial coverage
- Residential property
- Risk protection
- Savings and investment

The Executive Board of Wüstenrot & Württembergische AG authorised publication of the consolidated financial statements on 27 February 2015. They were presented to the Supervisory Board for approval on 25 March 2015.

The consolidated financial statements will be presented to shareholders at the ordinary Annual General Meeting on 11 June 2015.

The consolidated financial statements of Wüstenrot & Württembergische AG – consisting of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements – were prepared on the basis of Section 315a, para. 1, of the German Commercial Code (HGB) in conjunction with Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of IFRS international accounting standards, as they are to be applied in the European Union. In addition, a Management Report was prepared in accordance with the rules of commercial law.

In conformity with IFRS 4 "Insurance Contracts", insurance-specific business transactions for which IFRS do not include any specific rules are recognised for domestic Group companies in accordance with the relevant rules of commercial law pursuant to Sections 341 et seq. of the German Commercial Code (HGB) and the regulations based on them and for foreign Group companies in accordance with the respective local accounting rules.

The consolidated financial statements of the Wüstenrot & Württembergische Group are based on the principle of a going concern.

International Financial Reporting Standards (IFRS) and interpretations (IFRIC) applied

IFRS include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the previous Standing Interpretations Committee (SIC). All IFRS issued by the International Accounting Standards Board (IASB) and adopted by the European Commission for application in the EU were adhered to insofar as their application was mandatory and they were relevant for the W&W Group.

Presentation of the financial statements

These consolidated financial statements were drawn up in euros (€). The amounts shown have been rounded to € thousands. For ease of readability, the notes generally refer to € millions or billions. Rounding may result in discrepancies when compared with the non-rounded amounts shown.

Comparative information

Unless indicated otherwise, comparative information about items in the consolidated income statement relates to the period 1 January 2013 to 31 December 2013, whereas comparative information about items in the consolidated balance sheet relates to 31 December 2013.

Accounting policies

CHANGES IN ACCOUNTING POLICIES

Accounting rules to be applied for the first time in the financial year

Starting with the 2014 financial year, the W&W Group for the first time applied the following new or changed standards whose implementation is mandatory:

ACCOUNTING RULES TO BE APPLIED FOR THE FIRST TIME IN THE FINANCIAL YEAR

	PUBLICATION BY IASB/IFRIC	MANDATORY FOR FINANCIAL YEARS BEGINNING ON OR AFTER	EU ENDORSEMENT
Amendments to IAS 27 "Separate Financial Statements"	May 2011	1 January 2014	December 2012
Amendments to IAS 28 "Investments in Associates and Joint Ventures"	November 2012	1 January 2014	December 2012
Amendments to IAS 32 "Financial Instruments: Presentation"	December 2011	1 January 2014	December 2012
Amendments to IAS 36 "Impairment of Assets"	May 2013	1 January 2014	December 2013
Amendment to IAS 39 "Financial Instruments: Recognition and Measurement"	June 2013	1 January 2014	December 2013
IFRS 10 "Consolidated Financial Statements"	May 2011	1 January 2014	December 2012
IFRS 11 "Joint Arrangements"	May 2011	1 January 2014	December 2012
IFRS 12 "Disclosure of Interests in Other Entities"	May 2011	1 January 2014	December 2012
Amendments to IFRS 10, IFRS 11 and IFRS 12 – transition rules	June 2012	1 January 2014	April 2013
Amendments to IFRS 10, IFRS 12 and IAS 27 – investment entities	October 2012	1 January 2014	November 2013

AMENDMENTS TO IAS 27 "SEPARATE FINANCIAL STATEMENTS"

In connection with the adoption of IFRS 10 "Consolidated Financial Statements", the rules for the principle of control and the requirements relating to the preparation of consolidated financial statements were shifted out of IAS 27 and finalised in IFRS 10 (see comments about IFRS 10). As a result, IAS 27 now contains only the rules concerning the accounting for subsidiaries, joint ventures and associates in IFRS separate financial statements. For the W&W Group, this does not result in any changes in the presentation of net assets, financial position and financial performance.

AMENDMENTS TO IAS 28 "INVESTMENTS IN ASSOCIATES AND JOINT VENTURES"

In connection with the adoption of IFRS 11 "Joint Arrangements", modifications were also made to IAS 28. As has been the case to date, IAS 28 governs the application of the equity method. However, the scope of application was made considerably broader through the adoption of IFRS 11, since investments not only in associates but also in joint ventures (see IFRS 11) now have to be accounted for using the equity method. Pro rata consolidation of joint ventures thus no longer applies. In addition, potential voting rights and other derivative instruments are to be taken into consideration when evaluating whether a company has significant influence. Another amendment specifies that IFRS 5 has to be partly applied where only a portion of an investment in an associate (or a joint venture) is classified as held for sale.

For the W&W Group, this does not result in any changes in the presentation of net assets, financial position and financial performance.

AMENDMENTS TO IAS 32 "FINANCIAL INSTRUMENTS: PRESENTATION"

The amendment to IAS 32 clarifies the requirements for the netting of financial instruments. The amendment defines a currently legally enforceable right to set-off and clarifies which gross settlement mechanisms meet the net settlement criterion within the meaning of the standard. As a consequence of these clarifications, the disclosure rules in IFRS 7 were expanded last year.

For the W&W Group, this does not result in any changes in the presentation of net assets, financial position and financial performance.

AMENDMENTS TO IAS 36 "IMPAIRMENT OF ASSETS"

The amendments serve to clarify that disclosure of the recoverable amount, provided that it is based on fair value less costs of disposal, relates only to assets or cash-generating units for which an impairment loss was recognised in the reporting period.

If, in the case of impairment, the recoverable amount corresponds to fair value less costs of disposal, the following disclosures must also be made:

- measurement methods applied, as well as changes in measurement methods, for Level 2 and Level 3 measurements,
- levels of the fair value hierarchy pursuant to IFRS 13, used to determine fair value,
- and for Level 2 and Level 3 measurements, the key assumptions for determining fair value, including the discount rate used when applying the present-value technique, a disclosure that is mandatory.

For the W&W Group, this does not result in any changes in the presentation of net assets, financial position and financial performance.

AMENDMENT TO IAS 39 "FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT"

On 27 June 2013, the IASB adopted an amendment to IAS 39 "Financial Instruments: Recognition and Measurement" with respect to the novation of derivatives and continuation of hedge accounting, which was ratified by the EU in December 2013. As a result of this amendment, the novation of a hedging instrument to a central counterparty does not lead to expiration or termination of the hedging relationship under the following conditions:

- Novation is mandated as a consequence of laws or supervisory requirements or the introduction of laws or supervisory requirements.
- Through the novation, the central counterparty or a company (or several companies) acting as the counterparty becomes the contract partner of all parties to the derivative contract.
- No changes may be made to the contract terms of the original derivative, other than changes that are a necessary consequence of the novation.

Under the previous rules of IAS 39, the accounting of a hedging relationship for which an OTC derivative was designated as the hedging instrument would have to end if a clearing duty and the deployment of a central counterparty as new contracting party lead to derecognition of an OTC derivative.

For the W&W Group, this amendment does not result in any changes in the presentation of net assets, financial position and financial performance, since all affected hedging relationships remain in place without change.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces the rules of IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". This standard provides a new, broader definition of the term "control". An entity (parent) that controls another entity (subsidiary) is required to consolidate the subsidiary. IFRS 10 creates a uniform basis with respect to the consolidation concept and the scope of consolidation. According to IFRS 10, control exists if the potential parent company has decision-making authority over the potential subsidiary based on voting rights or other rights, it participates in positive or negative variable returns from the subsidiary, and it can influence such returns through its decision-making authority. However, the consolidation methods remain unchanged.

The W&W Group performed an extensive analysis of all investments and special funds based on the new concept of control in IFRS 10. This didnot result in any material effects on the scope of consolidation and thus on the presentation of the net assets, financial position and financial performance of the W&W Group.

IFRS 11 "Joint Arrangements"

IFRS 11 establishes new rules for the accounting of jointly controlled activities (joint arrangements). Pursuant to the definition in IFRS 11, these involve contractual agreements on arrangements of which two or more parties have joint control. Instead of the three previous forms (jointly controlled operations, jointly controlled assets and jointly controlled entities, see IAS 31 "Joint Ventures"), there are now only two types of joint arrangements:

- a joint operation, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement, which in turn are accounted for on a pro rata basis in the consolidated financial statements, and
- a joint venture, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. This right is accounted for using the equity method in the consolidated financial statements, meaning that the option of pro rata inclusion in the consolidated financial statements no longer applies.

Under this concept, decisive is whether the arrangement is a joint operation or a joint venture.

The W&W Group performed an extensive analysis of all investments and special funds. This did not reveal any joint arrangements pursuant to IFRS 11. This also did not result in any effects on the presentation of the net assets, financial position and financial performance of the W&W Group

IFRS 12 "Disclosure of Interests in Other Entities"

This standard defines the disclosures that need to be made with respect to the nature of, and risks associated with, interests in other entities. The disclosures required to be made in the notes to the consolidated financial statements are considerably more extensive than those formerly mandated under IAS 27, IAS 28 and IAS 31.

As a result, the W&W Group is obligated to make disclosures that are substantially amplified in terms of quality and quantity.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – transition rules

The amendments issued in June 2012 relate to transition rules and introduce further exceptions to the duty of complete retroactive application. Furthermore, whether control exists is to be determined not at the beginning of the comparable period but instead at the time of initial application. In addition, these amendments provide clarification and additional relief when transitioning to IFRS 10, IFRS 11 and IFRS 12. For instance, adjusted comparative information needs to be provided only for the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments removed the requirement to present comparative information for periods before IFRS 12 is first applied.

These amendments result in relief for the W&W Group in the introduction of IFRS 10 and IFRS 12.

Amendments to IFRS 10, IFRS 12 and IAS 27 – investment entities

The amendments define investment entities and exempt such entities from the scope of application of IFRS 10 "Consolidated Financial Statements".
Accordingly, investment entities are generally not consolidated by the companies that control them in their IFRS consolidated financial statements. Instead of full consolidation, these investments are considered financial assets at fair value through profit or loss and are measured in accordance with applicable accounting standards.

The amendments have no impact on consolidated financial statements that include investment entities, unless the group parent is itself an investment entity. This does not result in any effects on the presentation of the net assets, financial position and financial performance of the W&W Group.

ISSUED ACCOUNTING RULES WHOSE APPLICATION IS NOT YET MANDATORY

The following new and amended standards and interpretations have been issued but are not yet entered into force. It was elected not to voluntarily apply them in advance. The W&W Group will implement them at the time that application becomes mandatory. Unless indicated otherwise, the W&W Group is currently examining the potential effects that the following standards and interpretations may have on the consolidated financial statements.

ISSUED ACCOUNTING RULES WHOSE APPLICATION IS NOT YET MANDATORY

	Publication by IASB/IFRIC	Mandatory for financial years beginning on or after	EU endorsement
IFRS 9 "Financial Instruments"	July 2014	1 January 2018	open
IFRS 14 "Regulatory Deferral Accounts"	January 2014	1 January 2016	open
IFRS 15 "Revenue from Contracts with Customers"	May 2014	1 January 2017	open
Amendments to IAS 1 – Disclosure Initiative	December 2014	1 January 2016	open
Amendments to IAS 16 " Property, Plant and Equipment" and IAS 38 "Intangible Assets" – clarification of acceptable methods of depreciation and amortisation	May 2014	1 January 2016	open
Amendments to IAS 19 "Employee Benefits"	November 2013	1 July 2014	open
Amendments to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements	August 2014	1 January 2016	open
Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"	September 2014	1 January 2016	open
Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations	May 2014	1 January 2016	open
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception	December 2014	1 January 2016	open
IFRIC 21 "Levies"	May 2013	1 January 2014	June 2014
Annual Improvements to IFRS 2012–2014 Cycle	September 2014	1 January 2016	open
Annual Improvements to IFRS 2011–2013 Cycle	December 2013	1 January 2015	December 2014
Annual Improvements to IFRS 2010–2012 Cycle	December 2013	1 July 2014	December 2014

IFRS 9 "Financial Instruments"

On 24 July 2014, the IASB definitively issued the standard IFRS 9, which will replace IAS 39. It now includes chapters on the classification and measurement of financial assets and financial liabilities and on impairments, which supplement the new rules on hedge accounting that were issued in 2013.

Changes may result to current accounting practice, particularly on account of the new rules on identifying impairments, notably for credit risk provision. Concerns had been raised about the model previously used, which took into account only losses that had already been incurred (incurred loss model), due to the fact that losses on loans were being recognised too late and to an insufficient extent. The new model also recognises expected losses (expected loss model). This means that both incurred and expected losses are recognised.

In addition, there is a new category for financial assets: fair value through other comprehensive income. This was introduced for business models under which assets are held both for sale and for collecting cash flows. This is likely to affect, for example, some liquidity portfolios of banks and certain investment portfolios of insurance companies.

With respect to the classification and measurement of financial instruments and the accounting depiction of hedging relationships, the application of IFRS 9 will affect the W&W Group's net assets, financial position and financial performance, as well as the presentation of its consolidated financial statements. Mandatory initial application was postponed until 1 January 2018. However, EU endorsement is still outstanding.

IFRS 14 "Regulatory Deferral Accounts"

This standard permits first-time adopters of IFRS to continue to recognise regulatory deferral accounts if they had done so in their financial statements in accordance with their previously applied accounting principles.

For the W&W Group, this will not result in any changes in the presentation of net assets, financial position and financial performance.

IFRS 15 "Revenue from Contracts with Customers"

Once in effect, IFRS 15 will establish a framework for determining when a company has to recognise revenue and how much revenue it has to recognise. This standard will apply to contracts other than the following: leases within the scope of IAS 17 "Leases"; financial instruments and other contractual rights or obligations within the scope of IFRS 9 "Financial Instruments", IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"; and insurance contracts within the scope of IFRS 4 "Insurance Contracts".

Accordingly, the potential scope of application is limited in the W&W Group. This scope is currently being studied on the basis of the present status of discussions for possible effects on the presentation of the net assets, financial position and financial performance of the W&W Group.

Amendments to IAS 1 – Disclosure Initiative

The amendments relate to a variety of presentation issues. It is clarified that disclosures are necessary only if their content is not immaterial. This explicitly also applies where an IFRS requires a list of minimum disclosures. Moreover, it contains clarifications concerning the aggregation and disaggregation of items in the balance sheet and the statement of comprehensive income. Also clarified is how shares of other comprehensive income contributed by companies accounted for using the equity method are to be presented in the statement of comprehensive income. Finally, the amendments eliminate a model structure for the notes so as to take into consideration company-specific relevance.

Potential changes to the presentation of the net assets, financial position and financial performance of the W&W Group are currently being studied.

Amendments to IAS 16 " Property, Plant and Equipment" and IAS 38 "Intangible Assets" – clarification of acceptable methods of depreciation and amortisation

In May 2014, the IASB issued amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" that clarify acceptable methods of depreciation and amortisation. The amendments provide additional guidance with respect to acceptable methods of depreciation and amortisation for property, plant and equipment (IAS 16) and intangible assets (IAS 38). The amendment to IAS 16 prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment. Revenue (from sales) reflects the output of expected economic benefit from doing business and not the consumption of the expected economic benefit of a tangible asset. Thus, methods oriented on future expectation of revenue are not permitted under IAS 16. The amendment to IAS 38 introduces a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate for the same reasons.

The W&W Group does not expect that this clarification of acceptable methods of depreciation and amortisation will have any impact on the presentation of net assets, financial position and financial performance, since revenue-based methods of depreciation and amortisation are not used.

AMENDMENTS TO IAS 19 "EMPLOYEE BENEFITS"

On 21 November 2013, the IASB issued amendments to IAS 19 "Employee Benefits" entitled "Defined Benefit Plans: Employee Contributions".

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, they permit alleviations if the amount of the contributions is independent of the number of years of service.

Potential changes in the presentation of the net assets, financial position and financial performance of the W&W Group are currently being studied.

AMENDMENTS TO IAS 27 "SEPARATE FINANCIAL STATEMENTS"

On 12 August 2014, the IASB issued amendments to IAS 27 that reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The existing options permitting measurement at cost or under IAS 39/IFRS 9 are preserved.

The use of the equity method for investments had since 2005 no longer been permissible under IAS 27 in separate financial statements (of the parent).

For the W&W Group, this will not result in any changes in the presentation of net assets, financial position and financial performance.

AMENDMENTS TO IFRS 10 "CONSOLIDATED FINANCIAL STATEMENTS" AND IAS 28 "INVESTMENTS IN ASSOCIATES AND JOINT VENTURES"

On 11 September 2014, the IASB issued amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures".

The amendments ("Sale or Contribution of Assets between an Investor and its Associate or Joint Venture") relate to the interplay between the rules of IFRS 10 and those of IAS 28 (2011) in the following cases: the sale or contribution of assets to an associate or a joint venture.

In the future, the entire gain or loss resulting from such a transaction may be recognised only if the sold or contributed assets constitute a business as defined in IFRS 3, regardless of whether it was structured as a share deal or asset deal. If, however, the assets do not constitute a business, only a partial gain or loss may be recognised.

Potential changes in the presentation of the net assets, financial position and financial performance of the W&W Group are currently being studied.

AMENDMENTS TO IFRS 11 "JOINT ARRANGEMENTS"

On 6 May 2014, the IASB issued amendments to IFRS 11 "Joint Arrangements". The amendments clarify that, where an interest is acquired in a joint operation in which the activity of the joint operation constitutes a business within the meaning of IFRS 3 "Business Combinations", it must be accounted for by applying all of the principles on business combinations accounting under IFRS 3 and other applicable IFRS, provided that they do not conflict with the rules in IFRS 11.

For the W&W Group, this will not result in any changes in the presentation of net assets, financial position and financial performance.

AMENDMENTS TO IFRS 10, IFRS 12 AND IAS 28 – INVESTMENT ENTITIES: APPLYING THE CONSOLIDATION EXCEPTION

The amendments serve to clarify various issues relating to the application of the exemption from consolidation requirements under IFRS 10 where the parent entity meets the definition of an investment entity. Accordingly, parent entities are exempt from preparing consolidated financial statements if the ultimate parent entity does not consolidate its subsidiaries but instead recognises them at fair value pursuant to IFRS 10.

With respect to recognition of the subsidiaries of an investment entity, the following distinctions now apply: In accordance with the principle of the investment entity exception, subsidiaries that are themselves investment entities are to be recognised at fair value. To be consolidated, on the other hand, are subsidiaries that are not themselves investment entities but provide services related to the investment activities of the parent entity and are thus to be considered an extension of the activities of the parent entity.

Finally, it is clarified that an investor that does not meet the definition of an investment entity and applies the equity method to an associate or a joint venture may retain the fair value measurement applied by the investment entity to its investments in subsidiaries.

Moreover, the amendments stipulate that an investment entity that measures all of its subsidiaries at fair value must provide the disclosures required by IFRS 12 concerning investment entities.

Potential changes in the presentation of the net assets, financial position and financial performance of the W&W Group are currently being studied.

IFRIC 21 "Levies"

IFRIC 21 "Levies" is an interpretation relating to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and it clarifies that a company may not recognise a levy imposed by public authorities until the activity occurs that triggers the payment of the levy, as identified by the legislation. This includes income taxes within the meaning of IAS 12.

In particular, IFRIC 21 clarifies when obligations to pay such levies are to be recognised in the financial statements as liabilities or provisions.

Potential changes in the presentation of the net assets, financial position and financial performance of the W&W Group are currently being studied.

Annual Improvements to IFRS 2012–2014 Cycle

In connection with the Annual Improvement Project, amendments were made to four IFRS. The wording of IAS 19, IAS 34, IFRS 5 and IFRS 7 was modified in order to clarify existing rules.

Potential changes in the presentation of the net assets, financial position and financial performance of the W&W Group are currently being studied.

Annual Improvements to IFRS 2011–2013 Cycle

In connection with the Annual Improvement Project, amendments were made to four IFRS. The wording of IAS 40, IFRS 1, IFRS 3 and IFRS 13 was modified in order to clarify existing rules.

Potential changes in the presentation of the net assets, financial position and financial performance of the W&W Group are currently being studied.

Annual Improvements to IFRS 2010–2012 Cycle

In connection with the Annual Improvement Project, amendments were made to seven IFRS. The wording of IAS 16, IAS 24, IAS 38, IFRS 2, IFRS 3, IFRS 8 and IFRS 13 was modified in order to clarify existing rules. In addition, some amendments have effects on disclosures in the notes.

Potential changes in the presentation of the net assets, financial position and financial performance of the W&W Group are currently being studied.

CONSOLIDATION PRINCIPLES

The annual financial statements of Wüstenrot & Württembergische AG, the consolidated subsidiaries, including structured entities (public and special funds), and associated companies, all of which are prepared according to accounting policies that are uniform throughout the Group, form the basis for the consolidated financial statements of the W&W Group.

Balance sheet date

The annual financial statements of the parent company, consolidated subsidiaries and associated companies were prepared as at 31 December 2014.

Subsidiaries

Subsidiaries are all investment entities that are directly or indirectly controlled by W&W AG. Control exists where W&W AG has the power to control the relevant activities of the investment entity, is exposed, or has rights, to variable returns from its involvement with the investment entity, and has the ability to use its power over the investment entity to affect the amount of its returns. W&W AG controls its investment entities based on the direct or indirect majority of voting rights.

In addition, subsidiaries include consolidated structured entities within the meaning of IFRS 12. These are entities that have been designed so that voting or similar rights are not the dominant factor in deciding whether there is an obligation to consolidate. With regard to W&W AG, these include public and special funds that are characterised, in particular, by narrowly circumscribed business activities, such as a specific investment strategy or limited investor rights (lack of voting rights).

Public and special funds are consolidated if they are directly or indirectly controlled by W&W AG due to a lack of voting rights based on contractual agreements concerning the management of the relevant activities.

Subsidiaries, including public and special funds, are included in the scope of consolidation unless they are of subordinate importance to the presentation of the net assets, financial position and financial performance of the W&W Group. Consolidation begins when control is attained and ends when it is lost.

Subsidiaries, including public and special funds, are initially consolidated using the acquisition method. As of the acquisition date, the consideration transferred is compared with the net of the identifiable assets acquired, the liabilities assumed and the amount of all non-controlling interests in the acquired entity as exist on the acquisition date and are measured in accordance with IFRS 3. A positive difference is recognised as goodwill under "Intangible assets". A negative difference is recognised as an expense in the consolidated income statement for the period in which it arises, following further evaluation of whether all acquired assets and all liabilities were properly identified and following further review of all procedures applied.

Interests in the acquired pro rata net assets of subsidiaries that are attributable to non-Group third parties are recognised under the item "Non-controlling interests in equity" in the consolidated balance sheet and the consolidated statement of changes in equity. The interests of non-Group parties in the profit and losses of companies included in the consolidated financial statements are recognised under the item "Result attributable to non-controlling interests" in the consolidated income statement and the consolidated statement of comprehensive income.

Interests in public and special funds that are attributable to non-Group third parties are recognised in the consolidated balance sheet under "Other liabilities" (Note 18). Interests in the profit and losses of non-Group third parties can be found in the consolidated income statement under "Net other operating income/loss" (Note 38).

Intragroup receivables and liabilities, as well as income, expenses and interim results resulting from intragroup financial and service transactions, are eliminated in connection with debt consolidation, income and expense consolidation, and elimination of interim results.

Subsidiaries, including public and special funds, of minor importance for the presentation of the net assets, financial position and financial performance of the W&W Group are not consolidated but rather recognised as equity instruments under "Financial assets available for sale" (Note 4) in the sub-items "Investments", "Equities" and "Fund units".

Associated companies

Associated companies are entities that are neither subsidiaries nor joint ventures and where the Group has significant influence over the entity's financial and operating policy decisions but is not in control of those policies. Significant influence generally means directly or indirectly holding 20-50% of the entity's voting rights. Where less than 20% of the voting rights are held, it is assumed that a significant influence does not exist, unless such influence can be unambiguously demonstrated.

Associated companies not of minor importance for the presentation of the net assets, financial position and financial performance of the W&W Group are included in the consolidated financial statements when significant influence is attained, and they are accounted for using the equity method. Inclusion ceases when significant influence ends. Under the equity method, the income effects and the carrying amount of financial investments generally correspond to the share of the entity's income and net assets attributable to the Group. When acquired, holdings in associated companies are recognised in the consolidated financial statements at acquisition cost. In subsequent periods, the carrying amount of the holdings increases or decreases according to the W&W Group's share of the investment entity's income for the period. Unrealised gains and losses, which are elements of the consolidated statement of comprehensive income, are recognised under "Other reserves" under the reserve for financial assets accounted for using the equity method.

Holdings are tested for impairment where there is objective evidence for doing so. If applicable, the amount of the impairment loss is determined by the difference between the carrying amount and the recoverable amount of the associated company. The impairment loss is reversed if there are no longer any reasons for taking it. For more detailed remarks, please see the section "Impairment of financial assets and reversal of impairment losses" in the chapter "Accounting policies: remarks concerning the consolidated balance sheet".

Gains and losses on the disposal of financial assets accounted for using the equity method are recognised under "Net income from/net expense for financial assets accounted for using the equity method".

Associated companies of minor importance for the presentation of the net assets, financial position and financial performance of the W&W Group are accounted for using the same principles as for financial assets available for sale (see the section "Financial instruments and receivables and liabilities from insurance business" in the chapter "Accounting policies: remarks concerning the consolidated balance sheet") and are allocated to the item "Financial assets available for sale" (Note 4) under the sub-item "Investments".

CURRENCY TRANSLATION

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

Transactions in foreign currencies are posted at the exchange rate prevailing at the time of the transaction. Monetary assets and debts that deviate from the functional currency of the respective Group company are translated into the functional currency using the reference rate of the European Central Bank (ECB) as at the reporting date. Non-monetary items that are recognised at fair value are likewise translated into the functional currency at the ECB's reference rate as at the reporting date.
Other non-monetary assets and debts are measured at the rate prevailing on the date of the transaction (historical rate).

Exchange differences involving equity instruments held in a foreign currency that belong to the category "Financial assets available for sale" are recognised directly in equity in the reserve for currency translation under "Other comprehensive income" and subsequently recognised as profit or loss in the income statement upon disposal of the relevant equity instrument. Other exchange differences are recognised in the consolidated income statement.

Pursuant to IAS 21, assets and liabilities of subsidiaries included in the consolidated financial statements whose functional currency is not the euro are translated into euros at the ECB's reference rate prevailing on the reporting date using the modified closing rate method. Income and expenses from the statements of comprehensive income of foreign subsidiaries whose functional currency is not the euro are translated at the average rate for the year. Exchange differences are recognised directly in equity in the reserve for currency translation under "Other comprehensive income" and subsequently recognised as profit or loss in the income statement upon disposal of the relevant subsidiary.

Accounting policies: remarks concerning the consolidated balance sheet

FINANCIAL INSTRUMENTS AND RECEIVABLES AND LIABILITIES FROM INSURANCE BUSINESS

Classes

If disclosures are required for individual classes of financial instruments, these are based on the classification depicted in the following table. Each class is derived from the combination of accounting item and risk category:

CLASSES OF FINANCIAL INSTRUMENTS

RISK CATEGORY

	CASH RESERVES	FINANCIAL ASSETS AT FAIR VALUE	FINANCIAL ASSETS AVAILABLE FOR	RECEIVABLES	
Financial assets					
Cash reserves	Nominal value				
Equity instruments		Fair value	Fair value		
Senior fixed-income securities		Fair value	Fair value	Amortised cost	
Subordinated securities and receivables		Fair value	Fair value	Amortised cost	
Derivative financial instruments		Fair value			
Structured products		Fair value			
Positive market values from hedges					
Investments for the account and risk of holders of life insurance policies		Fair value			
Building loans				Amortised cost	
First-rate receivables from institutional investors		Fair value		Amortised cost	
Other receivables				Amortised cost	
Financial liabilities					
Liabilities evidenced by certificates					
Liabilities to credit institutions					
Liabilities to customers					
Finance lease liabilities					
Other liabilities					
Negative market values from hedges					
Subordinated capital					
Off-balance-sheet business					
Financial guarantees[1]					
Irrevocable loan commitments[1]					

1 The measurement basis for off-balance-sheet business is the nominal value.

Accounting items and valuation basis

	Positive market values under hedging relationships	Financial liabilities at fair value through profit or loss	Liabilities	Negative market values under hedging relationships	Subordinated capital
		Fair value			
	Fair value				
			Amortised cost		
			Amortised cost		
			Amortised cost		
			Amortised cost		
			Amortised cost		
				Fair value	
					Amortised cost

Where significant for the evaluation of net assets, financial position and financial performance, the classes of financial instruments are depicted again with greater granularity.

Principles for the valuation and recognition of financial instruments

All financial assets and financial liabilities, including all derivative financial instruments, are recognised in the balance sheet pursuant to IAS 39.

Financial instruments are generally recognised on the settlement date at fair value, other than derivative financial instruments that are recognised at the time of contract conclusion at fair value. They are derecognised once the contractual rights and obligations under the financial instrument expire or when the financial instrument is transferred and the criteria for disposal are met.

Cash reserves

Recognised in this item are cash on hand, deposits with central banks, deposits with foreign postal giro offices and debt instruments issued by public authorities with a term of less than three months. Cash reserves are recognised at nominal value.

Financial assets at fair value through profit or loss

The category "Financial assets at fair value through profit or loss" is composed of the item "Financial assets held for trading" and the item "Designated as financial assets at fair value through profit or loss (fair value option)".

Financial assets held for trading

Recognised as financial assets held for trading are financial instruments that are acquired with the intention of earning a profit from short-term price fluctuations. Financial assets held for trading include equities, investment holdings, and fixed-income and variable-yield securities. Also recognised in this item are the positive market values of derivative financial instruments that are not accounted for as a hedging instrument in connection with hedging relationships.

Realised and unrealised measurement gains and losses, current income and expenses from financial instruments, and commissions from trading business are recognised in the income statement under "Net income/loss from financial assets/liabilities at fair value through profit or loss".

Designated as financial assets at fair value through profit or loss

If the fair value option is exercised, structured products are recognised in this sub-item, provided that a duty to separate the embedded derivative from the host contract would otherwise exist.

In addition, capital investments for the account and risk of holders of life insurance policies are recognised in order to avoid an accounting mismatch from occurring as a result of changes in the carrying amount of the premium reserve for unit-linked insurance contracts that are recognised in the income statement.

Also allocated to this category are individual securities under the sub-items "Equity instruments" and "Senior fixed-income securities", provided that this avoids or substantially reduces incongruities in measurement.

Financial instruments in this sub-item are measured at fair value through profit or loss. Realised and unrealised gains and losses are recognised in the income statement under "Net income/loss from financial assets/liabilities at fair value through profit or loss". Transaction costs are likewise recognised directly in the income statement at the time of the transaction.

Financial assets available for sale

This item contains all non-derivative financial instruments that were not classified in another category.

In the W&W Group, this item essentially has to do with equities, investment holdings, other variable rate securities, bearer bonds, other fixed-income securities and investments that are neither fully consolidated nor accounted for using the equity method.

They are measured at fair value, whereby changes in fair value are generally recognised – if appropriate, taking into account deferred taxes and the provision for deferred premium refunds – in the consolidated statement of comprehensive income under the item "Unrealised gains/losses from financial assets available for sale" and in the consolidated statement of changes in equity under "Other comprehensive income" under "Other reserves" as a reserve for financial assets available for sale. Gains and losses are generally not recognised in the income statement until disposal. Financial assets available for sale are tested for impairment as described in the section "Impairment of financial assets and reversal of impairment losses". With regard to debt-financing instruments with a fixed term, directly attributable transaction costs, premiums and discounts are spread over the term and recognised in the income statement under "Net income/loss from financial assets available for sale" using the effective interest method.

Interest income is recognised on an accrual basis. Accrued interest is recognised together with the relevant item.

Receivables

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

Receivables are initially recognised at fair value and thereafter at amortised cost using the effective interest method. Transaction costs, premiums, discounts and deferred fees are spread over the term and recognised in the income statement under "Net income from receivables, liabilities and subordinated capital" using the effective interest method. Fees that are not a component of effective interest are recognised under "Net commission income" at the time they are collected.

Interest income is recognised on an accrual basis together with the relevant item.

Receivables from direct insurance business, funds withheld by ceding companies and amounts receivable on reinsurance business are generally recognised at amortised cost.

Under "Receivables from direct insurance business from policyholders", acquisition costs are recognised as claims against policyholders that are not yet due, which are determined using Zillmerisation.

Receivables are tested for impairment as described in the section "Impairment of financial assets and reversal of impairment losses".

Positive market values from hedges

This item contains the positive market values of derivatives that are embedded as a hedging instrument in a hedging relationship recognised under the criteria of hedge accounting. They are measured at fair value on the reporting date.

Financial liabilities at fair value through profit or loss

Financial liabilities held for trading

Recognised under the item "Financial liabilities held for trading" are the negative market values of derivative financial instruments that are not accounted for as a hedging instrument in connection with hedge accounting.

Realised and unrealised measurement gains and losses are recognised under "Net income/loss from financial assets/liabilities at fair value through profit or loss" in the consolidated income statement. Current income and expenses from financial instruments and commissions from trading business are likewise recognised there.

Liabilities

This item contains, in particular, liabilities to customers and credit institutions, as well as liabilities evidenced by certificates.

Liabilities are recognised at amortised cost. Transaction costs, premiums and discounts are spread over the term of the transaction using the effective interest method. Fees that are not to be taken into consideration in determining the effective interest rate are recognised under "Net commission income" at the time they are collected. Interest expenses are recognised on an accrual basis. Accrued interest is recognised together with the relevant item.

Liabilities from direct insurance business consist of liabilities to policyholders, where premiums are received in advance but are not due until after the reporting date, as well as insurance benefits that have not yet been disbursed, profit participation accrued with interest, and unclaimed premium refunds. This item also depicts liabilities to insurance agents and liabilities from reinsurance business. These liabilities are recognised in their repayment amount.

Finance lease liabilities

This item contains the liabilities resulting from finance leases. They are initially recognised at the fair value of the leased item or at the present value of the minimum lease payments, whichever is lower. Thereafter, they are measured at amortised cost.

Negative market values from hedges

This item contains the negative market values of derivative financial instruments that are embedded as a hedging instrument in a hedging relationship recognised under the criteria of hedge accounting. They are measured at fair value on the reporting date.

Subordinated capital

Subordinated capital consists of subordinated liabilities and profit-sharing certificates. Subordinated capital is initially recognised at fair value and thereafter at amortised cost. Interest expenses are recognised on an accrual basis. Accrued interest is recognised together with the relevant item.

Off-balance-sheet business

Financial guarantees

Financial guarantees are measured in accordance with the rules in IAS 39. Accordingly, financial guarantees are recognised at the time of issuance at fair value under "Other provisions". The fair value normally corresponds to the present value of the counter-performance received for assuming the financial guarantee. Thereafter, the liability is measured in the amount of the provision to be created pursuant to IAS 37 or at the original amount less subsequently recognised amortisation, whichever is higher.

IRREVOCABLE LOAN COMMITMENTS

Irrevocable loan commitments are fixed obligations under which the W&W Group is required to provide loans at predetermined terms. If a pending liability under a contractual obligation to a third party is likely on the reporting date, a provision is created under the item "Other provisions". Where an individual provision is not recognised, a provision is created in accordance with the principles of portfolio allowance.

Fair value measurement

The procedure described in the following is used to determine the fair value of financial instruments, irrespective of the category or class to which the financial instrument is assigned and regardless of whether the fair value so determined is used for measurement purposes or for information in the notes.

The fair value of a financial instrument means the price that the W&W Group would receive if it were to sell an asset or pay if it were to transfer a liability in a customary transaction between market participants on the measurement date.

A hierarchical classification is undertaken for financial instruments measured at fair value in the consolidated balance sheet, and it takes into account the relevance of the factors forming part of the valuation.

Financial instruments that are traded on an active market are measured at the unadjusted quoted or market price for identical assets and liabilities (Level 1). If pricing is not available on active markets, fair value is derived from comparable financial instruments or determined through application of recognised measurement models using parameters that are directly or indirectly observable on the market (e.g. interest rate, exchange rate, volatility, prices offered by third parties) (Level 2). If measurement is impossible, or not fully possible, using quoted or market prices or by means of a measurement model using input factors that are directly or indirectly observable on the market, factors based on non-observable market data (non-observable input factors) are used to measure financial instruments (Level 3).

Unadjusted quoted or market prices (Level 1) are used to measure securities – equity instruments as well as debt-financing instruments – in the categories "Financial assets at fair value through profit or loss", "Financial liabilities at fair value through profit or loss", "Financial assets available for sale", "Positive market values from hedges" and "Negative market values from hedges". Derivatives traded on exchanges or on the market are likewise measured at their quoted or market price.

The measurement methods used for Levels 2 and 3 consist of generally accepted measurement models, such as the present-value method, under which anticipated future cash flows are discounted at current interest rates applicable to the relevant residual term to maturity, credit risks and markets. This method is used to measure securities with agreed cash flows under the items "Financial assets at fair value through profit or loss", "Financial liabilities at fair value through profit or loss" and "Financial assets available for sale". Furthermore, it is used to measure interest rate swaps and non-optional forward transactions (e.g. foreign exchange forwards), which are depicted under the items "Financial assets at fair value through profit or loss", "Financial liabilities at fair value through profit or loss", "Positive market values from hedges" and "Negative market values from hedges".

A CVA/DVA assessment was performed for OTC derivatives. Most concluded derivatives are collateralised, meaning that the counterparty risk is nearly eliminated. The result obtained from this assessment was recognised in the consolidated financial statements as at 31 December 2014.

The present-value method is likewise used to measure the classes of financial instruments that are derived from the items "Receivables", "Liabilities" and "Subordinated capital" and whose fair value is disclosed in the notes to the consolidated financial statements.

The fair value of options not traded on an exchange is calculated using generally accepted option-pricing models (Black 76 for interest rate options, Black-Scholes for share options) that correspond to each option's type and underlying and the generally accepted assumptions on which they are based. The value of options is determined, in particular, by the value of the underlying and its volatility, the agreed base price, interest rate or index, the risk-free interest rate and the contract's residual term to maturity. Options measured using option-pricing models are found in the class "Derivative financial instruments", which is derived from the items "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss".

Applicable to all classes is that liquidity and rating spreads observable on the financial market are taken into account when measuring financial instruments. The measurement spread is determined by comparing reference curves with the financial instrument's corresponding risk-free money market and swap curves. Maturity-dependent spreads are used for the purposes of measurement, which also take into account the quality of the issuer within the various issuer groups within a rating class.

A risk premium is applied to customer credit business, and it is oriented on our own risk provision ratio. During the reporting period, the measurement of mortgage loans was enhanced in order to ensure an adequate assessment of fair value under inclusion of product-specific characteristics. This resulted in a decline in recognised fair value by € -157.4 million on the date of conversion, which is solely due to theoretical assumptions associated with the model. The quality of the measured loans remained unchanged year on year. The only effects this had were on the depiction in the notes to the consolidated financial statements. This modification does not affect the consolidated balance sheet or the consolidated income statement.

The fair value of cash and cash equivalents corresponds to the carrying amount, which is primarily due to the short term of these instruments. These financial instruments are recognised under the item "Cash reserves", which at the same time constitutes a separate class.

Combined financial instruments and structured products constitute a separate class and are measured in their entirety or by aggregating the measurement gains and losses of the individual components.

Measurement gains and losses are significantly influenced by the underlying assumptions, particularly by the determination of cash flows and discounting factors.

Hedge accounting

In the W&W Group, hedge accounting depicts changes in the fair value of financial assets and liabilities (fair value hedge) and fluctuations in future cash flows from variable-yield financial assets and liabilities (cash flow hedge).

When entering into a hedging relationship, the hedged item and the hedging instrument are unambiguously stipulated in the documentation. The documentation also contains statements about the hedged risk, the objective of the hedging relationship, and the rhythm and form of initial and subsequent measurement of effectiveness.

The prospective measurement of a hedging relationship's effectiveness, which is performed at the time the contracts are drawn up for the hedged item and the hedging instrument, is done on the basis of critical term match. Critical term match is a qualitative control of whether the essential parameters of the hedged item and the hedging instrument are in accordance. If hedging relationships do not meet this requirement, initial effectiveness is tested on the basis of market data shifts. In the process, the relevant interest rate curves are adjusted by +/- 100 basis points, and effectiveness is then measured. Retrospective effectiveness is normally tested using the cumulative dollar offset method, where changes in the value of the hedged item and the hedging instrument are cumulated over the entire term of the hedging relationship or over all maturity bands and used as the basis for the effectiveness test.

Fair value hedges are used to hedge the change in the fair value of a recognised asset, a recognised liability or a fixed, off-balance-sheet obligation or a precisely described part thereof that is attributable to a precisely defined risk and may have an effect on net income for the reporting period. Individual and portfolio-based hedging relationships existed during the reporting period.

Each change in the fair value of the derivative used as the hedging instrument is recognised in the consolidated income statement. The carrying amount of the hedged item is adjusted in the income statement by the profit or loss attributable to the hedged risk. After the hedging relationship is dissolved, the adjustment made to the carrying amount of the hedged item is amortised over the remaining term to maturity, if applicable. The cumulative changes in the fair value of the portfolio of financial assets that are attributable to the hedged risk are recognised under the balance sheet item "Portfolio hedge adjustment assets".

Existing fair value hedges serve to reduce the risk of changes in interest rates. Interest rate swaps are the only hedging instruments used to hedge the risk of changes in interest rates in the form of value losses due to a changed interest rate level.

Cash flow hedges are used to hedge the risk of fluctuations in future cash flows that can have an effect on consolidated income. The risk of fluctuating cash flows can result from financial assets and liabilities. The effective portion of the changes in the value of the hedging instrument is recognised in the consolidated statement of comprehensive income under the sub-item "Unrealised gains/losses from cash flow hedges". The ineffective portion of the hedge is recognised in the consolidated income statement. The effective portion of the changes in the value of the hedging instrument is depicted in the consolidated statement of changes in equity under "Other reserves" as a reserve for cash flow hedges. If a cash flow hedge relationship ends prematurely, these reserves are recognised in the consolidated income statement on a pro rata basis over the remaining term to maturity of the hedging instruments.

Cash flow hedges are used to hedge the risks of changes in interest rates. Interest rate swaps are the only hedging instruments used to hedge risks of changes in interest rates from fluctuations in interest cash flows (cash flow risks).

Hedge accounting ceases when the conditions for hedge accounting are no longer met.

Structured products

Structured products are financial assets that have special features with respect to their interest rate, maturity or repayment. A structured product consists of a non-derivative host contract and one or more embedded derivatives that modify the cash flows of the host contract. The host contract and the derivative component(s) are closely linked with one another economically and form the subject of a contract. In general, structured products are depicted in the financial statements pursuant to the recognition and measurement rules applicable to the host contract. However, if the following conditions are present, the embedded derivative is to be recognised as a free-standing derivative separately from the host contract, provided that the entire structured product is not measured at fair value through profit or loss in exercise of the fair value option:

- The structured product is not already being measured at fair value through profit or loss,
- the economic characteristics and risks of the embedded derivative do not show any close relationships to the host contract, and
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

In the W&W Group, structured products are measured at fair value through profit or loss in connection with the fair value option.

Impairment of financial assets and reversal of impairment losses

As at each reporting date, the W&W Group tests whether and to what extent a financial asset is impaired. In this regard, information is regularly exchanged in an impairment commission, which consists of experts from the relevant departments. The impairment commission tests securities across all classes for the potential need for impairment where criteria that have been defined uniformly for the Group indicate that there may be a deviation from the contractually agreed future cash flows.

Only financial assets not at fair value through profit or loss are tested.

The impairment loss is measured according to principles that are uniform in the Group.

An impairment loss is taken if, as a result of one or more events after initial recognition of a financial asset, there is objective evidence of impairment and the event has an effect on the future cash flows of the asset that can be reliably estimated.

In the W&W Group, the following points are considered across all classes to be objective evidence that constitutes the criterion for testing for possible impairment:

- significant financial difficulties on the part of the debtor,
- breach of contract,
- concessions made to the borrower in connection with financial difficulties,
- increased likelihood of insolvency proceedings,
- loss of an active market for financial assets due to the debtor's financial difficulties,

- demonstrable data that is indicative of lower future cash flows,
- permanent and material decline in fair value and
- subsequent declines in fair value.

Impairment is generally tested in two steps for all classes. First, the financial assets are tested for whether there is objective evidence of impairment. If objective evidence of impairment is found, then the amount of the impairment loss to be recognised is determined on the basis of expected future cash flows. The amount of the impairment loss generally corresponds to the amount by which a financial asset's carrying amount exceeds its recoverable amount.

The following describes the approach used in the W&W Group for financial assets assigned to the category "Receivables":

If an impairment is identified in the category "Receivables", then either specific provisions or collective specific provisions are created depending on the character of the receivable. This does not apply to senior fixed-income securities and "Other receivables" ("Loans and advance payments on insurance policies") in this category for which impairment losses are deducted directly from the carrying amount.

Specific impairment provisions serve to cover acute counterparty credit risks in the event that it becomes likely that not all interest and principal payments will be able to be made in conformity with the contract. Specific impairment provisions are created for financial assets that are significant in and of themselves. If financial assets are not significant in and of themselves, they are grouped into homogeneous portfolios, and a collective specific impairment provision is created.

With regard to financial assets for which specific impairment provisions or collective specific impairment provisions have been created, the interest income that is recognised or accrued is not the actual interest payment but rather the interest income from the change in present value resulting from discounting at the original effective interest rate. This interest income is depicted as a reduction in the impairment provision created, and it is recognised under "Net income from receivables, liabilities and subordinated capital".

In addition, impairment provisions are created on a portfolio basis to cover counterparty credit risks that arose on or before the reporting date but are not yet known.

Interest actually paid continues to be recognised as interest income for financial assets in portfolios with default events that have occurred but have not yet been identified.

For all financial assets in this category, the amount of the impairment loss is determined as the difference between the carrying amount of the financial asset and the present value of expected future cash flows, taking into account collateral. On the other hand, a distinction is made in the consideration of the impairment provision. Changes in the value of trade accounts receivable are openly deducted from receivables under the item "Risk provision" on the assets side, whereas for securities-like financial assets and assets not recognised under other items (e.g. registered debt securities, registered profit-participation certificates, silent participations), the impairment losses so determined are deducted directly from the carrying amounts.

After impairment provisions have been created, a reversal of impairment losses may become necessary in connection with subsequent measurement, meaning that the created impairment provisions have to be released, in whole or in part, and recognised as income. In the event that an impairment loss is reversed, income is recognised in the consolidated income statement under the sub-item "Net income from risk provision" (Note 32). The upper limit of the write-up is the amortised cost that would have resulted on the measurement date without impairment.

If it is virtually certain that no further payments can be expected, a financial asset in the category "Receivables" is classified as uncollectable. Uncollectable receivables are derecognised through utilisation of the risk provision. Payments received for derecognised receivables are recognised as income under "Net income from risk provision" (Note 32).

If special events give rise to the above-described evidence of impairment to financial instruments in the category "Financial assets available for sale", cumulative measurement losses in the reserve for financial assets available for sale that were previously recognised under "Other comprehensive income" are now recognised as an expense under "Net income/loss from financial assets available for sale" in the amount of the impairment loss. The amount of the impairment loss consists of the difference between the amortised cost and the fair value of the financial instrument.

In addition, for the class of equity instruments in the category, objective evidence of impairment exists when their fair value is significantly or permanently less than their amortised cost. In the W&W Group, "significant" is considered to be where the price drops by 20% or more, and "permanent" is considered to be where the price has been lower than the historical amortised cost for nine months or more. If an impairment loss was already taken for these financial instruments, each additional decline in fair value in subsequent periods is reflected as an impairment loss in the consolidated income statement.

Exchange differences from equity instruments held in a foreign currency that were recognised directly in equity under "Other comprehensive income" are reclassified to the income statement in the course of taking the impairment.

Impairment losses to equity instruments that were recognised in the past may not be reversed as gains. As a result, increases in fair value after an impairment loss was taken are recognised directly in equity under "Other comprehensive income".

Debt instruments in the classes derived from these categories are, in addition to where the above-described objective evidence exists, moreover tested for impairment where their fair value has fallen by more than 20% in the past six months compared with their carrying amount or the average price was more than 10% below the carrying amount in the past 12 months.

Subsequent declines in the fair value of an impaired debt instrument available for sale are recognised as losses, since they are considered to be further impairment. A debt instrument available for sale ceases to be classified as impaired once its fair value in the subsequent period has recovered to at least the level of its amortised cost, not taking into account the impairment loss, and such recovery is objectively attributable to an event that occurred after the impairment was recognised as a loss. Under these conditions, the reversed impairment loss is recognised as a gain. Increases in fair value going beyond this are recognised under "Other comprehensive income".

For loan commitments, a provision is created in the W&W Group for irrevocable loan commitments pursuant to the principles of portfolio allowance.

OTHER FINANCIAL ASSETS

The amount of the impairment loss is determined in conformity with the rules of IAS 36. According to this standard, it is determined for the entire asset whether its recoverable amount (the higher of its fair value less costs of disposal and its value in use) is lower than its carrying amount. The amount of the impairment loss is the resulting difference. In the event that an impairment loss is reversed, this is recognised as a gain, but not by more than the prior impairment loss.

Concessions and renegotiations (forbearance measures)

In justified exceptional cases, reorganisation/restructuring agreements are entered into with borrowers, since otherwise the contract terms originally agreed to would be unable to be complied with. These agreements generally call for a temporary or permanent reduction in the amount of loan repayment instalments in exchange for an extension of the total maturity of the loan, which ultimately leads to complete repayment of the loan amount. In addition, they include modification of interest terms to conform to the new repayment terms and normally call for deferment of existing interest claims.

Such concessions may be granted to the borrower on account of existing or expected financial difficulties, and they normally contain terms that are more advantageous to the borrower as compared with the original contract. In order to be able to identify these commitments early on, all loan commitments in the W&W Group are regularly reviewed for whether there is evidence that the borrower is experiencing financial difficulties. In particular, arrearages that trigger collection warnings constitute objective evidence that the borrower is experiencing financial difficulties.

In advance of such restructuring, reorganisation and deferment measures, the customer's creditworthiness is once again verified on the basis of current economic circumstances. In general, measures taken in the past form part of the decision-making process.
When carried out, restructuring measures initially constitute objective evidence of impairment, but an impairment loss is not taken due to the positive review of creditworthiness and the positive going-concern outlook. These loans continue to be carried in portfolio allowance.

Loan commitments for which the credit assessment, taking into account an annuity reduction, is positive and that were not previously in default are converted directly to the new repayment terms. Such conversion has no impact on risk provision, since the criteria set for the new credit terms continue to be met without change.

However, despite careful review of creditworthiness and the targeted measures taken, it cannot be ruled out that repayment problems will arise in the future. Should that occur, the customer's creditworthiness is once again critically reviewed on the basis of its current economic circumstances.

If the credit assessment is negative, or if the loan is in default, it is first decided whether it appears reasonable under the given circumstances to restructure the existing loan or refinance the debt through a new loan.

In both cases, a specific impairment provisionor collective specific impairment provision is created in the amount of the expected default. In all other cases, the settlement process is initiated for loans in default.

The loan claim is derecognised if no further payments are expected from liquidation of existing collateral or from the debtor.

OTHER ITEMS

Non-current assets classified as held for sale and discontinued operations

A non-current asset is classified as held for sale if the associated carrying amount is to be realised primarily through a sale and not through continued use.

Such assets are recognised in the balance sheet under the item "Non-current assets classified as held for sale and discontinued operations".

Non-current assets that are classified as held for sale are recognised at the lower of the carrying amount and fair value less costs of disposal. If the carrying amount is higher than the fair value less costs of disposal, the amount of the difference is recognised as a loss for the relevant period. Assets held for sale are not subject to scheduled depreciation.

The net income/loss from the measurement of non-current assets classified as held for sale and discontinued operations is recognised in the corresponding items in the consolidated income statement.

Investment property

The item "Investment property" consists of land and buildings held for the purposes of generating rental income and/or appreciation in value.

Investment property is measured at acquisition or production cost, as reduced by scheduled use-related depreciation and, where applicable, impairment losses (cost model).

Each part of a property with an acquisition value that is significant in relation to the value of the entire property was subjected to separate scheduled depreciation. In so doing, a distinction was made, at a minimum, between shell construction and interior outfitting/technical systems.

The individual economic lives of shell construction and interior outfitting/technical systems were estimated by architects and engineers in the property division of the W&W Group. For shell construction, the maximum economic life was estimated to be 80 years (previous year: 80 years) for residential properties and 50 years (previous year: 50 years) for commercial properties, whereas for interior outfitting/technical systems, the maximum useful life was estimated to be 25 years (previous year: 25 years). Shell construction and interior outfitting/technical systems were subjected to scheduled depreciation on a straight-line basis over the expected remaining economic life.
Investment property was tested for impairment in two steps. First, it was examined whether there was evidence of impairment on the reporting date. If this was the case, the anticipated recoverable amount was determined as the net realisable value (fair value less costs of disposal). If this value was less than amortised cost, an impairment loss was taken in the corresponding amount. In addition, it was examined on the reporting date whether there was evidence that an impairment loss taken for investment property in earlier periods no longer existed or might have declined. If this was

the case, the recoverable amount was likewise determined and, if appropriate, the carrying amount was modified to reflect the recoverable amount, paying regard to amortised cost.

The discounted cash flow method (income approach) was used to determine the fair value of investment property. In this regard, significant non-observable inputs were used, for which reason this discounted cash flow method for investment property was allocated to Level 3 in the measurement hierarchy for determining fair value.

In connection with the discounted cash flow method, expected future inflows (rents, other revenues) and outflows (maintenance, non-apportionable operating expenses, vacancy costs, costs for re-leasing) in the 10-year forecast period were discounted to present value, as were sales proceeds (residual value) expected in the last forecast year.

Cash inflows and outflows are considered on an individual basis, i.e. each lease and each construction measure was planned separately. Likewise, vacancy periods, estate agent costs, etc. in the commercial area were viewed separately for each rental unit. With regard to residential properties, market-based assumptions about the change in the average rents of all residential units over the forecast period were taken as a basis. Because residential units are similar, it was elected to dispense with individual planning.

In particular, the following significant non-observable inputs were used in the discounted cash flow method:

- The interest rate of a risk-free financial investment, plus a risk premium, was used as the adjusted discount rate. The risk premium for properties ranged from 175 basis points (previous year: 175 basis points) for, for example, residential properties in top locations to 550 basis points (previous year: 550 basis points) for, for example, office locations and sites without any discernible advantages/strengths. This resulted in an adjusted discount rate of between 4.25% (previous year: 4.25%) and 8.00% (previous year: 8.00%).
- An inflation rate of 2% p.a. was used as the basis for determining rent increases and changes in average rents in the forecast period. For commercial properties, this was the basis used to make a property-specific, contractually conforming forecast of rent trends independent of location, site, building age and type of use. For residential properties, the basis used was the anticipated change in comparable local rents. In addition, on the basis of past experience, an assumption was made as to the frequency of tenant turnover p.a. for newly rented residential units. In the area of residential properties, it was assumed that rents could be expected to increase by 1-2% p.a. on average.
- The expected occupancy rate of the entire property portfolio was approximately 94% on average. The expected rate was 97-99% for residential properties and 90-95% for commercial properties.
- Rent-free periods were taken into consideration only if this was unavoidable due to the type of use and the competitive situation at the location. In such cases, two to six months were used on a case-by-case basis.

Investment property is initially valued using outside appraisers (see Note 9). Thereafter, it is valued on an ongoing basis by commercial and technical employees (portfolio managers, controllers, architects and engineers) from the Group's property division. Management's assumptions are taken into consideration in making valuations. With property investments under outside management, fair value is normally determined by outside appraisers. Property fair values shown in the notes to the consolidated financial statements were likewise determined using the above-described discounted cash flow method.

During the reporting period, investment property did not include any so-called qualified assets, which necessarily take a substantial period of time to get ready for their intended use or sale. A substantial period of time is considered to be where acquisition, construction or production of the asset is expected to take longer than one year.

Reinsurers' portion of technical provisions

The reinsurers' portion of technical provisions is recognised in the balance sheet on the assets side.

All reinsurance contracts concluded by W&W Group companies transfer significant insurance risk, i.e. they are insurance contracts within the meaning of IFRS 4. The reinsurers' portion of technical provisions is determined from gross technical provisions in conformity with the contractual terms (cf. also the notes on the corresponding liability items). The reinsurers' portion of technical provisions is tested for impairment on each reporting date.

Intangible assets

Allocated to the item "Intangible assets" are purchased insurance portfolios, software, brand names and other intangible assets.

All intangible assets exhibit a limited useful life, are measured at amortised cost (cost model) and are amortised on a straight-line basis over their estimated useful life. Internally developed software from which the Group is likely to receive a future economic benefit and that can be reliably measured is recognised at its production cost and amortised on a straight-line basis over its estimated useful life. Productions costs for internally developed software consist of all directly attributable costs that are necessary for developing and producing the respective asset and preparing it in such a way that it is capable of operating in the manner intended. Research and development costs that are not required to be capitalised are treated as an expense in the period. If the acquisition or production of software takes longer than one year, the directly attributable borrowing costs incurred up to completion are recognised as a component of the production costs for the qualified asset.

The present value of purchased life insurance contracts is recognised at the present value of the expected net cash flows from the acquired insurance contracts (present value of future profits, PVFP) at the time of acquisition. This present value is the present value of expected income from the assumed portfolio without taking into consideration new business and tax effects. The present value is amortised on a straight-line basis.

Internally developed and acquired software is generally amortised on a straight-line basis over a period of three to five years. Brand names are amortised on a straight-line basis over a useful life of 20 years, and other acquired intangible assets are amortised on a straight-line basis over a useful life of at most 15 years.

All intangible assets are tested annually for impairment on the reporting date, as well as in every case where there is evidence of impairment. If there is evidence of impairment, and if the recoverable amount of the intangible asset is less than the carrying amount, an impairment loss is taken in the corresponding amount. In addition, it is examined on the reporting date whether there is evidence that an impairment taken for an intangible asset in earlier periods no longer exists or may have declined. If this is the case, the recoverable amount is likewise determined and, if appropriate, the carrying amount is modified to reflect the recoverable amount, paying regard to amortised cost.

Scheduled amortisation of and impairment losses taken for intangible assets are recognised as general administrative expenses under the item "Depreciation/amortisation".

PROPERTY, PLANT AND EQUIPMENT

Recognised under property, plant and equipment are property for own use and plant and equipment. Property for own use means land and buildings used by Group companies.

Property, plant and equipment are measured pursuant to the cost model at acquisition or production cost, as reduced by scheduled use-related depreciation and, where applicable, impairment losses.

Property for own use is measured using the same valuation methods that apply to the recognition of investment property. Reference is therefore made to the corresponding comments.

Production costs for property, plant and equipment created internally cover all costs attributable directly to the production process, as well as appropriate parts of the production-related overhead costs.

Plant and equipment are subjected to scheduled depreciation on a straight-line basis over their estimated useful life, generally up to at most 13 years. Acquired EDP equipment is depreciated on a straight-line basis over its estimated useful life, normally up to at most seven years. Economic useful life is regularly reviewed in connection with preparation of the financial statements. Modifications to be made are recognised as a correction to scheduled depreciation over the remaining useful life of the respective asset.

In addition, as at each reporting date, it is reviewed whether there is evidence of impairment to the corresponding asset. If this is the case, impairment is determined by comparing the carrying amount with the recoverable amount (the higher of fair value less costs of disposal and value in use). If an item of property, plant and equipment does not generate cash flows that are largely independent of cash flows from other items of property, plant and equipment or groups of property, plant and equipment, impairment is tested not on the level of the specific item of property, plant and equipment but rather on the level of the cash-generating unit to which the item of property, plant and equipment is to be allocated. If it is necessary to take an impairment loss, it corresponds to the amount by which the carrying amount exceeds the recoverable amount for the item of property, plant and equipment or, if applicable, for the cash-generating unit, whichever is lower. If fair value less costs of disposal cannot be determined, the recoverable amount corresponds to the value in use. The value in use is determined as the present value of forecast cash flows from continued use. Once there is evidence that the reasons for taking the impairment loss no longer exist, it is tested for reversal.

Scheduled depreciation of and impairment losses taken for property for own use and plant and equipment are recognised as general administrative expenses under the item "Depreciation/amortisation". Income for property for own use related to the pro rata temporis release of disposal gains in connection with sale-leaseback transactions is recognised as other operating income.

Inventories

Inventories are recognised at the lower of acquisition or production cost and net realisable value.

Acquisition costs include all costs associated with acquisition. Production costs are determined on the basis of individual costs and directly attributable overhead costs. The scope of production costs is determined by the costs expended up to the point of completion and readiness for use (total costs-of-conversion approach). Acquisition and production costs for non-interchangeable and special inventories are determined by specific allocation. Certain acquisition and production costs for interchangeable inventories are determined according to the first-in, first-out (FIFO) method or the weighted average cost method.
Net realisable value corresponds to the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

During the reporting period, inventories did not include any so-called qualified assets, which necessarily take a substantial period of time to get ready for their intended use or sale.

Leasing

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that essentially transfers from the lessor to the lessee all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

In a finance lease, the lessee recognises the leased asset in its balance sheet and creates a corresponding financial liability. Recognised depreciable leased assets are depreciated on a straight-line basis according to the same principles applicable to other comparable assets owned by the W&W Group. Lease payments are divided into financing costs and a repayment portion, whereby the financing costs are recognised as an expense under "Net income from receivables, liabilities and subordinated capital" (interest expenses for liabilities). The repayment portion reduces the financial liability. Recognised leased assets are tested for impairment as at each reporting date. If the recoverable amount of the leased asset is less than its carrying amount, an impairment loss is taken. If the reasons for taking the impairment loss no longer exist, it is tested for reversal.

The Group did not carry out any finance lease business as lessor.

In the W&W Group, lease payments made by the lessee under an operating lease are generally recognised as general administrative expenses on a straight-line basis over the lease term.

The lessor recognises the assets under an operating lease in the corresponding item, depending on the features of these assets. Income from operating leases is generally recognised on a straight-line basis over the lease term. Costs, including depreciation, incurred in connection with operating leases are recognised as an expense in the consolidated income statement. The depreciation rates for depreciable leased assets are consistent with those for similar assets. Recognised leased assets are tested for impairment as at each reporting date. If the recoverable amount of the leased asset is less than its carrying amount, an impairment loss is taken. If the reasons for taking the impairment loss no longer exist, it is tested for reversal.

In some cases, sale-leaseback transactions occur. A sale-leaseback transaction consists of the sale and simultaneous leaseback of an asset. The treatment of such transactions follows the rules for operating or finance leases. Profit or loss from the sale is deferred according to the specific rules in IAS 17.

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

Current tax assets and liabilities are recognised in the amount of the expected refund from or payment to the relevant tax authorities. Deferred tax assets and liabilities are created because of temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet drawn up pursuant to IFRS and the tax carrying amounts pursuant to local tax rules of the Group companies. Deferred taxes are calculated at the respective country-specific tax rates. Deferred tax assets are recognised for tax loss carryforwards to the extent that, in accordance with planning calculations, it is probable that they can be utilised in the future. Deferred tax assets from temporary differences and loss carryforwards are tested for impairment as at each reporting date.

Technical provisions

In general

Technical provisions are recognised on the liabilities side in gross amounts, i.e. before deduction of the reinsurers' portion of technical provisions. The reinsurance portion is determined in accordance with contractual reinsurance agreements and recognised separately on the assets side.

All insurance contracts concluded by W&W Group companies transfer significant insurance risk, i.e. they are insurance contracts within the meaning of IFRS 4.

Pursuant to IFRS 4.14(a), liabilities may not be recognised for claim equalisation provisions to be created in non-life and accident insurance according to national rules or for provisions similar to claim equalization provisions.

Reserves are created for assumed reinsurance business according to the information provided by the prior insurer. If such information was unavailable, the reserves were determined by the data available to us. In the case of co-insurance and pools in which direction has been in the hands of outside companies, the same approach was taken.

The provision for unearned premiums corresponds to that portion of written premiums that constitutes income for a certain period of time after the reporting date. For each insurance contract, the provision for unearned premiums is accrued either to the precise day or to the precise month. For reinsurance business, the provision for unearned premiums is determined according to the information provided by the prior insurer. The provision for unearned premiums in transport insurance in the area of property/casualty insurance is recognised under the item "Provision for outstanding insurance claims".

Life insurance

The premium reserve in life insurance is determined according to actuarial principles for each contract prospectively, taking into account the month of commencement, as the present value of future guaranteed insurance benefits, less the present value of future premiums. Future administrative costs are mainly taken into account implicitly.

For times when no premiums are paid, a provision for administrative costs is created within the premium reserve in life insurance. It is currently deemed to be sufficiently high.

With unit-linked life and pension insurance, only contingent guarantee components are recognised in the premium reserve.

One-off acquisition costs for life and health insurance are recognised using Zillmerisation. To the extent permitted by Section 15 of the German Regulation on the Accounting of Insurance Undertakings (RechVersV), they are recognised as part of "Receivables from direct insurance business".

With life insurance, the applied actuarial interest rate and the biometric actuarial bases correspond to those that also form part of the calculation of premium rates. The highest value that was permitted under statutory or regulatory provisions at the time of contract conclusion was used as the actuarial interest rate. Interest rates ranged from 1.75% (previous year: 1.75%) to 4.0% (previous year: 4.0%). Exceptions to this are explained in the following sections. The average actuarial interest rate for the premium reserve was 2.9% (previous year: 3.1%). The standard industry tables recommended by the German Association of Actuaries (DAV) were used for the biometric actuarial bases. In exceptional cases, tables based on our own experience were used.

As a result of European case law, only so-called "unisex rates" have been permitted to be offered since 21 December 2012, which are calculated in a gender-neutral manner. For this purpose, the company uses its own, gender-neutral biometric actuarial bases, which are derived from the gender-neutral tables recommended by the DAV.

For pension insurance where the original actuarial bases no longer contain sufficient biometric safety margins, the actuarial bases used are those that are recommended by the DAV and deemed sufficient. In the 2014 financial year, the safety level was adjusted in accordance with the recommendations of the DAV working group "Biometric Actuarial Bases", which were based on current trends in the mortality level of pensioners. The adjustment amounted to one twentieth of the difference between the mortality tables DAV 2004 R-Bestand and DAV 2004 R-B20, whereby probabilities of capital pay-out were taken into account. Recognised as the premium reserve the value was interpolated linearly by ten twentieths between the premium reserve on the basis of the mortality table DAV 2004 R-Bestand and the premium reserve on the basis of the mortality table DAV 2004 R-B20. In order at the same time to achieve a greater safety level for the interest guarantee as well, the standard actuarial interest rate was used for this purpose.

In addition, the premium reserve was bolstered by an additional interest reserve for insurance policies in the new portfolio for which an actuarial interest rate was originally used that is no longer appropriate under Section 341f (2) of the German Commercial Code (HGB). In so doing, the provision was determined for the period of the next 15 years using the reference interest rate of 3.15% (previous year: 3.41%) specified in Section 5 (3) of the German Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV) and thereafter using the original actuarial interest rate.

An additional reserve (interest reinforcement) was also created for insurance policies in the old portfolio. For this purpose, a measurement interest rate of 2.95% (previous year: 3.22%) was used for the insurance policies of Württembergische Lebensversicherung AG, and a measurement interest rate of 3.00% (previous year: 3.22%) was used for the insurance policies of Karlsruher Lebensversicherung AG. Interest reinforcement was also created for the first time for insurance policies in the old portfolio of ARA Pensionskasse AG using an actuarial interest rate of 3.25%. In this case, an interest rate of 3.11% was used for measurement for the period of the next 15 years and the original actuarial interest rate thereafter.

(Supplemental) insurance policies for occupational disability were compared collectively with the DAV's currently applicable actuarial bases, and where necessary a supplemental premium reserve was created.

Used for (supplemental) long-term care annuity insurance policies are actuarial bases that are deemed sufficient pursuant to the guideline "Reserving for (supplemental) long-term care annuity insurance policies in the portfolio" enacted by the DAV in the 2008 financial year.

The actuarial bases used for calculating the premium reserves in life insurance are reviewed annually for sufficient safety margins, taking into consideration the actuarial bases recommended by the DAV and the German Federal Financial Supervisory Authority (BaFin) and the observable trends in the portfolio. The explanatory report by the responsible actuary pursuant to Section 11a, para. 3, no. 2 of the German Act on the Supervision of Insurance Undertakings (VAG) shows that all actuarial bases were selected with sufficient caution pursuant to regulatory and commercial law provisions.

The provision for outstanding insurance claims is created for future payment obligations that result from insurance claims that occurred on or before the reporting date but have not yet been settled. It also contains anticipated adjustment expenses. The amounts and disbursement times of insurance benefits are still uncertain.

The provision for insurance claims that have already been reported by the reporting date is generally determined separately (separate measurement). For insurance claims that had already occurred by the reporting date but were still unknown, a provision for late outstanding claims was created, whose amount was determined on the basis of operational experience in past years.

In life insurance, the provision for premium refunds consists of two parts. Assigned to the first part – premiums allocated according to commercial law rules, i.e. the provision for premium refunds under the German Commercial Code (HGB) – is the part of each insurance company's surplus that is attributable to policyholders and not directly credited. The minimum statutory requirements were observed in connection with allocation. The second part of the provision for premium refunds – the provision for deferred premium refunds – contains the portions of the cumulative measurement differences between the annual financial statements of the individual companies under national law and the consolidated financial statements pursuant to IFRS that are attributable to policyholders. These temporary measurement differences are included in the provision for deferred premium refunds at the rate of 90% (previous year: 90%) at which policyholders participate at a minimum upon realisation.

Technical provisions in the area of life insurance, insofar as the investment risk is borne by policyholders, are determined for each individual contract using the retrospective method. In this regard, unless they are used for the purposes of financing guarantees, received premiums are invested in fund units. The risk and cost components are withdrawn from the fund balance on a monthly basis, where applicable under netting against the corresponding surplus components. The carrying amount of this item corresponds to the carrying amount of capital investments for the account and risk of holders of life insurance policies under the item "Financial assets at fair value through profit or loss".

HEALTH INSURANCE

With health insurance, the average actuarial interest rate for the premium reserve was 3.38% (previous year: 3.44%). The mortality tables published by the German Federal Financial Supervisory Authority (BaFin) were used for the biometric actuarial bases. In calculating the premium reserve in health insurance, assumptions are made about probabilities of withdrawal and about current health costs and those that increase with age. These assumptions are based on our own experience and on reference values ascertained industry-wide. The actuarial bases are reviewed on a regular basis in connection with premium adjustments and are then adjusted where applicable with the consent of the trustee. New rates are introduced only if the new trustee confirms that the actuarial bases to be used are suitable.

In health insurance, provisions for outstanding insurance claims are extrapolated on the basis of claims made during the reporting year. The extrapolation is based on the average ratio of claims made in the previous year to those made in the three financial years preceding the reporting date.

In health insurance, the provision for premium refunds consists of two parts. Assigned to the first part – premiums allocated according to commercial law rules, i.e. the provision for premium refunds under the German Commercial Code (HGB) – is the part of the surplus that is attributable to policyholders and not directly credited. The minimum statutory requirements were observed in connection with allocation. The second part of the provision for premium refunds – the provision for deferred premium refunds – contains the portions of the cumulative measurement differences between the annual financial statements of the health insurer under national law and the consolidated financial statements pursuant to IFRS that are attributable to policyholders. These temporary measurement differences are included in the provision for deferred premium refunds at the rate of 80% (previous year: 80%) at which policyholders participate at a minimum upon realisation.

In health insurance, other technical provisions include, in particular, the provision for cancellations. It is calculated on the basis of the negative parts of the ageing provision and the parts of the carryover values exceeding the standard ageing provisions.

PROPERTY/CASUALTY INSURANCE

The provision for outstanding insurance claims (provision for claims) is created for future payment obligations that result from insurance claims that occurred on or before the reporting date but have not yet been settled. It also contains anticipated claim adjustment expenses. The amounts and disbursement times of insurance benefits are still uncertain.

The provision for late outstanding claims was determined from the databases of prior financial years, as well as based on experience. In this regard, the provision for late outstanding claims is calculated using a method recommended by the German Federal Financial Supervisory Authority (BaFin). Claims reported during the reporting year are distributed to the respective year of occurrence by number and expense and compared with the claims made during the corresponding years. These ratios are applied to the average unit cost for settled claims, resulting in the anticipated unit cost rates for claims that were reported after the reporting year but that occurred during the reporting year, and these are then multiplied by the anticipated unit figures to calculate the provision for late outstanding claims. The provisions for claims are not discounted, other than the pension benefits reserve in property insurance.

The provision for adjustment expenses was determined in accordance with the decree of the German Federal Minister of Finance of 2 February 1973.

The pension benefits reserve in property/casualty insurance is calculated for each individual contract according to actuarial principles and, as is the case with the premium reserve, using the prospective method. The mortality tables DAV HUR 2006 recommended by the German Association of Actuaries (DAV) were used, and they contain suitable safety margins. The maximum actuarial interest rate of 1.75%, which has been in effect since 1 January 2012, was used for all pension commitments. Future administrative costs were measured at 2% of the pension benefits reserve, a rate that is deemed sufficiently conservative.

Other technical provisions in property/casualty insurance consist primarily of provisions for cancellations, the provision for unused premiums from dormant motor insurance policies, and the provision for impending losses. The provision for cancellations is created for the anticipated cessation or reduction of the technical risk associated with premiums to be refunded.

Other provisions

PROVISIONS FOR PENSIONS

The company pension scheme in the W&W Group consists of both defined-contribution and defined-benefit commitments. Prior to reorganising the company pension scheme in 2002, all employees at Wüstenrot companies (Wüstenrot Bausparkasse AG, Wüstenrot Bank AG Pfandbriefbank, Wüstenrot Immobilien GmbH, Wüstenrot Haus- und Städtebau GmbH and Gesellschaft für Markt- und Absatzforschung mbH) were granted defined-benefit pension commitments. At Württembergische Versicherung AG, Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG, defined-contribution commitments were granted (Pensionskasse der Württembergischen). In addition, managers, senior executives and directors received pension commitments (defined-benefit commitments). At Wüstenrot & Württembergische AG, W&W Informatik GmbH and W&W Asset Management GmbH, both defined-benefit and defined-contribution commitments were granted. The various defined-benefit commitments in the Group are primarily structured in a manner dependent on salary and length of service and sometimes as fixed-amount commitments. Since 2002, pension commitments for new hires have been financed Group-wide by ARA Pensionskasse AG (defined-contribution commitments). Managers, senior executives and directors receive pension commitments (defined-contribution commitments) that are reinsured by ARA Pensionskasse AG.

Commitments under defined-benefit plans are measured using the projected unit credit method on the basis of expert actuarial opinions. Taken into account in doing so are both the pensions and acquired pension entitlements known on the reporting date and the increases in salary and pensions expected in the future. Pursuant to IAS 19.83, the rate used to measure pension provisions is to be determined on each reporting date on the basis of yields on senior fixed-income corporate bonds. The currency and term of the underlying corporate bonds must be consistent with the currency and estimated term of the commitments to be met.

Actuarial gains and losses from experience-related adjustments and changes to actuarial assumptions are recognised directly in equity for the period in which they are incurred within the reserve for pension commitments and form a component of other comprehensive income.

Income from pension commitments is recognised in the consolidated income statement under "Net income from receivables, liabilities and subordinated capital", and expenses are recognised under "Personnel expenses" (past service costs). Past service costs are recognised immediately in their full amount as an expense under "Personnel expenses".

PROVISIONS FOR OTHER LONG-TERM EMPLOYEE BENEFITS

Other long-term employee benefits include commitments for early retirement, agreements on phased-in early retirement (Altersteilzeit), the granting of long-service benefits, long-term occupational disability benefits, death benefits and other social benefits. Actuarial gains and losses arising in connection with the accounting for other long-term employee benefits are recognised in the income statement.

For information about the corresponding actuarial interest rates, please see Note 21.

MISCELLANEOUS PROVISIONS

Miscellaneous provisions are measured and recognised in the anticipated settlement amount, provided there are legal or constructive obligations to third parties based on past business events or occurrences and the outflow of resources is likely. The settlement amount is determined on the basis of best estimates. Miscellaneous provisions are recognised if they can be reliably determined. They are set off against refund claims. The determined obligations are discounted at market interest rates that correspond to the risk and the period to fulfilment, provided that the resulting effects are material.

Provisions for restructuring are recognised if a detailed formal plan for the restructuring was approved and the main restructuring measures contained in it have been publicly announced or the restructuring plan has already begun to be implemented.

Provisions are created for the reimbursement of closing fees in the event of loan waivers where concluded home loan savings contracts contain the obligation to reimburse closing fees to home loan and savings customers when certain contractually agreed criteria are met (e.g. loan waiver). Under the assumption that, in the event of a loan waiver by home loan and savings customers, the claim to closing fees was earned by the reporting date at the latest, the present value is calculated on the basis of a probability-based forward projection of past statistical data that constitutes the best estimate of the current obligation. Uncertainties in determining the future amount of the obligation arise, in particular, from the established assumptions concerning the input parameters used, such as statistical data, termination behaviour and loan waiver ratio.

Provisions for interest bonus options are created where the obligation to pay interest bonuses to home loan and savings customers is contained in concluded home loan savings contracts. Under the assumption that interest bonuses earned by the reporting date at the latest may potentially need to be disbursed, the present value is calculated on the basis of a probability-based forward projection that constitutes the best estimate of the current obligation. Uncertainties in determining the future amount of the obligation may arise, in particular, from the established assumptions concerning the input parameters used, such as termination behaviour and bonus utilisation behaviour.

Other provisions consist of, for example, provisions for contingent losses from pending transactions, which are created if a contingent liability results from a pending transaction.

There are no assets for expected reimbursements in connection with recognised miscellaneous provisions.

Equity

This item consists of (1) paid-in capital, (2) earned capital and (3) non-controlling interests in equity.

(1) Paid-in capital consists of share capital and the capital reserve.
Share capital consists of registered shares that are fully paid up. The capital reserve consists of the premium generated above the par value when issuing shares.

(2) Earned capital consists of retained earnings and other reserves:

Retained earnings consist of statutory reserves and reinvested profits.

Other reserves include

- the reserve for financial assets available for sale,
- the reserve for financial assets accounted for using the equity method,
- the reserve for cash flow hedges,
- the reserve for currency translation, and
- the reserve for pension commitments.

The reserve for financial assets available for sale consists of unrealised gains and losses from the measurement of financial assets available for sale. The reserve for financial assets accounted for using the equity method consists of unrealised gains and losses from the measurement of financial assets accounted for using the equity method. The reserve for cash flow hedges consists of unrealised gains and losses from the measurement of derivative financial instruments that are utilised for cash flow hedge accounting and meet the criteria of hedge accounting. The reserve for currency translation consists of currency differences of economically independent units. The reserve for pension commitments consists of actuarial gains and losses from defined-benefit plans.
The aforementioned components of other reserves are generally created by taking into consideration deferred taxes and, in the area of life and health insurance, also taking into consideration the provision for deferred premium refunds.

Translation differences from the consolidation of subsidiaries whose functional currency is not the euro are recognised in the reserve for currency translation.

(3) Non-controlling interests in equity consist of the interests of non-Group third parties in the equity of subsidiaries.

Repurchase agreements and securities lending transactions

In the W&W Group, only genuine repurchase and reverse repurchase agreements (repos and reverse repos) are entered into. Genuine repurchase and reverse repurchase agreements are contracts under which securities are sold for consideration but where it is at the same time agreed that such securities have to be purchased back at a later point against payment to the seller of an amount agreed to in advance.

Securities sold in connection with repurchase agreements continue to be recognised in the seller's balance sheet in accordance with the prior categorisation, since it retains the risk and opportunities associated with ownership of the security. At the same time, the seller recognises a financial liability in the amount received. If there is a difference between the amount received upon sale of the security and the amount to be paid when repurchasing it, it is imputed over the term of the agreement using the effective interest method and recognised in the income statement. Current income is recognised in the consolidated income statement according to the rules for the relevant securities category.

Securities purchased in connection with reverse repurchase agreements are not recognised in the balance sheet. The amounts paid are recognised as a receivable in the balance sheet. If there is a difference between the amount paid upon purchase of the security and the amount to be received when reselling it, it is imputed over the term of the agreement using the effective interest method. Agreed interest payments are recognised accordingly in the consolidated income statement.

Securities lending transactions are accounted for in the same way as repurchase agreements. Lent securities continue to be recognised in the balance sheet in the relevant category. By contrast, borrowed securities are not recognised. If borrowed securities are sold to a third party, the obligation to return them is recognised under "Financial liabilities at fair value through profit or loss". A corresponding liability is recognised for received cash collateral, and a corresponding receivable is recognised for provided cash collateral. If securities are provided as collateral, they continue to be recognised by the collateral provider. Income and expenses from securities lending transactions are recognised in the consolidated income statement corresponding to the relevant term.

Detailed information about the scope of repurchase agreements and securities lending transactions entered into in the W&W Group can be found in Note 46 "Transfers of financial assets and granted and received collateral".

Trust business

Trust business is generally characterised by a trustee acquiring property, assets or claims in its own name on behalf of the trustor and managing same in the interest of and at the instruction of the trustor. The trustee acts in its own name on behalf of others.
Trust assets and liabilities are recognised outside the balance sheet in the notes. Detailed information about the nature and scope of existing trust assets and liabilities in the W&W Group can be found in Note 47 "Trust business".

Contingent liabilities

Contingent liabilities are potential obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the W&W Group. Contingent liabilities are also present obligations that arise from past events but are not recognised because either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. If the outflow of resources is not probable, disclosures are made about these contingent liabilities in the notes (Note 58 "Contingent liabilities and other liabilities"). If contingent liabilities are assumed in connection with corporate mergers, they are recognised in the balance sheet at fair value at the time of acquisition.

DISCLOSURES ABOUT SELECT ITEMS IN THE CONSOLIDATED INCOME STATEMENT

Net financial result

The net financial result of the W&W Group consists of several components. It is the net income or loss from:

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

Furthermore, the net income from risk provision is taken into account in the net financial result.

Recognised under "Net income/loss from financial assets available for sale" is the gain/loss from the measurement and sale of financial assets available for sale, as well as current income (interest and dividends). Dividends are recognised once there is a legal claim to payment.

Recognised under "Net income/loss from financial assets/liabilities at fair value through profit or loss" are realised and unrealised gains and losses, interest and dividends from financial assets/liabilities at fair value through profit or loss, and other income and expenses.

Recognised under "Hedge result" is the net income/loss from hedged items and hedging instruments involving fair value hedges. Also recognised here in the income statement are the effects from the ineffective portion of the hedging instrument and from the release of the reserve for cash flow hedges.

Recognised on an accrual basis under "Net income from receivables, liabilities and subordinated capital" are interest income and interest expenses under application of the effective interest method.

Recognised under "Net income from risk provision" are expenses from individual and portfolio allowance, as well as direct write-downs. This relates to lending business, primary insurance and reinsurance business, and other business.

Net commission income

Recognised under "Net commission income" are commission income and expenses, insofar as they are not recognised in connection with calculating the effective interest rate.

Commission income and expenses result in particular from home loan savings business, banking business, reinsurance business, investment business and brokering activities. Commission expenses also result from primary insurance business.

Commission income is recognised in the income statement at the time the service is provided, and commission expenses are recognised at the time the service is used. No commission income is recognised in primary insurance business, since customers are not billed separately for the costs associated with conclusion of insurance contracts.

Premiums/contributions earned (net)

Recognised under "Gross premiums written" from insurance and reinsurance business is generally all income that results from contractual relationships with policyholders and cedants concerning the granting of insurance cover. Current gross premiums written are accrued for each insurance contract. Premiums/contributions earned (net) results from taking into account the change in the provision for unearned premiums determined from accruals and the deduction of paid reinsurance premiums from gross premiums written and from the change in the provision for unearned premiums.

Insurance benefits (net)

Recognised under "Insurance benefits (gross)" are payments on insurance claims as well as changes in the premium reserve, the provision for outstanding insurance claims, the premium reserve for unit-linked insurance contracts and other technical provisions. Also recognised under "Insurance benefits" are additions to the HGB provision for premium refunds and direct credits. Claim adjustment expenses are recognised under "General administrative expenses".

Changes in the provision for deferred premium refunds that are attributable to changes based on remeasurement through profit or loss between national rules and IFRS are likewise recognised under "Insurance benefits". A provision for deferred premium refunds due to the participation of policyholders in unrealised gains and losses from financial assets available for sale and financial assets accounted for using the equity method as well as in gains and losses from pension provisions is generally created and released in equity.

Insurance benefits (net) result from the deduction of paid reinsurance premiums from insurance benefits (gross).

General administrative expenses

In the W&W Group, general administrative expenses consist of personnel expenses, materials costs, scheduled depreciation/amortisation, and impairment losses to property, plant and equipment and intangible assets. W&W Group expenses are allocated to materials costs and personnel expenses according to the principles of the nature-of-expense method.

Income taxes

Income tax earnings and expenses are recognised in the consolidated income statement as income taxes and distinguished in the notes (Note 39) between actual and deferred taxes.

Utilisation of discretionary judgments and estimates

EXERCISE OF DISCRETIONARY JUDGMENT IN APPLYING ACCOUNTING POLICIES

The application of accounting policies is subject to various discretionary judgments by management that may considerably influence amounts in the consolidated financial statements of the W&W Group. For instance, discretion is exercised with respect to the application of the rules on hedge accounting pursuant to IAS 39, to forecasts in the Management Report, to the provision for claims, to the restructuring provision and to the fair values of property.

In addition, it was decided not to use the IAS 39 measurement category "Financial assets held to maturity" in the W&W Group.

Furthermore, management exercises discretion in the application of accounting policies in such a way that the cost model and not the fair value model is used as the accounting policy for all investment property and for all property, plant and equipment, including property for own use.

Another far-reaching discretionary decision by management relates to the recognition of insurance-specific business transactions for which IFRS do not include any specific rules. In conformity with IFRS 4 "Insurance Contracts", these are recognised for domestic Group companies in accordance with the relevant rules of commercial law pursuant to Sections 341 et seq. of the German Commercial Code (HGB) and the regulations based on them and for foreign Group companies in accordance with the respective local accounting rules.
In connection with the determination of control of certain public funds, discretionary decisions are sometimes necessary in order to define the role of the outside fund manager as principal or agent. In such cases, contractual arrangements are looked at in order to evaluate whether the outside fund manager is to be classified as a principal or an agent. Material indicators used in evaluating the duty to consolidate are the fund manager's decision-making authority, including potential participatory rights of investors, the existing termination rights of investors with respect to the fund manager and their structure, and the amount of participation in the fund's success, particularly through the holding of units.

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Principles

In drawing up the consolidated financial statements according to IFRS, estimates and assumptions have to be made that affect the carrying amount of assets, liabilities, income and expenses, as well as the disclosure of contingent liabilities. The application of several of the accounting principles described in the chapter "General accounting principles and application of IFRS" presupposes material estimates that are based on complex, subjective evaluations and assumptions and may relate to issues that exhibit uncertainties.

The estimating methods used and the decision about the suitability of the assumptions require management to exercise good judgment and decision-making power in order to determine the appropriate values. Estimates and assumptions are moreover based on experiences and expectations with respect to future events that appear reasonable under the given circumstances. In so doing, carrying amounts are determined carefully and, taking into account all relevant information, as reliably as possible. In determining values, existing uncertainties are suitably taken into account in conformity with the relevant standards. However, actual results may vary from estimates, since new findings have to be taken into account when determining values. Estimates and their underlying assumptions are therefore continuously reviewed. The effects of changes in estimates are accounted for in the period in which the estimate changes.

In the reporting period just ended, no adjustments needed to be made to the methods used for estimation.

If estimates were necessary to a greater extent, these are explained comprehensively and in detail in the depiction of the accounting policies, in the relevant items and in the disclosures made in the notes to individual items.

The W&W Group has identified the following accounting principles, whose application is based to a considerable extent on estimates and assumptions, to be material.

Determining the fair value of assets and liabilities

The principles described in the following are used to determine the fair value of assets and liabilities, regardless of whether the fair value so determined is used for measurement purposes or for information in the notes.

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same: to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date.

When no observable market transactions or market information are available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs.

To increase consistency and comparability in fair value measurements and related disclosures, IFRS establish a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

If fair value cannot be reliably determined, the carrying amount is used as an approximate value to measure fair value. This essentially relates to loans under home loan savings contracts from collective business due to the special features of the home loan savings products and the variety of rate constructions. Loans under home loan savings contracts are allocated to the item "Receivables" and accordingly measured for accounting purposes at amortised cost. For further information, please see Note 5 "Receivables" as well as the disclosures in the chapter "Notes concerning financial instruments and fair value" starting at Note 42 "Disclosures concerning the measurement of fair value".

Level classification is to be used for all assets and liabilities that are measured regularly, once or for the purposes of preparing disclosures about fair value. The identical aforementioned standards and principles apply to this.

Only a few estimates by management are necessary in order to determine the fair value of assets and liabilities whose prices are quoted on an active market. Similarly, only a few subjective measurements or estimates are needed for assets and liabilities that are measured using models customary in the industry and all of whose inputs are quoted on active markets.

The required degree of subjective measurement and estimates by management has a higher weight for those assets and liabilities that are measured using special, complex models and for which some or all inputs are not observable. The values determined in this way are significantly influenced by the assumptions that have to be made.

Further remarks on this can be found in Note 42 "Disclosures concerning the measurement of fair value", which also contains both the level classification and further comments about the individual classes of assets and liabilities.

For extensive remarks about the special complexity associated with determining the fair value of financial instruments, please see the comments in the chapter "Accounting policies: remarks concerning the consolidated balance sheet" as well as Note 42 "Disclosures concerning the measurement of fair value".

Determining the fair value of investment property

In the W&W Group, investment property is recognised pursuant to the cost model. Property fair values shown in the notes to the consolidated financial statements were determined using the discounted cash flow method. In connection with the discounted cash flow method, expected deposits (rents, other revenues) and disbursements (maintenance, non-apportionable operating expenses, vacancy costs, costs for re-leasing) are discounted to present value, as are sales proceeds expected in the last forecast year. The interest rate of a risk-free financial investment, plus a risk premium, is used as the internal interest rate.

Impairment and reversal of impairment losses

With the exception of financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, all financial and non-financial assets are tested at regular intervals for objective evidence of impairment. Impairment losses are generally recognised in the income statement if the W&W Group believes that the relevant comparable value (e.g. present value of future cash flows) is lower than the carrying amount of this asset. Impairment is also tested where events or changed underlying conditions indicate that the value of this asset might have declined.

In addition, assets that are already impaired are regularly tested again for whether there is objective evidence of further impairment. If there is a need to take an impairment loss, this is determined in accordance with the rules that depend on the relevant asset. Impairment losses are reversed if there are sufficiently objectifiable criteria indicating permanent value recovery and this is moreover permissible pursuant to the applicable standard.
For instance, impairment losses to goodwill may not be reversed.

Uncertainties in estimates relate in particular to forecasts concerning the amount and timing of the underlying cash flows, as well as discounting factors.

Details about impairment and the reversal of impairment losses can be found in the chapter "Accounting policies: remarks concerning the consolidated balance sheet" in the section "Impairment of financial assets and reversal of impairment losses", as well as in the respective disclosures in the notes.

Creation of provisions

TECHNICAL PROVISIONS

Among technical provisions, the following types of provisions in particular are materially influenced by estimates and assumptions (their carrying amounts and further information can be found starting at Note 20):

Premium reserve

The premium reserve essentially relates to life and health insurance. It is estimated according to actuarial methods as the present value of future obligations less the present value of future premiums. The amount of the premium reserve is dependent on forward-looking assumptions about trends in investment yields achievable on the capital market, life expectancy, and other statistical data, as well as the costs incurred in connection with management of the contracts. Necessary adjustments to forward-looking assumptions have material effects on the amount of the premium reserve.

Provision for outstanding insurance claims

The provision for outstanding insurance claims is created primarily in property and casualty insurance for future payment obligations that result from insurance claims that occurred on or before the reporting date but have not yet been settled. In determining the amount of the provision, forward-looking assumptions are necessary, such as about claim trends, claim adjustment costs, claim inflation and premium adjustments. Necessary adjustments to forward-looking assumptions have material effects on the amount of the provision for outstanding insurance claims.

OTHER PROVISIONS

Provisions for pensions and other long-term employee benefits

In calculating provisions for pensions and other long-term employee benefits, assumptions and estimates are necessary concerning the underlying conditions, such as actuarial interest rate, salary increases, future pension increases and mortality.

For further quantitative disclosures, please see Note 21 "Other provisions".

Miscellaneous provisions

Provisions are created if there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the impact of the interest effect is material, provisions are created pursuant to IAS 37 in the amount of the present value of the expected use.

The amount recognised as a provision constitutes the best possible estimate of the expenditure needed to settle the current obligation as at the reporting date. The measurement and recognition of provisions are determined by the assumptions made with respect to probability of occurrence, expected payments and the underlying discount rate.

If the aforementioned criteria for creating provisions are not met, the corresponding obligations are recognised as contingent liabilities (see Note 58).

Further information about all of the above types of provisions can be found in Note 20 "Technical provisions" and Note 21 "Other provisions".

CONSOLIDATION

Scope of consolidation

W&W AG is the parent company of the W&W Group. As at the reporting date, the scope of consolidation was as follows:

	DOMESTIC	FOREIGN	TOTAL
Subsidiaries			
Included as at 31 December 2014	23	7	30
Included as at 31 December 2013	20	7	27
Structured companies (public and special funds)			
Included as at 31 December 2014	16	6	22
Included as at 31 December 2013	15	6	21
Associated companies accounted for using the equity method			
Included as at 31 December 2014	2	1	3
Included as at 31 December 2013	5	1	6

Information about shareholdings can be found in the list of shareholdings.

Changes to the scope of consolidation

Additions to the scope of consolidation

W&W Flexible Premium II Fund, Dublin, was added to the scope of consolidation in the first quarter of 2014 as a structured entity.

The newly formed subsidiaries WürttLeben Alternative Investments GmbH, WürttVers Alternative Investments GmbH and Cityimmobilien II GmbH & Co. KG were added to the scope of consolidation in the fourth quarter of 2014.

These changes had no material influence on the net assets, financial position and financial performance of the W&W Group.

Disposals from the scope of consolidation

Three Tertianum companies that had previously been included using the equity method (Tertianum Besitzgesellschaft Berlin Passauer Str. 5–7 mbH, Tertianum Besitzgesellschaft Konstanz Marktstätte 2–6 und Sigismundstr. 5–9 mbH and Tertianum Besitzgesellschaft München Jahnstr. 45 mbH) were sold in the third quarter of 2014 and disposed of from the scope of consolidation.

These changes had no material influence on the net assets, financial position and financial performance of the W&W Group.

Interests in subsidiaries, including consolidated structured entities

Disposal restrictions

Statutory, contractual or supervisory restrictions, as well as protected rights of non-controlling interests, may restrict the ability of the Group, the parent company or a subsidiary to obtain access to assets and to make unimpeded transfers to or receive unimpeded transfers from other companies in the Group and to pay Group debts.

Since enactment of the German Life Insurance Reform Act (LVRG) in August 2014, the subsidiary Württembergische Lebensversicherung AG is subject to a statutory ban on distributions until further notice.

As credit institutions, the subsidiaries Wüstenrot Bausparkasse AG and Wüstenrot Bank AG Pfandbriefbank must comply with extensive regulatory requirements. For example, the minimum liquidity standard (Liquidity Coverage Ratio, LCR) is intended to promote the short-term resilience of a credit institution's liquidity risk profile over a 30-day horizon in a stress scenario. The LCR is the ratio of the volume of High-Quality Liquid Assets (HQLA) that could be used to raise liquidity over a period of 30 days to the total volume of net stressed outflows in the same period arising from both actual and contingent exposures. As at 31 December 2014, the LCR was 760.45% for the subsidiary Wüstenrot Bausparkasse AG and 93.83% for the subsidiary Wüstenrot Bank AG Pfandbriefbank.

The Group is subject to the following restrictions with respect to the use to which assets may be put:

- Assets used in collateralised financing, e.g. repurchase agreements, securities lending transactions and other forms of collateralised lending.
- Assets used in collateral or margin agreements, e.g. to hedge derivative transactions.
- Assets used in the cover pool for German covered bonds.
- The assets of consolidated investment funds are subject to a variety of restrictions with respect to transferability between Group companies.
- The assets of consolidated insurance companies mainly serve to settle obligations to policyholders.
- Regulatory requirements and the requirements of central banks can limit the Group's ability to transfer assets to or from other companies in the Group.

With regard to assets and liabilities recognised in the consolidated financial statements that are subject to disposal restrictions, please also see Note 46 "Transfers of financial assets and granted and received collateral".

With regard to regulatory requirements within the Group, please also see Note 54 "Supervisory solvency".

During the reporting period, no public or special funds consolidated as structured entities were supported financially or otherwise, either voluntarily or as a result of contractual agreements, nor was there any intention to do so.

Interests in unconsolidated structured entities

As a result of its business activities, the W&W Group holds interests in unconsolidated structured entities that have been formed either as investment funds (public or special funds) or as alternative investment companies in the legal form of a corporation or partnership. These structured entities serve to meet various customer needs with respect to investment in various assets. Group companies mainly assume the role of investor, sometimes also that of fund manager or custodian.

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Moreover, a structured entity is classified as such based on the following features or attributes:

- restricted activities, a narrow and well-defined objective, insufficient equity to permit the structured entity to finance its activities without subordinated financial support, and/or financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

As at the reporting date, other than interests in investment funds and alternative investment companies, no structured entities were identified, either with an investment interest or as structured entities supported by the W&W Group without an investment interest. In the current financial year, no unconsolidated structured entities were financially supported, nor is there any intention to do so.

Interests in investment funds

As at 31 December 2014, the carrying amounts, the investment strategy, the maximum loss risk and the scope vis-à-vis unconsolidated investment funds were as follows:

	Equity funds	Pension funds	Real estate funds	Other funds	Funds of unit-linked life insurance policies
in € thousands					
Recognised assets (fund units held)					
Financial assets at fair value through profit or loss	7,701	834	3,426	1,897	1,394,457
Financial assets available for sale	215,352	1,009,687	42,214	128,320	—
Total	223,053	1,010,521	45,640	130,217	1,394,457
Maximum loss risk[1]	223,053	1,010,521	45,640	130,217	1,394,457
Total scope of fund assets as at the reporting date	85,745,839	12,791,066	26,242,893	29,871,043	119,084,836

1 The maximum loss risk is determined on the basis of fund units held and, where applicable, capital contributions not yet called and guarantees.

Unconsolidated investment funds are financed by issuing equity interests. The carrying amount of the interests corresponds to the pro rata net asset value. The types of income that the W&W Group receives from these held interests are mainly interest income, dividend income, income from the fair value measurement of fund units, and in some cases fees for acquisition, management and investment advice. The amount of current income and net measurement income depends in particular on general market trends in the respective investment class and on the specific investment decisions made by the respective fund manager. In addition to fund units held, there are occasional minor positions between the internal Group custodian and the investment funds, such as call money accounts and derivatives.

Interests in alternative investments, including private equity

Alternative investment companies maintain holdings in the area of alternative energy production from wind, photovoltaic, biomass and water. In addition, there are investments in the area of private equity, such as venture capital financing. Scope and size are primarily determined on the basis of the net asset value. The carrying amount of interests in alternative investments, including private equity, corresponds to the pro rata net asset value under the item "Financial assets available for sale" and amounts to € 768,811 thousand. This carrying amount corresponds to the maximum loss risk. Financing is accomplished by issuing equity interests.

The W&W Group as interest owner receives variable reflows, mainly in the form of distributions from alternative investments, including private equity. In addition, the investments are subject to fluctuations in value. Variable reflows are dependent on general market trends in the respective industry and on the specific business decisions made by the respective investment company.

Segment reporting

In conformity with IFRS 8 "Operating Segments", segment information is generated on the basis of internal reports that are regularly reviewed by the entity’s chief operating decision maker in order to allocate resources to the segment and assess its performance (so-called "management approach"). In the W&W Group, the chief operating decision maker is the Management Board.

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

Home Loan and Savings Bank

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

Life and Health Insurance

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

Property/Casualty Insurance

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

As in previous years, the performance of each segment was measured based on the segment result under IFRS. Transactions between the segments were carried out on an arm's length basis. All other business activities of the W&W Group, such as central Group functions, asset management activities, property development and the marketing of home loan savings, banking and insurance products outside of Germany, were subsumed under "All other segments". The column "Consolidation/reconciliation" includes consolidation adjustments required to reconcile segment figures to Group figures. The measurement principles for segment reporting correspond to the accounting policies applied to the IFRS consolidated financial statements.

SEGMENT INCOME STATEMENT

in € thousands	Home Loan and Savings Bank 1.1.2014 to 31.12.2014	Home Loan and Savings Bank 1.1.2013 to 31.12.2013	Life and Health Insurance 1.1.2014 to 31.12.2014	Life and Health Insurance 1.1.2013 to 31.12.2013
1. Net income/loss from financial assets available for sale	180,438	200,859	873,770	431,448
2. Net income from/net expense for financial assets accounted for using the equity method	—	—	43,193	18,049
3. Net income/loss from financial assets/liabilities at fair value through profit or loss	31,679	– 94,422	– 71,873	306,648
4. Hedge result	73,985	47,166	—	—
5. Net income from receivables, liabilities and subordinated capital	179,626	332,399	773,025	789,581
6. Net income from risk provision	– 34,600	– 25,454	– 3,238	1,697
7. Net financial result	431,128	460,548	1,614,877	1,547,423
8. Net income from investment property	—	—	56,555	24,150
9. Net commission income	6,972	– 8,804	– 161,555	– 148,045
10. Premiums/contributions earned (net)	—	—	2,411,087	2,365,816
11. Insurance benefits (net)	—	—	3,546,565	3,322,472
12. General administrative expenses[3]	364,838	401,975	289,043	272,982
13. Net measurement gain/loss from non-current assets held for sale and discontinued operations	—	—	—	– 165
14. Net other operating income/loss	– 962	– 19,232	– 54,621	– 124,148
15. Net segment income from continued operations before income taxes	72,300	30,537	30,735	69,577
16. Income taxes	20,475	10,762	– 14,937	25,233
17. Net segment income after taxes	51,825	19,775	45,672	44,344
Other information				
Total revenue[4]	1,648,215	1,783,187	3,399,749	3,365,520
thereof with other segments	40,202	41,032	32,344	32,720
thereof with external customers	1,608,013	1,742,155	3,367,405	3,332,800
Interest income	1,426,872	1,559,786	862,528	883,459
Interest expenses	1,128,193	1,145,986	77,094	77,200
Scheduled amortisation/depreciation	4,245	4,294	50,469	46,682
Impairment losses[5]	—	—	24,139	101,172
Reversals of impairment losses[5]	—	—	3,585	3,973
Material non-cash items	– 32,055	– 18,974	156,283	– 145,054
Segment assets[6]	38,593,449	37,018,803	33,871,763	31,700,150
Segment liabilities[6]	36,738,639	35,449,697	33,399,551	31,378,366
Financial assets accounted for using the equity method[6]	—	—	82,346	70,479
Investments in non-current assets	612	2,763	191,045	336,779

1 Includes amounts from proportional profit transfers eliminated in the Consolidation column.
2 The column Consolidation/reconciliation includes the effects of consolidation between segments.
3 Includes service revenues and rental income with other segments.
4 Interest, commission and rental income and premiums/contributions earned (net) from insurance business.
5 Impairment losses and reversals of impairment losses relate to intangible assets, property, plant and equipment, inventories and investment property.
6 Values as at 31 December 2014 and 31 December 2013 respectively.

	Property/Casualty Insurance		Total for reportable segments		All other segments[1]		Consolidation/ reconciliation[2]		Group	
	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
	96,429	54,739	1,150,637	687,046	96,554	155,968	– 80,461	– 138,724	1,166,730	704,290
	37,882	11,114	81,075	29,163	2,685	2,564	—	—	83,760	31,727
	– 32,421	3,863	– 72,615	216,089	1,895	6,307	– 1,925	300	– 72,645	222,696
	—	—	73,985	47,166	—	—	—	—	73,985	47,166
	39,395	27,999	992,046	1,149,979	34,327	20,388	4,455	5,864	1,030,828	1,176,231
	– 1,111	– 474	– 38,949	– 24,231	– 2,352	– 7,065	—	—	– 41,301	– 31,296
	140,174	97,241	2,186,179	2,105,212	133,109	178,162	– 77,931	– 132,560	2,241,357	2,150,814
	1,647	1,137	58,202	25,287	85	735	2,859	2,002	61,146	28,024
	– 213,694	– 207,995	– 368,277	– 364,844	– 36,531	– 43,614	1,324	3,138	– 403,484	– 405,320
	1,278,062	1,230,492	3,689,149	3,596,308	263,502	258,403	– 13,285	– 14,344	3,939,366	3,840,367
	721,498	756,365	4,268,063	4,078,837	175,413	200,660	– 16,572	– 15,398	4,426,904	4,264,099
	342,980	342,339	996,861	1,017,296	104,209	95,416	7,015	5,301	1,108,085	1,118,013
	—	—	—	– 165	—	—	—	—	—	– 165
	12,218	33,365	– 43,365	– 110,015	16,846	37,585	6,127	25,404	– 20,392	– 47,026
	153,929	55,536	256,964	155,650	97,389	135,195	– 71,349	– 106,263	283,004	184,582
	25,734	5,000	31,272	40,995	34,918	22,691	– 25,152	– 33,959	41,038	29,727
	128,195	50,536	225,692	114,655	62,471	112,504	– 46,197	– 72,304	241,966	154,855
	1,463,023	1,418,477	6,510,987	6,567,184	445,389	444,239	– 225,001	– 213,859	6,731,375	6,797,564
	– 186,055	– 177,923	– 113,509	– 104,171	338,510	318,030	– 225,001	– 213,859	—	—
	1,649,078	1,596,400	6,624,496	6,671,355	106,879	126,209	—	—	6,731,375	6,797,564
	76,754	80,781	2,366,154	2,524,026	119,488	129,274	– 28,531	– 28,423	2,457,111	2,624,877
	17,107	16,661	1,222,394	1,239,847	75,128	85,707	– 26,467	– 26,875	1,271,055	1,298,679
	6,354	5,651	61,068	56,627	49,984	50,833	– 786	– 786	110,266	106,674
	71	67	24,210	101,239	—	—	—	– 20,148	24,210	81,091
	—	—	3,585	3,973	—	—	—	—	3,585	3,973
	1,823	– 14,925	126,051	– 178,953	4,560	474	– 1,251	2,824	129,360	– 175,655
	4,145,175	3,944,184	76,610,387	72,663,137	6,035,086	6,102,986	– 4,109,414	– 3,723,609	78,536,059	75,042,514
	3,359,927	3,205,247	73,498,117	70,033,310	3,865,521	3,946,311	– 2,501,799	– 2,190,125	74,861,839	71,789,496
	102,149	66,839	184,495	137,318	19,500	18,029	– 19,803	– 19,803	184,192	135,544
	1,435	5,775	193,092	345,317	48,794	58,834	—	—	241,886	404,151

Information by region (Group)

in € thousands	Revenue from external customers[1] 1.1.2014 to 31.12.2014	Revenue from external customers[1] 1.1.2013 to 31.12.2013	Non-current assets[2] 1.1.2014 to 31.12.2014	Non-current assets[2] 1.1.2013 to 31.12.2013
Germany	6,606,858	6,649,658	2,072,504	1,986,995
Czech Republic	121,039	146,082	13,349	12,563
Other countries	3,478	1,824	11	13
Total	6,731,375	6,797,564	2,085,864	1,999,571

1 Revenues were allocated to the operating units based on the country of registration, and they consist of interest, commission and rental income, and premiums/contributions earned (net) from insurance business.
2 Non-current assets include investment property, intangible assets with the exception of capitalised insurance portfolios, and property, plant and equipment.

Notes concerning the consolidated balance sheet

(1) Cash reserves

in € thousands	31.12.2014	31.12.2013
Cash on hand	3,645	3,673
Deposits with central banks	335,119	422,057
Deposits with foreign postal giro offices	289	178
Debt instruments issued by public authorities	—	105,727
Cash reserves	339,053	531,635

Debt instruments issued by public authorities in the previous year had to do with government bonds and treasury bills, in each case with a term of not more than three months, which were to be deposited by the Czech mortgage bank with the Czech central bank as mandatory minimum reserves.

The fair value of cash reserves can be obtained from the measurement hierarchy.

(2) Non-current assets classified as held for sale and discontinued operations

in € thousands	31.12.2014	31.12.2013
Investment property	14,090	14,138
Non-current assets classified as held for sale and discontinued operations	14,090	14,138

Investment property held for sale as at 31 December 2013 was disposed of in the first quarter of 2014. It had to do with a residential and commercial property in third-party use in Stuttgart in the Life and Health Insurance segment and a residential property in third-party use in Leipzig in the Property/Casualty Insurance segment.

Investment property held for sale as at 31 December 2014 had to do with a commercial property in third-party use in Münster and a residential and commercial property in third-party use in Leipzig in the Life and Health Insurance segment.

The property sales are undertaken, among other things, for reasons of diversification and thus serve to further optimise the asset portfolio in the W&W Group.

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

in € thousands	31.12.2014	31.12.2013
Designated as financial assets at fair value	2,296,872	1,823,155
Equity instruments	1,811	384
Senior fixed-income securities	239,546	—
Structured products	661,058	596,385
Capital investments for the account and risk of holders of life insurance policies	1,394,457	1,226,386
Financial assets held for trading	1,167,071	821,011
Equity instruments	12,047	14,043
Senior fixed-income securities	480	57,511
Derivative financial instruments	1,154,544	749,457
Financial assets at fair value through profit or loss	3,463,943	2,644,166

The change in the fair value of receivables that were designated as financial assets at fair value through profit or loss is attributable to a change in the credit risk in the amount of € 14.4 million (previous year: € 4.6 million). The resulting cumulative change in fair value amounts to € -5.2 million (previous year: € -19.6 million). The change in fair value attributable to changes in creditworthiness is determined using a difference calculation based on the credit-spread change in the reporting year.

(4) Financial assets available for sale

	Amortised cost		Unrealised gains (gross)		Unrealised losses (gross)		Fair value/carrying amount	
in € thousands	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Equity instruments	2,805,351	2,741,270	499,249	392,478	99,765	81,322	3,204,835	3,052,426
Investments	821,918	751,742	223,346	173,181	15,787	14,133	1,029,477	910,790
Equities	629,725	666,308	177,495	170,202	27,435	31,970	779,785	804,540
Fund units	1,353,708	1,323,220	98,408	49,095	56,543	35,219	1,395,573	1,337,096
Subordinated securities and receivables	1,034,752	726,001	42,147	20,327	5,018	12,936	1,071,881	733,392
Senior fixed-income securities	19,760,354	17,167,456	1,636,271	338,318	59,913	278,366	21,336,712	17,227,408
Financial assets available for sale	23,600,457	20,634,727	2,177,667	751,123	164,696	372,624	25,613,428	21,013,226

The increase in unrealised gains results from lower interest rates since the start of the year and is reflected in the consolidated statement of comprehensive income. In the comparable prior-year period, interest rates went up.

(5) Receivables

in € thousands	Carrying amount 31.12.2014	31.12.2013
Subordinated securities and receivables	96,354	88,495
First-rate receivables from institutional investors[1]	16,520,286	17,095,162
Banks	11,860,978	12,163,542
Other financial companies	377,053	218,416
Other companies	198,814	198,819
Public authorities	4,083,441	4,397,534
Central banks	—	116,851
Senior fixed-income securities	—	332,298
Bearer bonds	—	2,019
Financial instruments reclassified from financial assets available for sale to receivables	—	330,279
Building loans	25,127,273	26,253,754
Loans under home loan savings contracts	3,025,731	3,323,581
Preliminary and interim financing loans	11,233,095	11,521,945
Other building loans	10,631,115	11,280,666
Portfolio hedge adjustment	237,332	127,562
Other loans and receivables	2,572,088	2,588,186
Other loans and advances[2]	2,131,894	2,127,880
to customers	412,317	470,977
to credit institutions	1,719,577	1,656,903
Other receivables[3]	440,194	460,306
Receivables from reinsurance business	90,619	113,745
Receivables from insurance agents	68,816	55,382
Receivables from policyholders	274,300	278,071
Sundry other receivables	6,459	13,108
Receivables	44,316,001	46,357,895

1 Includes senior debenture bonds and registered debt securities.
2 Receivables that constitute a class pursuant to IFRS 7.
3 Receivables that do not constitute a class pursuant to IFRS 7 and essentially contain receivables from insurance business with disclosure requirements pursuant to IFRS 4.

The carrying amount of receivables as a whole less impairments in the form of risk provision amounts to € 44,101.4 million (previous year: € 46,154.1 million).

In the financial year just ended, all senior fixed-income securities were sold that, in conformity with the rules in IAS 39.50 E, had been reclassified from the category "Financial assets available for sale" to the category "Receivables", effective 1 July 2008.

The fair value of each receivable can be obtained from the measurement hierarchy. The carrying amount of other receivables corresponds to fair value.

The sub-item "Portfolio hedge adjustment" involves a measurement item from the interest-rate-based measurement of loans and advances to customers designated in connection with the portfolio fair value hedge. Recognised here is the change in the hedged item as relates to the hedged risk. The portfolio of derivatives that were included in the portfolio fair value hedge as at 31 December 2014 is contained in Notes 7 and 19.

(6) RISK PROVISION

The counterparty risk with receivables is taken into account in the financial statements through the creation of individual and portfolio allowances. In the W&W Group, these are generally recognised under the item "Risk provision".

Interest income accrued on impaired assets is recognised as interest effect.

Changes in value during the 2014 financial year

	Opening balance 1.1.2014	Reclassifications	Additions
in € thousands			
Subordinated securities and receivables	—	—	23
Individual/collective impairment provisions	—	—	—
Impairment provisions created on a portfolio basis	—	—	23
First-rate receivables from institutional investors	1,491	—	1,857
Individual/collective impairment provisions	—	—	—
Impairment provisions created on a portfolio basis	1,491	—	1,857
Senior fixed-income securities	—	—	—
Individual/collective impairment provisions	—	—	—
Impairment provisions created on a portfolio basis	—	—	—
Building loans	161,781	1,807	104,975
Individual/collective impairment provisions	126,902	– 12,067	77,994
Impairment provisions created on a portfolio basis	34,879	13,874	26,981
Other loans and advances[1]	12,372	– 1,807	4,730
Individual/collective impairment provisions	11,343	– 1,119	4,179
Impairment provisions created on a portfolio basis	1,029	– 688	551
Other receivables[2]	28,177	—	3,806
Individual/collective impairment provisions	5,573	—	896
Impairment provisions created on a portfolio basis	22,604	—	2,910
Risk provision	203,821	—	115,391
Individual/collective impairment provisions	143,818	– 13,186	83,069
Impairment provisions created on a portfolio basis	60,003	13,186	32,322

1 Receivables that constitute a class pursuant to IFRS 7.
2 Receivables that do not constitute a class pursuant to IFRS 7 and essentially contain receivables from insurance business with disclosure requirements pursuant to IFRS 4.

	Utilisation	Change in scope of consolidation	Release	Currency effect	Interest effect	Closing balance 31.12.2014
	—	—	1	—	—	22
	—	—	—	—	—	—
	—	—	1	—	—	22
	—	—	1,796	—	—	1,552
	—	—	—	—	—	—
	—	—	1,796	—	—	1,552
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	15,747	—	63,679	– 312	– 15,817	173,008
	15,747	—	24,652	– 312	– 15,817	136,301
	—	—	39,027	—	—	36,707
	1,136	—	1,721	– 33	– 54	12,351
	1,136	—	1,206	– 33	– 54	11,974
	—	—	515	—	—	377
	281	—	4,054	– 15	—	27,633
	281	—	1,071	– 15	—	5,102
	—	—	2,983	—	—	22,531
	17,164	—	71,251	– 360	– 15,871	214,566
	17,164	—	26,929	– 360	– 15,871	153,377
	—	—	44,322	—	—	61,189

Changes in value during the 2013 financial year

in € thousands	Opening balance 1.1.2013	Reclassifications	Additions
Subordinated securities and receivables	—	—	—
Individual/collective impairment provisions	—	—	—
Impairment provisions created on a portfolio basis	—	—	—
First-rate receivables from institutional investors	1,651	—	432
Individual/collective impairment provisions	—	—	—
Impairment provisions created on a portfolio basis	1,651	—	432
Senior fixed-income securities	—	—	—
Individual/collective impairment provisions	—	—	—
Impairment provisions created on a portfolio basis	—	—	—
Building loans	169,276	—	97,214
Individual/collective impairment provisions	131,966	– 15,531	74,320
Impairment provisions created on a portfolio basis	37,310	15,531	22,894
Other loans and advances[1]	6,255	4,522	5,554
Individual/collective impairment provisions	5,224	4,602	4,704
Impairment provisions created on a portfolio basis	1,031	– 80	850
Other receivables[2]	27,387	—	5,258
Individual/collective impairment provisions	6,242	—	1,371
Impairment provisions created on a portfolio basis	21,145	—	3,887
Risk provision	204,569	4,522	108,458
Individual/collective impairment provisions	143,432	– 10,929	80,395
Impairment provisions created on a portfolio basis	61,137	15,451	28,063

1 Receivables that constitute a class pursuant to IFRS 7.
2 Receivables that do not constitute a class pursuant to IFRS 7 and essentially contain receivables from insurance business with disclosure requirements pursuant to IFRS 4.

	Utilisation	Change in scope of consolidation	Release	Currency effect	Interest effect	Closing balance 31.12.2013
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	592	—	—	1,491
	—	—	—	—	—	—
	—	—	592	—	—	1,491
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	17,005	—	69,997	– 2,278	– 15,429	161,781
	17,005	—	29,141	– 2,278	– 15,429	126,902
	—	—	40,856	—	—	34,879
	1,776	—	1,875	– 215	– 93	12,372
	1,776	—	1,103	– 215	– 93	11,343
	—	—	772	—	—	1,029
	194	—	4,140	– 134	—	28,177
	194	—	1,712	– 134	—	5,573
	—	—	2,428	—	—	22,604
	18,975	—	76,604	– 2,627	– 15,522	203,821
	18,975	—	31,956	– 2,627	– 15,522	143,818
	—	—	44,648	—	—	60,003

(7) Positive market values from hedges

in € thousands	31.12.2014	31.12.2013
Cash flow hedges	29,397	—
Hedging of interest rate risk	29,397	—
Fair value hedges	21,707	26,736
Hedging of interest rate risk	21,707	26,736
Positive market values from hedges	51,104	26,736

(8) Financial assets accounted for under the equity method

in € thousands	2014	2013
Carrying amount as at 1 January	135,544	118,348
Disposals	– 23,450	– 592
Dividend payments	– 6,889	– 6,933
Pro rata share of net income	78,169	23,711
Reversals of impairment losses	951	8,016
Changes recognised directly in equity	– 133	– 7,006
Carrying amount as at 31 December	184,192	135,544

In the third quarter of 2014, the interests in the following financial assets accounted for using the equity method were sold in full:

- Tertianum Besitzgesellschaft Berlin Passauer Straße 5–7 mbH
- Tertianum Besitzgesellschaft Konstanz Marktstätte 2–6 und Sigismundstraße 5–9 mbH
- Tertianum Besitzgesellschaft München Jahnstraße 45 mbH

The sales resulted in a gain of € 4.6 million.

The following table contains information about all financial assets remaining in the portfolio that are accounted for using the equity method. It presents, among other things, all assets, liabilities, revenue and net income for the year for each company, as well as the shares thereof attributable to the W&W Group:

	BWK GmbH Unternehmens-beteiligungsgesellschaft	V-Bank AG	Wüstenrot stavebná sporiteľňa a.s.
Investment purpose	Strategic investment	Strategic investment	Strategic investment
Principal place of business	Stuttgart, Germany	Munich, Germany	Bratislava, Slovakia
Closing date for financial statements	31 December	31 December	31 December
Measurement standard	At equity	At equity	At equity

in € thousands	BWK GmbH Unternehmens-Beteiligungsgesellschaft 31.12.2014	BWK GmbH Unternehmens-Beteiligungsgesellschaft 31.12.2013	V-Bank AG 31.12.2014	V-Bank AG 31.12.2013	Wüstenrot stavebná sporiteľňa a.s. 31.12.2014	Wüstenrot stavebná sporiteľňa a.s. 31.12.2013	Total 31.12.2014	Total 31.12.2013
Holding, in %	35.00	35.00	47.14	48.96	40.00	40.00		
Share of voting rights (where different), in %	—	—	40.00	40.00	—	—		
Assets	510,978	301,996	1,056,115	776,751	383,379	386,390	1,950,472	1,465,137
Liabilities	40,430	33,221	1,027,268	750,918	342,787	345,816	1,410,485	1,129,955
Net assets (100%)	470,548	268,775	28,847	25,833	40,592	40,574	539,987	335,182
Group share of net assets	164,692	94,071	13,598	12,648	16,237	16,230	194,527	122,949
Reconciliation	—	—	2,053	2,053	– 12,388	– 12,902	– 10,335	– 10,849
Carrying amount of financial assets accounted for using the equity method	164,692	94,071	15,651	14,701	3,849	3,328	184,192	112,100

in € thousands	BWK GmbH Unternehmens-Beteiligungsgesellschaft 1.1.2014 to 31.12.2014	BWK GmbH Unternehmens-Beteiligungsgesellschaft 1.1.2013 to 31.12.2013	V-Bank AG 1.1.2014 to 31.12.2014	V-Bank AG 1.1.2013 to 31.12.2013	Wüstenrot stavebná sporiteľňa a.s. 1.1.2014 to 31.12.2014	Wüstenrot stavebná sporiteľňa a.s. 1.1.2013 to 31.12.2013	Total 1.1.2014 to 31.12.2014	Total 1.1.2013 to 31.12.2013
Revenue	230,672	72,603	17,616	13,698	11,878	10,822	260,166	97,123
Net income for the year (100%)	216,471	63,511	3,625	3,036	1,155	927	221,251	67,474
Other comprehensive income (100%)	800	– 17,623	– 1,610	– 837	864	– 1,070	54	– 19,530
Total comprehensive income (100%)	217,271	45,888	2,015	2,199	2,019	– 143	221,305	47,944
Group share of net income for the year	75,765	22,229	1,709	1,486	462	371	77,936	24,086
Group share of other comprehensive income	280	– 6,168	– 759	– 410	346	– 428	– 133	– 7,006
Group share of total comprehensive income	76,045	16,061	950	1,077	808	– 57	77,802	17,080
Dividends received	5,425	5,425	—	—	800	800	6,225	6,225

No publicly quoted market prices are available for the interests in associated companies in the W&W Group that are accounted for using the equity method.

(9) INVESTMENT PROPERTY

As at the end of the year, the fair value of investment property amounts to € 2,152.3 million (previous year: € 2,007.3 million). There are no restrictions on the ability to sell investment property or on the ability to dispose of income and sales proceeds.

As at 31 December 2014, contractual obligations exist to purchase and construct investment property amounting to € 118.0 million (previous year: € 219.6 million). There are no material contractual obligations to develop investment property or for repairs, maintenance or improvements.

in € thousands	2014	2013
Gross carrying amounts as at 1 January	2,039,989	1,797,096
Additions	164,062	336,769
Disposals	– 142	– 465
Reclassifications	– 1,367	—
Classified as held for sale	– 42,918	– 109,956
No longer held for sale	—	16,545
As at 31 December	2,159,624	2,039,989
Cumulative depreciation and impairments as at 1 January	– 368,274	– 341,757
Additions (scheduled depreciation)	– 42,175	– 38,226
Additions (impairments)	– 2,895	– 23,718
Disposals	73	183
Reversals of impairment losses	3,585	3,973
Reclassifications	1,013	—
Classified as held for sale	18,407	33,704
No longer held for sale	—	– 2,433
As at 31 December	– 390,266	– 368,274
Net carrying amounts as at 1 January	1,671,715	1,455,339
Net carrying amounts as at 31 December	1,769,358	1,671,715

Additions contain subsequent expenditures recognised as an asset in the amount of € 81.9 million (previous year: € 67.0 million).

Impairment losses in the current period in the amount of € 2.9 million (previous year: € 23.7 million) relate to various residential and commercial properties for which the net realisable value was less than the carrying amount. The reasons for this include, by way of example, declines in land values and achievable sales prices.

(10) Reinsurers' portion of technical provisions

in € thousands	31.12.2014	31.12.2013
Provision for unearned premiums	16,100	14,402
Premium reserve	1,085,875	1,082,740
Provision for outstanding insurance claims	251,180	329,962
Other technical provisions	814	702
Reinsurers' portion of technical provisions	1,353,969	1,427,806

Further remarks can be found at the corresponding liability items starting at Note 20.

(11) Intangible assets

in € thousands	31.12.2014	31.12.2013	Remaining amortisation period (years)
Purchased insurance portfolios	17,271	44,363	6–13
Software	74,130	82,155	1–5
Brand names	20,905	22,514	13
Other purchased intangible assets	4,327	5,829	1–8
Intangible assets	116,633	154,861	

Changes to intangible assets in 2014

in € thousands	Purchased insurance portfolios	Purchased software	Internally developed software	Brand names	Other purchased intangible assets	Total
Gross carrying amounts as at 1 January	128,773	288,674	63,908	32,162	19,573	533,090
Additions	—	22,383	—	—	234	22,617
Disposals	—	– 2,012	– 1	—	—	– 2,013
Changes from currency translation	– 70	– 213	—	—	– 25	– 308
As at 31 December	128,703	308,832	63,907	32,162	19,782	553,386
Cumulative amortisation and impairments as at 1 January	– 84,410	– 206,706	– 63,721	– 9,648	– 13,744	– 378,229
Additions (scheduled amortisation)	– 6,177	– 29,524	– 130	– 1,609	– 1,736	– 39,176
Additions (impairments)	– 20,892	—	—	—	—	– 20,892
Disposals	—	1,324	—	—	—	1,324
Changes from currency translation	47	148	—	—	25	220
As at 31 December	– 111,432	– 234,758	– 63,851	– 11,257	– 15,455	– 436,753
Net carrying amounts as at 1 January	44,363	81,968	187	22,514	5,829	154,861
Net carrying amounts as at 31 December	17,271	74,074	56	20,905	4,327	116,633

Changes to intangible assets in 2013

in € thousands	Purchased insurance portfolios	Goodwill	Purchased software	Internally developed software	Brand names	Other purchased intangible assets	Total
Gross carrying amounts as at 1 January	129,342	57,378	259,242	63,908	32,162	19,013	561,045
Additions	—	—	44,001	—	—	763	44,764
Disposals	—	– 57,378	– 13,030	—	—	—	– 70,408
Changes from currency translation	– 569	—	– 1,539	—	—	– 203	– 2,311
As at 31 December	128,773	—	288,674	63,908	32,162	19,573	533,090
Cumulative amortisation and impairments as at 1 January	– 78,584	– 72	– 189,442	– 63,548	– 8,040	– 12,320	– 352,006
Additions (scheduled amortisation)	– 6,187	—	– 31,200	– 173	– 1,608	– 1,627	– 40,795
Additions (impairments)	—	– 57,306	—	—	—	—	– 57,306
Disposals	—	57,378	12,928	—	—	—	70,306
Changes from currency translation	361	—	1,008	—	—	203	1,572
As at 31 December	– 84,410	—	– 206,706	– 63,721	– 9,648	– 13,744	– 378,229
Net carrying amounts as at 1 January	50,758	57,306	69,800	360	24,122	6,693	209,039
Net carrying amounts as at 31 December	44,363	—	81,968	187	22,514	5,829	154,861

Wüstenrot Holding AG and W&W AG are parties to a brand name transfer and use agreement. As at 31 December 2014, the carrying amount of the resulting intangible asset amounts to € 20.9 million (previous year: € 22.5 million). The asset has a limited useful life, and it is being amortised on a straight-line basis over 20 years. Its remaining useful life is 13 years. As at 31 December 2014, the recognised brand name is netted by a financial liability to Wüstenrot Holding AG in the amount of € 23.7 million (previous year: € 25.1 million). Total expenditures for research and development that were recognised in the income statement for the 2014 financial year amount to € 52.6 million (previous year: € 34.9 million). There are obligations to purchase intangible assets in the amount of € 3.5 million (previous year: € 3.6 million).

(12) Property, plant and equipment

There were obligations to purchase property, plant and equipment in the amount of € 2.3 million (previous year: € 10.7 million). Property for own use includes leased assets in the amount of € 27.2 million (previous year: € 30.0 million). Scheduled depreciation of leased assets included in property for own use was recognised in the amount of € 2.7 million (previous year: € 2.7 million). Plant and equipment included leased assets in the amount of € 3.1 million (previous year: € 4.2 million). Scheduled depreciation of leased assets included in plant and equipment was recognised in the amount of € 1.0 million (previous year: € 1.0 million). Additions to property for own use included preparatory construction services in the amount of € 4.3 million (previous year: € 0.0 million).

PROPERTY, PLANT AND EQUIPMENT

	PROPERTY FOR OWN USE		PLANT AND EQUIPMENT		TOTAL	
in € thousands	2014	2013	2014	2013	2014	2013
Gross carrying amounts as at 1 January	385,494	395,242	253,786	260,233	639,280	655,475
Additions	6,238	7,216	21,508	15,404	27,746	22,620
Disposals	– 76	– 98	– 58,858	– 21,175	– 58,934	– 21,273
Reclassifications	1,016	—	351	– 94	1,367	– 94
Classified as held for sale	—	– 16,408	—	—	—	– 16,408
Changes from currency translation	– 57	– 458	– 75	– 582	– 132	– 1,040
As at 31 December	392,615	385,494	216,712	253,786	609,327	639,280
Cumulative depreciation and impairments as at 1 January	– 192,213	– 189,370	– 207,194	– 210,738	– 399,407	– 400,108
Additions (scheduled depreciation)	– 11,007	– 10,500	– 17,906	– 17,155	– 28,913	– 27,655
Additions (impairments)	– 423	– 67	—	—	– 423	– 67
Disposals	15	73	58,380	20,145	58,395	20,218
Reclassifications	– 800	—	– 213	94	– 1,013	94
Classified as held for sale	—	7,528	—	—	—	7,528
Changes from currency translation	18	123	64	460	82	583
As at 31 December	– 204,410	– 192,213	– 166,869	– 207,194	– 371,279	– 399,407
Net carrying amounts as at 1 January	193,281	205,872	46,592	49,495	239,873	255,367
Net carrying amounts as at 31 December	188,205	193,281	49,843	46,592	238,048	239,873

(13) INVENTORIES

Inventories in the amount of € 63.5 million (previous year: € 60.7 million) relate to property development business and primarily include land and buildings held for sale, as well as land with buildings under construction. The carrying amount of inventories recognised at the lower fair value less costs of disposal amounts to € 3.2 million (previous year: € 3.2 million). Also recognised under inventories are raw materials and consumables in the amount of € 0.4 million (previous year: € 0.5 million)

Impairment provisions in the amount of € 26.0 thousand (previous year: € 526.0 thousand) were created for inventories in the reporting year. Expenses for the utilisation of inventories during the reporting period amounted to € 43.8 million (previous year: € 57.9 million). No inventories were pledged as collateral for liabilities in either the reporting year or in the previous year.

(14) CURRENT TAX ASSETS

Current tax assets relate to current tax receivables, and they are expected to be realised in the amount of € 56.0 million (previous year: € 59.1 million) within 12 months.

(15) DEFERRED TAX ASSETS

Deferred tax assets were recognised in connection with the following items:

in € thousands	31.12.2014	31.12.2013
Financial assets/liabilities at fair value through profit or loss	237,235	167,876
Financial assets available for sale	40,354	84,752
Receivables	18,534	13,766
Positive and negative market values from hedges	167,607	80,467
Financial assets accounted for using the equity method	188	226
Liabilities	15,475	23,025
Technical provisions	146,836	140,906
Provisions for pensions and other obligations	295,007	176,863
Other items	117,750	75,474
Tax loss carryforward	3,327	3,339
DEFERRED TAX ASSETS	1,042,313	766,694

The portion of the changes to deferred tax assets recognised directly in equity for some items can be seen in the consolidated statement of comprehensive income. The changes recognised in the income statement for some items are described in Note 39.

Deferred taxes on provisions for pensions and other obligations in the amount of € 237.8 million (previous year: € 123.8 million) were recognised directly in the reserve for pension commitments.

Deferred tax assets in the amount of € 130.3 million (previous year: € 95.8 million) and deferred taxes on tax loss carryforwards in the amount of € 0.8 million (previous year: € 0.6 million) are expected to be realised within 12 months.

Deferred taxes were not recognised for deductible temporary differences and tax loss carryforwards that related to corporate income and trade taxes in the amount of € 2.2 million (previous year: € 4.7 million), as they are not expected to be realised in the medium term.

(16) OTHER ASSETS

Other assets mainly had to do with prepaid insurance benefits for the following year.

(17) Financial liabilities at fair value through profit or loss

in € thousands	31.12.2014	31.12.2013
Financial liabilities held for trading	1,012,030	750,820
Derivative financial instruments	1,012,030	750,820
Financial liabilities at fair value through profit or loss	1,012,030	750,820

The change in the sub-item "Derivative financial instruments" is mainly the result of market changes to interest-rate-based derivatives that are not used in connection with hedge accounting.

(18) Liabilities

in € thousands	31.12.2014	31.12.2013
Liabilities evidenced by certificates	1,165,708	1,266,857
Liabilities to credit institutions	6,401,409	6,011,218
Liabilities to customers	25,710,869	26,252,943
Deposits from home loan savings business and savings deposits	18,766,507	18,766,433
Other liabilities	6,921,563	7,463,696
Down payments received	22,799	22,814
Finance lease liabilities	32,433	36,366
Other accounts payable	2,336,724	2,372,285
Other liabilities[1]	379,738	394,255
Sundry liabilities[2]	1,956,986	1,978,030
Liabilities from reinsurance business	1,136,172	1,139,018
Liabilities from direct insurance business	711,946	717,227
Other sundry liabilities	108,868	121,785
Liabilities	35,647,143	35,939,669

1 Liabilities that constitute a class pursuant to IFRS 7.
2 Liabilities that do not constitute a class pursuant to IFRS 7 and essentially contain liabilities from insurance business with disclosure requirements pursuant to IFRS 4.

Of the other liabilities from liabilities to customers, € 3,854.6 million (previous year: € 4,075.3 million) are due on demand and € 3,067.0 million (previous year: € 3,388.4 million) have a fixed term.

Of the liabilities from direct insurance business within sundry liabilities, € 630.2 million (previous year: € 658.3 million) are attributable to policyholders and € 81.7 million (previous year: € 58.9 million) to insurance agents.

The fair value of each liability can be obtained from the measurement hierarchy. The carrying amount of sundry liabilities corresponds to fair value.

(19) NEGATIVE MARKET VALUES FROM HEDGES

in € thousands	31.12.2014	31.12.2013
Cash flow hedges	12,747	—
Hedging of interest rate risk	12,747	—
Fair value hedges	596,004	316,378
Hedging of interest rate risk	596,004	316,378
NEGATIVE MARKET VALUES FROM HEDGES	608,751	316,378

Losses resulting from the measurement of the hedging instrument are netted by the effects from the interest-rate-based measurement of loans and advances to customers designated in connection with the portfolio fair value hedge (cf. Note 5, "Receivables", sub-item "Portfolio hedge adjustment").

(20) TECHNICAL PROVISIONS

	GROSS	
in € thousands	31.12.2014	31.12.2013
Provision for unearned premiums	267,611	269,641
Premium reserve	27,543,707	26,985,593
Provision for outstanding insurance claims	2,492,761	2,462,587
Provision for premium refunds	2,571,001	1,453,393
Other technical provisions	33,629	30,566
TECHNICAL PROVISIONS	32,908,709	31,201,780

Provision for unearned premiums

	GROSS	REINSURERS' PORTION	GROSS	REINSURERS' PORTION
in € thousands	2014	2014	2013	2013
As at 1 January	269,641	14,402	275,236	14,337
Additions	267,611	16,100	269,641	14,393
Withdrawals	– 269,641	– 14,402	– 275,236	– 14,337
Changes from currency translation	—	—	—	9
As at 31 December	267,611	16,100	269,641	14,402

Premium reserve

	Gross	Reinsurers' portion	Gross	Reinsurers' portion
in € thousands	31.12.2014	31.12.2014	31.12.2013	31.12.2013
Life insurance	27,095,884	1,085,875	26,606,491	1,082,740
Health insurance	447,823	—	379,102	—
Premium reserve	27,543,707	1,085,875	26,985,593	1,082,740

Premium reserve by type of business operated as life insurance

	Gross	Reinsurers' portion	Gross	Reinsurers' portion
in € thousands	2014	2014	2013	2013
Premium reserve	25,380,105	—	24,995,487	—
Premium reserve for unit-linked insurance contracts	1,226 386	—	1,013,879	—
Receivables not yet due from policyholders	– 186,324	—	– 196,003	—
As at 1 January	26,420,167	1,082,740	25,813,363	1,089,636
Additions from premiums[1]	1,832,535	—	1,824,662	—
Use and release[1]	– 2,550,677	—	– 2,460,489	—
Interest[1]	792,452	—	801,974	—
Other changes[1]	423,546	3,135	444,982	– 6,896
Changes from currency translation	– 553	—	– 4,324	—
As at 31 December	26,917,470	1,085,875	26,420,168	1,082,740
Premium reserve	25,701,428	—	25,380,105	—
Premium reserve for unit-linked insurance contracts	1,394,457	—	1,226,385	—
Receivables not yet due from policyholders	– 178,415	—	– 186,324	—

1 We determined the allocation of changes in the financial year on the basis of preliminary profit sourcing. The figures for the previous year were adjusted to conform to definitive profit sourcing.

Ageing provision in the area of health insurance

in € thousands	2014	2013
As at 1 January	379,102	318,660
Share of association rates	– 42,974	– 38,849
As at 1 January, not including association rates	336,128	279,811
Premiums from the provision for premium refunds	5,930	5,327
Additions from premiums	45,669	40,190
Interest	12,454	10,597
Direct credits	608	203
As at 31 December, not including association rates	400,789	336,128
Share of association rates	47,034	42,974
As at 31 December	447,823	379,102

Provision for outstanding insurance claims

	Gross	Reinsurers' portion	Gross	Reinsurers' portion
in € thousands	31.12.2014	31.12.2014	31.12.2013	31.12.2013
Life/health insurance	171,855	13,622	153,231	13,151
Property/casualty insurance and reinsurance	2,320,906	237,558	2,309,356	316,811
Provision for outstanding insurance claims	2,492,761	251,180	2,462,587	329,962

In the area of life and health insurance, the provision for outstanding insurance claims changed as follows:

	Gross	Reinsurers' portion	Gross	Reinsurers' portion
in € thousands	2014	2014	2013	2013
As at 1 January	153,231	13,151	156,609	11,035
Changes recognised in the income statement	18,659	471	– 3,132	2,116
Changes from currency translation	– 35	—	– 246	—
As at 31 December	171,855	13,622	153,231	13,151

In the area of property and casualty insurance and reinsurance, the provision for outstanding insurance claims changed as follows:

	Gross	Reinsurers' portion	Gross	Reinsurers' portion
in € thousands	2014	2014	2013	2013
As at 1 January	2,309,356	316,811	2,124,003	213,383
Additions	561,697	11,649	714,142	128,576
Use	– 503,524	– 116,023	– 402,956	– 28,590
Release	– 68,383	22,660	– 116,367	4,416
Changes from currency translation	21,760	2,461	– 9,466	– 974
As at 31 December	2,320,906	237,558	2,309,356	316,811

The run-off triangles (gross and net) depicted below show the run-off of the provision for outstanding insurance claims in the area of property/casualty insurance and reinsurance.

With the gross run-off triangle, the provision for outstanding insurance claims (gross) is reconciled on the reporting date after deduction of the provision for claim adjustment expenses. With the net run-off triangle, the reinsurers' portion is in addition deducted when reconciling the net provision.

Gross run-off-triangle[1]

in € thousands	31.12.2005	31.12.2006	31.12.2007	31.12.2008	
Provision for outstanding insurance claims (gross)	2,440,696	2,447,340	2,486,245	2,431,415	
Less provision for claim adjustment expenses	161,274	161,721	172,324	177,773	
Provision for outstanding insurance claims (gross)	2,279,422	2,285,619	2,313,921	2,253,642	
Payments, cumulative (gross)					
One year later	425,274	371,565	374,413	357,052	
Two years later	626,304	579,199	572,682	539,937	
Three years later	766,984	709,081	724,677	660,698	
Four years later	860,424	810,846	830,493	747,762	
Five years later	943,182	891,477	909,479	817,460	
Six years later	1,012,274	953,815	974,336	867,079	
Seven years later	1,065,554	1,105,697	1,020,394	—	
Eight years later	1,109,942	1,042,356	—	—	
Nine years later	1,142,051	—	—	—	
Original provision, reestimated (gross)					
One year later	2,183,568	2,153,977	2,203,214	2,057,870	
Two years later	2,092,159	2,050,111	2,069,412	1,930,977	
Three years later	1,998,024	1,898,224	1,978,678	1,879,081	
Four years later	1,883,193	1,823,069	1,948,893	1,810,981	
Five years later	1,831,981	1,804,802	1,884,651	1,755,340	
Six years later	1,817,953	1,782,366	1,839,804	1,741,587	
Seven years later	1,804,075	1,748,534	1,832,734	—	
Eight years later	1,773,021	1,744,697	—	—	
Nine years later	1,765,029	—	—	—	
Cumulative gross surplus (deficit) excluding currency rate effects	514,393	540,922	481,187	512,055	
Cumulative gross surplus (deficit) including currency rate effects	540,373	589,340	512,456	513,627	

1 The run-off triangle retroactively includes Group companies newly consolidated and retroactively excludes Group companies deconsolidated.

	31.12.2009	31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014
	2,262,214	2,207,879	2,145,023	2,124,003	2,309,356	2,320,906
	170,524	170,487	151,053	143,828	146,869	151,782
	2,091,690	2,037,392	1,993,970	1,980,175	2,162,487	2,169,124
	350,581	334,901	324,599	344,397	425,720	—
	506,340	474,826	472,006	468,452	—	—
	607,545	575,740	555,367	—	—	—
	686,650	640,119	—	—	—	—
	740,557	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	1,941,725	1,904,784	1,871,295	1,871,504	2,080,714	—
	1,857,999	1,812,175	1,770,917	1,804,299	—	—
	1,784,210	1,721,868	1,728,941	—	—	—
	1,703,327	1,688,781	—	—	—	—
	1,686,613	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	405,077	348,611	265,029	175,876	81,773	—
	388,586	338,124	267,798	184,606	66,855	—

NET RUN-OFF TRIANGLE[1]

in € thousands	31.12.2005	31.12.2006	31.12.2007	31.12.2008	
Provision for outstanding insurance claims (gross)	2,440,696	2,447,340	2,486,245	2,431,415	
Reinsurers' portion	521,679	437,533	373,773	334,943	
Provision for outstanding insurance claims (net)	1,919,017	2,009,807	2,112,472	2,096,472	
Less provision for claim adjustment expenses	147,717	148,511	160,629	169,032	
Provision for outstanding insurance claims (net)	1,771,300	1,861,296	1,951,843	1,927,440	
Payments, cumulative (net)					
One year later	291,877	281,724	313,397	315,173	
Two years later	425,631	441,329	481,324	465,127	
Three years later	531,659	547,631	601,698	568,604	
Four years later	608,019	628,943	691,149	640,730	
Five years later	674,020	695,810	755,203	699,172	
Six years later	730,788	746,124	808,804	740,094	
Seven years later	773,617	788,490	846,164	—	
Eight years later	809,516	817,084	—	—	
Nine years later	833,919	—	—	—	
Original provision, reestimated (gross)					
One year later	1,671,776	1,716,714	1,837,894	1,746,460	
Two years later	1,586,514	1,632,043	1,711,397	1,636,943	
Three years later	1,518,126	1,499,548	1,637,665	1,575,915	
Four years later	1,416,087	1,439,029	1,599,323	1,515,812	
Five years later	1,375,639	1,415,178	1,547,283	1,462,084	
Six years later	1,356,785	1,403,205	1,500,148	1,440,210	
Seven years later	1,352,306	1,368,606	1,484,055	—	
Eight years later	1,318,517	1,356,671	—	—	
Nine years later	1,307,365	—	—	—	
Cumulative net surplus (deficit) excluding exchange rate effects	463,935	504,625	467,788	487,230	
Cumulative net surplus (deficit) including exchange rate effects	481,597	534,646	484,902	481,521	
Net run-off ratios, in %					
Excluding exchange rate effects	26.19	27.11	23.97	25.28	
Including exchange rate effects	27.19	28.72	24.84	24.98	

1 The run-off triangle retroactively includes Group companies newly consolidated and retroactively excludes Group companies deconsolidated.

	31.12.2009	31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014
	2,262,214	2,207,879	2,145,023	2,124,003	2,309,356	2,320,906
	287,061	243,629	240,574	213,383	316,811	237,558
	1,975,153	1,964,250	1,904,449	1,910,620	1,992,545	2,083,348
	163,587	161,599	145,605	146,226	148,891	149,880
	1,811,566	1,802,651	1,758,844	1,764,394	1,843,654	1,933,468
	310,544	309,307	293,153	316,417	310,057	—
	447,528	430,684	421,703	428,870	—	—
	532,534	518,133	494,263	—	—	—
	600,378	573,760	—	—	—	—
	645,587	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	1,678,643	1,662,391	1,638,111	1,665,947	1,740,009	—
	1,586,948	1,575,281	1,536,115	1,583,511	—	—
	1,521,056	1,487,260	1,488,764	—	—	—
	1,442,087	1,447,269	—	—	—	—
	1,416,378	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	395,188	355,382	270,080	180,883	103,645	—
	373,893	341,248	269,443	189,206	88,421	—
	21.81	19.71	15.36	10.25	5.62	—
	20.64	18.93	15.32	10.72	4.80	—

Provision for premium refunds

in € thousands	31.12.2014	31.12.2013
Gross amount	2,571,001	1,453,393
Thereof to: portion for ceded reinsurance business	—	—

The provision for premium refunds changed as follows:

in € thousands	2014	2013
As at 1 January	1,453,393	1,938,535
Provision for premium refunds as at 1 January	1,576,363	1,604,963
Additions	203,133	267,469
Withdrawals with effect on liquidity	– 174,406	– 219,909
Withdrawals with no effect on liquidity	– 91,666	– 75,996
Change due to currency	– 10	– 164
As at 31 December	1,513,414	1,576,363
Provision for deferred premium refunds as at 1 January	– 122,969	333,572
Changes recognised in the income statement	217,467	– 55,354
Changes recognised directly in equity	963,090	– 401,188
As at 31 December	1,057,587	– 122,970
As at 31 December	2,571,001	1,453,393

Other technical provisions

	Gross	Reinsurers' portion	Gross	Reinsurers' portion
in € thousands	2014	2014	2013	2013
As at 1 January	30,566	702	28,377	690
Additions	33,629	814	30,566	702
Use and release	– 30,566	– 702	– 28,377	– 690
As at 31 December	33,629	814	30,566	702

(21) Other provisions

Provisions for pensions and other long-term employee benefits

in € thousands	31.12.2014	31.12.2013
Provisions for pensions	1,854,066	1,459,457
Provisions for other long-term employee benefits	85,920	66,434
Total	1,939,986	1,525,891

Provisions for pensions

The change in the projected benefit obligation is depicted in the following:

Projected benefit obligation

in € thousands	2014	2013
As at 1 January	1,459,457	1,453,074
Income and expenses recognised in the consolidated income statement	65,027	63,430
Current service cost	18,549	19,094
Gains/losses from plan settlements and curtailments	– 1	– 2,058
Interest expenses	46,479	46,394
Actuarial gains (-) or losses (+) recognised in other comprehensive income	387,741	– 907
Pension payment (utilisation)	– 58,159	– 56,140
As at 31 December	1,854,066	1,459,457

There were no past service costs for either the current or the previous financial year. The projected benefit obligation corresponds to the carrying amount of the provisions for pensions as at 1 January and 31 December of each financial year.

The sharp rise in actuarial losses was attributable to the fall in the interest rate from 3.25% to 1.75%.

Current and, where applicable, past service costs are recognised in the consolidated income statement under "General administrative expenses". Interest expenses are recognised under "Net income from receivables, liabilities and subordinated capital".

The following material actuarial assumptions were used in determining provisions for pensions under defined-benefit plans:

in %	2014	2013
Actuarial interest rate	1.75	3.25
Trend in pensions	2.00	2.00
Trend in the projected benefit obligation	3.00	3.00
Trend in salaries	3.00	3.00
Trend in inflation	2.00	2.00
Biometrics	Heubeck mortality tables 2005 G	Heubeck mortality tables 2005 G

In the following, a sensitivity analysis is performed for each of the material assumptions mentioned. The effects on the defined-benefit obligation (DBO) are depicted if the interest rate falls by 50 basis points (bps) and the pensions/inflation trend and the salaries/projected benefit obligation trend both increase by 25 bps.

With respect to biometrics, the effects are depicted if life expectancy increases by one year. This is approximately achieved through a reduction of mortality probabilities by 10%.

Each of the sensitivity analyses was performed independently of the others and depicted in one direction only, since there is a mirror effect in the other direction.

Based on the present value of the DBO in the amount of € 1,854.1 million (previous year: € 1,459.5 million), a fall in the actuarial interest rate by 50 bps would cause the DBO to increase by € 165.6 million (previous year: € 115.1 million).

An increase in the pensions/inflation trend would cause the DBO to increase by 2.7% (previous year: 2.5%), and an increase in the salaries/projected benefit obligation trend would cause the DBO to increase by 0.5% (previous year: 0.5%). An increase in life expectancy by one year would cause the DBO to increase by 3.6% (previous year: 3.1%).

There are no extraordinary company- or plan-specific risks. The change in obligations is depicted for the current and the subsequent three financial years through annual forecasts.

Internal financing through provisions for pensions without explicit plan assets is an intentional, proven strategy for financing pension obligations. In so doing, sufficient risk netting takes place. There is no liquidity problem.

The weighted average term to maturity of benefit obligations (Macaulay duration) amounts to 17 years (previous year: 15 years).

PROVISIONS FOR OTHER LONG-TERM EMPLOYEE BENEFITS

In measuring other long-term employee benefits, actuarial interest rates were used that corresponded to the shorter terms to maturity of the obligations (e.g. commitments for early retirement, 0.50% (previous year: 0.75%); contracts for phased-in early retirement, 1.00% (previous year: 2.00%); long-term service benefits, 1.00% (previous year: 2.00%)).

OTHER PROVISIONS IN 2014

in € thousands	For restructuring	For the refund of contract conclusion fees in the case of loan waivers	For interest bonus option	Other	Total
As at 1 January	39,059	35,122	750,363	59,755	884,299
Additions	26,446	4,367	190,167	20,043	241,023
Use	8,181	3,358	108,083	18,675	138,297
Release	1,533	1,004	21,438	9,456	33,431
Interest effect	224	3,300	75,022	51	78,597
Reclassification	– 27,117	—	—	—	– 27,117
Change from currency translation	—	—	– 272	– 390	– 662
As at 31 December	28,898	38,427	885,759	51,328	1,004,412

OTHER PROVISIONS IN 2013

in € thousands	For restructuring	For the refund of contract conclusion fees in the case of loan waivers	For the interest bonus option	Other	Total
As at 1 January	4,119	37,842	757,995	66,804	866,760
Additions	38,290	6,390	160,740	19,760	225,180
Use	1,223	6,948	140,041	17,817	166,029
Release	1,973	1,311	11,765	8,762	23,811
Interest effect	13	– 851	– 14,231	32	– 15,037
Reclassification	– 167	—	—	—	– 167
Change from currency translation	—	—	– 2,335	– 262	– 2,597
As at 31 December	39,059	35,122	750,363	59,755	884,299

In connection with the realignment of Wüstenrot Bank AG Pfandbriefbank, measures in the form of early retirement, termination agreements and outplacement were adopted in the Home Loan and Savings Bank segment and the "All other segments" segment in order to adjust staff capacities. Termination benefits pursuant to IAS 19.8 exist in connection with the planned personnel measures.

Since implementation of the measures involving early retirement and termination agreements will take longer than 12 months, they were discounted using a rate of 0.5%, which was in line with the market.

The expected maturities of the amounts recognised in the balance sheet can be broken down as follows:

2014

in € thousands	Sooner than 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Other
Other provisions for restructuring	2,453	22,238	4,207	—	28,898
Other provisions for the refund of contract conclusion fees in the case of loan waivers	8,087	9,914	20,426	—	38,427
Other provisions for the interest bonus option	245,651	293,454	346,654	—	885,759
Other	36,135	9,215	1,838	4,140	51,328
Other provisions	292,326	334,821	373,125	4,140	1,004,412

2013

in € thousands	Sooner than 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Other
Other provisions for restructuring	10,400	28,659	—	—	39,059
Other provisions for the refund of contract conclusion fees in the case of loan waivers	8,113	9,768	17,241	—	35,122
Other provisions for the interest bonus option	230,061	252,344	267,958	—	750,363
Other	37,499	7,928	3,562	10,766	59,755
Other provisions	286,073	298,699	288,761	10,766	884,299

(22) Current tax liabilities

Current tax liabilities amount to € 145.6 million (previous year: € 184.8 million) and are expected to be realised within 12 months.

(23) Deferred tax liabilities

Deferred tax liabilities were recognised in connection with the following items:

in € thousands	31.12.2014	31.12.2013
Financial assets/liabilities at fair value through profit or loss	322,278	167,449
Financial assets available for sale	239,077	56,033
Receivables	94,442	56,944
Positive and negative market values from hedges	14,153	7,803
Financial assets accounted for using the equity method	4,053	2,023
Liabilities	36,026	29,044
Technical provisions	108,220	89,258
Other items	97,791	119,885
Deferred tax liabilities	916,040	528,439

The portion of the changes to deferred tax liabilities resulting neither in profit nor loss for some items can be seen in the consolidated statement of comprehensive income. The changes recognised in the income statement for some items are described in Note 39.

Deferred tax liabilities in the amount of € 65.4 million (previous year: € 37.7 million) are expected to be realised within 12 months.

(24) Other liabilities

This item contains deferred income in the amount of € 9.0 million (previous year: € 9.4 million).

(25) Subordinated capital

Subordinated capital is depicted in the reporting about liquidity risks (Note 53) and takes into consideration existing options to repay it prior to final maturity.

	Carrying amount	
in € thousands	31.12.2014	31.12.2013
Subordinated liabilities	587,872	364,585
Profit-sharing certificates	28,626	63,798
Subordinated capital	616,498	428,383

In May 2014, Württembergische Lebensversicherung AG issued new subordinated bonds with a volume totalling € 250.0 million. Group companies hold a portion equivalent to € 19.0 million. The new bonds bear interest at 5.25% for the first ten years at an issue price of 99.966%. Thereafter, the interest rate is variable. At the same time, in connection with a separate redemption programme, € 17.2 million of subordinated bonds issued in 2006 were redeemed at a price of 104%. In 2016, pursuant to Section 4(3) in conjunction with Section 4(6) of the bond terms and conditions, Württembergische Lebensversicherung AG plans to make use of its right to terminate the nominal amount of the subordinated bonds that remained outstanding after redemption in the amount of € 86.5 million and to redeem them prematurely on 1 June 2016.

(26) EQUITY

in € thousands	31.12.2014	31.12.2013
Interests of W&W shareholders in paid-in capital	1,487,576	1,460,248
Interests of W&W shareholders in earned capital	2,072,948	1,707,797
Non-controlling interests in equity	113,696	84,973
EQUITY	3,674,220	3,253,018

A dividend of € 0.50 per share will be proposed for the 2014 financial year. This corresponds to a distribution totalling € 46.9 million.

On 28 May 2014, the Annual General Meeting of W&W AG resolved to distribute the dividend from the unappropriated surplus for the 2013 financial year as calculated in accordance with the German Commercial Code (HGB), which amounted to € 51.8 million (previous year: € 50.2 million), either in the full amount of € 0.50 (previous year: € 0.50) per share in cash or in the amount of € 0.35 per share in the form of company stock (stock dividend) and € 0.15 per share in cash. It also resolved to increase share capital through contributions in kind in the form of dividend claims.

Based on the shares entitled to receive dividends, this corresponded to a maximum distribution of € 46.0 million (previous year: € 46.0 million). Of the remaining amount, € 5.0 million (previous year: € 4.0 million) was allocated to "Other reserves", and € 0.8 million (previous year: € 0.2 million) was carried forward.

The deadline for exercising the option to choose between a cash dividend and a stock dividend was 22 July 2014. Stock dividends were chosen at a rate of 85.95%, meaning that 1,757,098 new shares of W&W AG were issued at the start of August 2014.

Dividends totalling € 18,322,017.50 were distributed on 31 July 2014.

Share capital

Share capital is divided into 93,749,720 registered no-par-value shares and is fully paid up. In legal terms, these are ordinary shares.

This means that they carry voting and dividend rights, a right to share in liquidation proceeds, and subscription rights. There are no preferential rights or restrictions.

CHANGES IN THE NUMBER OF SHARES OUTSTANDING

	31.12.2014	31.12.2013
As at 1 January	91,992,622	91,992,622
Additions through capital increase	1,757,098	—
Disposals	—	—
As at 31 December	93,749,720	91,992,622

Authorised capital 2014

Pursuant to Article 5(5) of the Articles of Association of W&W AG, the Management Board is authorised for a period of five years ending on 30 June 2019 to increase, on one or more occasions, the company's share capital by up to € 100 million via issuance of new registered no-par-value shares in exchange for cash or contributions in kind, subject to the approval of the Supervisory Board. Shareholders are entitled to a statutory subscription right.

Contingent capital 2014

By resolution adopted at the Annual General Meeting on 28 May 2014, the Management Board was authorised to issue warrant bonds, convertible bonds, profit participation rights, profit participation bonds or a combination of these instruments on or before 27 May 2019. Article 5(6) of the Articles of Association accordingly provides that the share capital of W&W AG is contingently increased by the nominal amount of not more than € 240 million, divided into not more than 45,889,102 no-par-value registered shares.

Non-controlling interests in equity

The non-controlling interests in equity can be broken down as follows:

in € thousands	31.12.2014	31.12.2013
Interest in unrealised gains and losses	25,374	4,288
Interest in the consolidated surplus	8,588	11,718
Other interests	79,734	68,967
NON-CONTROLLING INTERESTS IN EQUITY	113,696	84,973

The following table provides information for each subsidiary that has non-controlling interests that are material for W&W AG:

	WürttLeben subgroup, Stuttgart		Wüstenrot stavební spořitelna a.s., Prague	
in € thousands	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Participation of non-controlling interests, in %	16.58	16.58	44.08	44.08
Assets (100%)	33,299,457	31,230,393	1,506,669	1,572,932
Liabilities (100%)	32,860,160	30,933,599	1,384,026	1,461,845
Net assets (100%)	439,297	296,794	122,643	111,087
Carrying amount of non-controlling interests in equity	72,835	49,208	54,061	48,967
Net income for the year (100%)	41,949	39,382	3,249	10,281
Other comprehensive income (100%)	101,938	– 43,962	9,512	– 1,147
Total comprehensive income (100%)	143,887	– 4,580	12,761	9,134
Net income for the year allocated to non-controlling interests	6,955	6,530	1,432	4,532
Dividends paid to non-controlling interests	266	266	—	—
Cash flows (100%)	– 41,793	50,183	– 104,575	112,441

Notes concerning the consolidated income statement

(27) Net income/loss from financial assets available for sale

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Income from financial assets available for sale	1,332,254	1,000,684
Interest income	514,022	466,129
Dividend income	122,786	102,545
Income from sales	440,614	406,755
Income from the reversal of impairment losses	2,218	9,445
Income from currency translation	248,923	11,116
Income from repurchase agreements and securities lending transactions	92	—
Income from the ending of fair value hedges	1,889	2,229
Receipts on written-down bonds and other fixed-income securities	1,710	2,465
Expenses from financial assets available for sale	165,524	296,394
Expenses from sales	65,702	92,063
Expenses from impairments	71,087	45,471
Expenses from currency translation	5,953	86,485
Expenses from genuine repurchase agreements and securities lending transactions	13	—
Expenses from the ending of fair value hedges	22,769	72,375
Net income/loss from financial assets available for sale	1,166,730	704,290

Expenses from impairments in the amount of € 71.1 million (previous year: € 45.5 million) contain impairments from real estate funds in the amount of € 29.5 million (previous year: € 7.7 million). This was mainly attributable to impairments in the amount of € 24.0 million (previous year: € 0.0 million) on properties in the Netherlands in which two funds were invested.

(28) NET INCOME/ LOSS FROM FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Income from financial assets accounted for using the equity method	83,923	32,586
Income from the pro rata annual surplus	78,169	24,570
Income from the reversal of impairment losses	951	8,016
Income from sales	4,803	—
Expenses from financial assets accounted for using the equity method	163	859
Expenses from pro rata deficit amounts	—	859
Expenses from sales	163	—
NET INCOME/ LOSS FROM FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD	83,760	31,727

(29) NET INCOME/LOSS FROM FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Income from financial assets/liabilities at fair value through profit or loss	1,695,195	1,475,952
Income from designated as financial assets/liabilities at fair value through profit or loss	297,228	302,451
Interest income	11,915	8,756
Dividend income	71	246
Income from measurement at fair value	105,928	73,182
Income from sales	2,497	6,472
Income from capital investments for the account and risk of holders of life insurance policies	127,365	190,733
Income from currency changes	49,452	23,062
Income from financial assets/liabilities held for trading	1,397,967	1,173,501
Interest income	306,975	393,413
Dividend income	239	367
Income from measurement at fair value	685,055	461,090
Income from sales	234,282	90,520
Income from currency changes	171,416	228,111
Expenses from financial assets/liabilities at fair value through profit or loss	1,767,840	1,253,256
Expenses from designated as financial assets/liabilities at fair value through profit or loss	72,621	100,995
Expenses from measurement at fair value	46,749	40,288

Expenses from sales	2,413	2,201
Expenses from capital investments for the account and risk of holders of life insurance policies	10,730	14,513
Expenses from currency changes	12,729	43,993
Expenses from financial assets/liabilities held for trading	1,695,219	1,152,261
Interest expenses	413,927	522,321
Expenses from measurement at fair value	615,327	346,374
Expenses from sales	182,229	169,625
Expenses from currency changes	483,736	113,941
NET INCOME/LOSS FROM FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	– 72,645	222,696

(30) HEDGE RESULT

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Income from hedges	352,344	453,097
Income from fair value hedges	272,809	398,302
Income from the measurement of hedged items	223,220	140,784
Income from the measurement of derivative hedging instruments	49,589	257,518
Income from cash flow hedges	79,535	54,795
Income from reclassification from the reserve for cash flow hedges	79,534	52,405
Income from ineffective portions of cash flow hedges	1	2,129
Income from settlement from the reserve for cash flow hedges	—	261
Expenses for hedges	278,359	405,931
Expenses from fair value hedges	231,445	373,268
Expenses from the measurement of hedged items	10,347	223,864
Expenses from the measurement of derivative hedging instruments	221,098	149,404
Expenses from cash flow hedges	46,914	32,663
Expenses from reclassification from the reserve for cash flow hedges	46,914	27,191
Expenses from ineffective portions of cash flow hedges	—	5,468
Expenses from settlement from the reserve for cash flow hedges	—	4
HEDGE RESULT	73,985	47,166

(31) NET INCOME FROM RECEIVABLES, LIABILITIES AND SUBORDINATED CAPITAL

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Income from receivables, liabilities and subordinated capital	2,039,923	2,083,480
Interest income from receivables	1,624,197	1,756,580
Income from sales of receivables	343,763	303,826
Income from the disposal of liabilities and subordinated capital	370	82
Income from the ending of fair value hedges	9,548	7,989
Income from currency translation	62,045	15,003
Expenses from receivables, liabilities and subordinated capital	1,009,095	907,249
Interest expenses for liabilities	857,128	776,359
Interest expenses for subordinated capital	30,979	24,463
Expenses from sales of receivables	10,752	3,517
Expenses from the disposal of liabilities	2,132	171
Expenses from the ending of fair value hedges	60,250	53,290
Expenses from the reversal of other comprehensive income of the reclassified available-for-sale financial assets	18,788	2,435
Expenses from currency translation	29,066	47,014
NET INCOME/ LOSS FROM RECEIVABLES, LIABILITIES AND SUBORDINATED CAPITAL	1,030,828	1,176,231

Interest expenses for subordinated capital contain € 3.9 million (previous year: € 4.3 million) for profit participation rights and € 27.1 million (previous year: € 20.1 million) for subordinated liabilities.

(32) NET INCOME FROM RISK PROVISION

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Income from credit risk adjustments	100,548	103,728
Release of the risk provision	71,251	76,604
Release of provisions in lending business, for irrevocable loan commitments, for financial guarantees	1,381	1,059
Income from written-down receivables	27,916	26,065
Expenses for credit risk adjustments	141,849	135,024
Additions to the risk provision	115,391	108,458
Additions to provisions in lending business, for irrevocable loan commitments, for financial guarantees	54	167
Direct write-downs	26,404	26,399
NET INCOME/ LOSS FROM RISK PROVISION	– 41,301	– 31,296

(33) Net income from investment property

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Income from investment property	125,260	111,974
Income from letting and leasing	111,785	101,404
Income from sales	9,890	6,597
Income from the reversal of impairment losses	3,585	3,973
Expenses from investment property	64,114	83,950
Expenses from repairs, maintenance and management	18,849	21,160
Expenses from sales	195	846
Expenses from scheduled depreciation	42,175	38,226
Expenses from impairments	2,895	23,718
Net income/ loss from investment property	61,146	28,024

The depicted directly attributable operating expenses for repairs, maintenance and management, as well as depreciation, amount to € 59.0 million (previous year: € 73.0 million) for rental units that generated rent revenue and to € 4.9 million (previous year: € 10.1 million) for rental units that did not generate rent revenue.

(34) Net commission income

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Commission income	221,333	229,113
from the conclusion of building savings contracts	109,526	118,108
from banking business	38,338	44,650
from reinsurance	22,443	24,893
from brokering activities	17,860	9,785
from investment business	32,671	31,083
from other business	495	594
Commission expenses	624,817	634,433
from insurance	414,323	401,806
from bank/home loan savings	167,679	189,449
from reinsurance	1,937	1,913
from brokering activities	6,549	2,708
from investment business	22,895	21,961
from other business	11,434	16,596
Net commission income	– 403,484	– 405,320

The net commission income contains income in the amount of € 2.2 million (previous year: € 1.4 million) and expenses in the amount of € 2.3 million (previous year: € 1.7 million) from trust and other fiduciary activities. These include the management or investment of assets on behalf of individuals, trusts, pension funds and other institutions.

During the reporting period, transactions involving financial instruments not at fair value through profit or loss generated commission income in the amount of € 11.4 million (previous year: € 14.0 million) and commission expenses in the amount of € 7.9 million (previous year: € 8.7 million).

(35) PREMIUMS/CONTRIBUTIONS EARNED (NET)

LIFE/HEALTH INSURANCE

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Gross premiums written	2,424,602	2,392,252
Change in the provision for unearned premiums	4,112	7,226
Contributions from the provision for premium refunds	55,828	52,982
Earned premiums (gross)	2,484,542	2,452,460
Premiums ceded to reinsurers	– 77,371	– 84,856
PREMIUMS/CONTRIBUTIONS EARNED (NET)	2,407,171	2,367,604

PROPERTY/CASUALTY INSURANCE AND REINSURANCE

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Gross premiums written	1,608,685	1,548,684
Direct	1,600,676	1,540,369
Reinsurance	8,009	8,315
Change in the provision for unearned premiums	– 2,167	– 2,206
Earned premiums (gross)	1,606,518	1,546,478
Premiums ceded to reinsurers	– 74,323	– 73,715
PREMIUMS/CONTRIBUTIONS EARNED (NET)	1,532,195	1,472,763

(36) Insurance benefits (net)

Benefits under insurance contracts from direct business are shown without claim adjustment expenses. These are contained in general administrative expenses. Insurance benefits under reinsurance and the reinsurers' portion of insurance benefits may consist of both claim payments and adjustment expenses.

Shown under the item "Change in the provision for premium refunds" are additions to the provision for premium refunds, as well as the change in the provision for deferred premium refunds recognised in the income statement.

Life/health insurance

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Payments for insurance claims	2,539,316	2,444,811
Gross amount	2,650,066	2,555,101
Thereof to: reinsurers' portion	– 110,750	– 110,290
Change in the provision for outstanding insurance claims	18,189	– 5,249
Gross amount	18,660	– 3,132
Thereof to: reinsurers' portion	– 471	– 2,117
Change in the premium reserve	557,211	669,304
Gross amount	560,346	662,407
Thereof to: reinsurers' portion	– 3,135	6,897
Change in the provision for premium refunds	420,345	211,870
Gross amount	420,345	211,870
Thereof to: reinsurers' portion	—	—
Change in other technical provisions	50	45
Gross amount	50	45
Thereof to: reinsurers' portion	—	—
Insurance benefits	3,535,111	3,320,781
Gross amount, total	3,649,467	3,426,291
Thereof to (total): reinsurers' portion	– 114,356	– 105,510

PROPERTY/CASUALTY INSURANCE AND REINSURANCE

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Payments for insurance claims	817,711	850,834
Gross amount	945,010	1,001,330
Thereof to: reinsurers' portion	– 127,299	– 150,496
Change in the provision for outstanding insurance claims	71,522	90,574
Gross amount	– 10,193	195,083
Thereof to: reinsurers' portion	81,715	– 104,509
Change in the provision for premium refunds	255	245
Gross amount	255	245
Thereof to: reinsurers' portion	—	—
Change in other technical provisions	2,305	1,665
Gross amount	2,418	1,676
Thereof to: reinsurers' portion	– 113	– 11
INSURANCE BENEFITS	891,793	943,318
Gross amount, total	937,490	1,198,334
Thereof to (total): reinsurers' portion	– 45,697	– 255,016

(37) GENERAL ADMINISTRATIVE EXPENSES

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Personnel expenses	615,726	630,835
Wages and salaries	470,435	472,381
Social remittances	85,865	89,401
Expenses for pension scheme and support	48,336	57,479
Other	11,090	11,574
Materials costs	403,032	418,747
Depreciation/amortisation	89,327	68,431
Property for own use	11,430	10,567
Plant and equipment	17,906	17,155
Intangible assets	59,991	40,709
GENERAL ADMINISTRATIVE EXPENSES	1,108,085	1,118,013

During the reporting period, contributions totalling € 18.1 million (previous year: € 28.5 million) were paid towards defined-contribution plans. In addition, employer contributions totalling € 41.1 million (previous year: € 41.4 million) were paid towards statutory pension insurance.
General administrative expenses contain personnel expenses totalling € 10.9 million (previous year: € 9.1 million) for phased-in early retirement and early retirement.

(38) OTHER OPERATING INCOME/LOSS

The other operating income/loss consists of the following:

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Other operating income	204,834	237,059
Sales proceeds from services (property development business)	64,266	80,745
Release of provisions	19,488	24,443
Income from sales	611	653
Other income from currency translation	2,460	12,540
Other technical income	21,529	19,696
Services income	40,982	42,366
Other income	55,498	56,616
Other operating expenses	225,226	284,085
Other taxes	9,485	4,008
Expenses for services (property development business)	48,961	53,840
Additions to provisions	33,333	49,750
Losses from sales	1,051	655
Other expenses from currency translation	22,239	4,139
Other technical expenses	86,070	89,058
Other expenses	24,087	82,635
OTHER OPERATING INCOME/LOSS	– 20,392	– 47,026

The decline in other expenses is due to the impairment in the amount of € 57.3 million that arose in the previous year to the goodwill of the cash-generating unit Württembergische Lebensversicherung AG.

(39) INCOME TAXES

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Current income taxes paid for the financial year	61,909	67,142
Current taxes paid for other periods	– 42,130	– 19,569
Deferred taxes	21,259	– 17,846
INCOME TAXES	41,038	29,727

Deferred taxes recognised in the income statement were created in connection with the following items:

Deferred taxes

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Financial assets/liabilities at fair value through profit or loss	85,469	15,464
Financial assets available for sale	20,112	– 70,081
Receivables	32,655	15,259
Positive and negative market values from hedges	– 78,237	36,971
Financial assets accounted for using the equity method	2,067	1,636
Liabilities	14,534	14,856
Technical provisions	13,033	– 25,891
Provisions for pensions and other obligations	– 4,159	1,004
Other items	– 64,227	– 5,759
Tax loss carryforward	12	– 1,305
Deferred taxes	21,259	– 17,846

The following reconciliation statement shows the relationship between the income taxes expected and those actually shown in the consolidated financial statements:

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Consolidated net income from continued operations before income taxes	283,004	184,582
Consolidated tax rate, in %	30.58	30.58
Expected income taxes	86,542	56,445
Tax rate discrepancies of Group companies	– 5,111	– 3,277
Effects of tax-free income	– 10,361	– 5,198
Effects of non-deductible expenses	7,430	2,061
Prior-period effects (current and deferred)	– 24,883	– 14,923
Other	– 12,579	– 5,381
Income taxes	41,038	29,727

The applicable income tax rate of 30.58% selected as the basis for the reconciliation statement is composed of the corporate income tax rate of 15%, the solidarity surcharge on corporate income tax of 5.5%, and an average tax rate for trade income tax of 14.75%. The tax rates thus correspond to those used in the previous year.
No deferred tax liabilities were recognised for temporary differences in the amount of € 258.3 million (previous year: € 259.9 million) in connection with interests in subsidiaries, since it is not probable that these temporary differences will reverse in the foreseeable future.

(40) Earnings per share

The basic earnings per share is determined by dividing the consolidated surplus by the weighted average number of shares:

		1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Net income attributable to the shareholders of W&W AG	in €	233,378,007	143,137,341
Number of shares at the beginning of the financial year	#	91,992,622	91,992,622
Issuance of new shares	#	1,757,098	—
Weighted average number of shares	#	92,729,159	91,992,622
Basic (also diluted) earnings per share	in €	2.52	1.56

There currently are no potential shares that would have a diluting effect. Diluted earnings per share thus correspond to basic earnings per share.

Notes concerning the consolidated statement of comprehensive income

(41) Unrealised gains and losses

	Financial assets available for sale		Financial assets accounted for using the equity method		Cash flow hedges	
in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Recognised in other comprehensive income	1,991,454	– 416,726	– 133	– 7,006	15,767	– 50,077
Reclassified to the consolidated income statement	– 332,149	– 251,087	—	—	– 32,620	– 25,475
Thereof impairments	71,078	45,469	—	—	—	—
Thereof realised gains	– 403,227	– 296,556	—	—	– 32,620	– 25,475
Unrealised gains/losses (gross)	1,659,305	– 667,813	– 133	– 7,006	– 16,853	– 75,552

Realised gains from financial assets available for sale contain income from sales in the amount of € 440.6 million (previous year: € 406.8 million) and expenses from sales in the amount of € 65.7 million (previous year: € 92.1 million).

(42) Disclosures concerning the measurement of fair value

A hierarchical classification was undertaken for financial instruments measured at fair value, and it takes into account the relevance of the factors forming part of the measurement. This classification consists of three levels:

Level 1: Assigned to this level are financial instruments that are measured using unadjusted quoted prices for identical assets and liabilities on an active market.

Level 2: Assigned to this level are financial instruments that are measured by means of a recognised measurement model using input factors that can be directly (i.e. as price) or indirectly (i.e. derived from prices) observed for the asset or liability.

Level 3: Assigned to this level are financial instruments that are measured by means of a recognised measurement model for which the material data used is not based on observable market data (non-observable input factors).

Regroupings between levels take place as at the reporting date.

The level to which the financial instrument is assigned in its entirety is determined on the basis of the lowest level input factor in the hierarchy that is significant to the entire measurement of fair value. For this purpose, the significance of an input factor is evaluated in relation to fair value in its entirety. In evaluating the significance of a given input factor, the specific features of the asset or liability are analysed and regularly reviewed during the reporting period.

If the fair value cannot be reliably determined, the carrying amount is used as an approximate value to measure the fair value. In this case, such financial instruments are assigned to Level 3.

The following table depicts all assets and liabilities for which fair value is to be determined.

For accounting purposes, the only financial instruments measured at fair value in the W&W Group are those that are assigned to the categories

- "Financial assets/liabilities at fair value through profit or loss",
- "Financial assets available for sale" and
- "Positive/negative market values from hedges".

Measurement hierarchy in 2014 (items that were measured at fair value)	Level 1	Level 2	Level 3	Fair value/carrying amount
in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Financial assets at fair value through profit or loss	19,618	3,444,325	—	3,463,943
Designated as financial assets at fair value through profit or loss	—	2,296,872	—	2,296,872
Equity instruments	—	1,811	—	1,811
Fund units	—	1,811	—	1,811
Senior fixed-income securities	—	239,546	—	239,546
Other financial undertakings	—	54,486	—	54,486
Other undertakings	—	26,449	—	26,449
Public-sector authorities	—	158,611	—	158,611
Structured products	—	661,058	—	661,058
Interest-rate-based structured products	—	228,499	—	228,499
Equity- and index-based structured products	—	432,559	—	432,559
Capital investments for the account and risk of holders of life insurance policies	—	1,394,457	—	1,394,457
Financial assets held for trading	19,618	1,147,453	—	1,167,071
Equity instruments	—	12,047	—	12,047
Fund units	—	12,047	—	12,047
Senior fixed-income securities	—	480	—	480
Other undertakings	—	95	—	95
Public-sector authorities	—	385	—	385
Derivative financial instruments	19,618	1,134,926	—	1,154,544
Interest-rate-based derivatives	22	1,094,247	—	1,094,269
Currency-based derivatives	—	25,941	—	25,941
Equity- and index-based derivatives	19,596	13,807	—	33,403
Loan-based derivatives	—	931	—	931
Financial assets available for sale	733,312	23,735,363	1,144,753	25,613,428
Equity instruments	733,312	1,358,881	1,112,642	3,204,835
Investments, excluding alternative investments	—	—	260,666	260,666
Credit institutions	—	—	22,422	22,422
Other financial undertakings	—	—	4,979	4,979
Other undertakings	—	—	233,265	233,265

Measurement hierarchy in 2014 (items that were measured at fair value) (continuation)	Level 1	Level 2	Level 3	Fair value/carrying amount
in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Alternative investments, including private equity	—	—	768,811	768,811
Other financial undertakings	—	—	737,926	737,926
Other undertakings	—	—	30,885	30,885
Shares	733,312	—	46,473	779,785
Credit institutions	68,621	—	35,467	104,088
Other financial undertakings	70,823	—	11,006	81,829
Other undertakings	593,868	—	—	593,868
Fund units	—	1,358,881	36,692	1,395,573
Subordinated securities and receivables	—	1,039,770	32,111	1,071,881
Credit institutions	—	437,668	—	437,668
Other financial undertakings	—	358,980	32,111	391,091
Other undertakings	—	243,122	—	243,122
Senior fixed-income securities	—	21,336,712	—	21,336,712
Credit institutions	—	8,677,879	—	8,677,879
Other financial undertakings	—	1,814,362	—	1,814,362
Other undertakings	—	1,743,825	—	1,743,825
Public-sector authorities	—	9,100,646	—	9,100,646
Positive market values from hedges	—	51,104	—	51,104
Total assets	752,930	27,230,792	1,144,753	29,128,475
Financial liabilities at fair value through profit or loss	6,071	1,005,959	—	1,012,030
Financial liabilities held for trading	6,071	1,005,959	—	1,012,030
Derivative financial instruments	6,071	1,005,959	—	1,012,030
Interest rate-based derivatives	1,488	927,024	—	928,512
Currency-based derivatives	—	75,736	—	75,736
Equity- and index-based derivatives	4,583	3,199	—	7,782
Negative market values from hedges	—	608,751	—	608,751
Total liabilities	6,071	1,614,710	—	1,620,781

There were no reclassifications between Level 1 and Level 2 during the reporting year.

Measurement hierarchy in 2013 (items that were measured at fair value)

in € thousands	Level 1	Level 2	Level 3	Fair value/carrying amount	Reclassifications from Level 1 to Level 2	Reclassifications from Level 2 to Level 1
	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013
Financial assets at fair value through profit or loss	19,431	2,624,735	—	2,644,166	—	—
Designated as financial assets at fair value through profit or loss	—	1,823,155	—	1,823,155	—	—
Equity instruments	—	384	—	384	—	—
Fund units	—	384	—	384	—	—
Senior fixed-income securities	—	—	—	—	—	—
Other financial undertakings	—	—	—	—	—	—
Other undertakings	—	—	—	—	—	—
Public-sector authorities	—	—	—	—	—	—
Structured products	—	596,385	—	596,385	—	—
Interest-rate-based structured products	—	191,905	—	191,905	—	—
Equity- and index-based structured products	—	404,480	—	404,480	—	—
Capital investments for the account and risk of holders of life insurance policies	—	1,226,386	—	1,226,386	—	—
Financial assets held for trading	19,431	801,580	—	821,011	—	—
Equity instruments	—	14,043	—	14,043	—	—
Fund units	—	14,043	—	14,043	—	—
Senior fixed-income securities	—	57,511	—	57,511	—	—
Other undertakings	—	—	—	—	—	—
Public-sector authorities	—	57,511	—	57,511	—	—
Derivative financial instruments	19,431	730,026	—	749,457	—	—
Interest-rate-based derivatives	890	696,405	—	697,295	—	—
Currency-based derivatives	—	24,724	—	24,724	—	—
Equity- and index-based derivatives	18,541	7,481	—	26,022	—	—
Loan-based derivatives	—	1,400	—	1,400	—	—
Other derivatives	—	16	—	16	—	—
Financial assets available for sale	758,343	19,280,318	974,565	21,013,226	99,121	22,529
Equity instruments	758,343	1,349,191	944,892	3,052,426	—	—
Investments, excluding alternative investments	—	—	274,192	274,192	—	—
Credit institutions	—	—	16,899	16,899	—	—
Other financial undertakings	—	—	4,987	4,987	—	—
Other undertakings	—	—	252,306	252,306	—	—

Measurement hierarchy in 2013 (items that were measured at fair value) (continuation)

in € thousands	Level 1 31.12.2013	Level 2 31.12.2013	Level 3 31.12.2013	Fair value/carrying amount 31.12.2013	Reclassifications from Level 1 to Level 2 31.12.2013	Reclassifications from Level 2 to Level 1 31.12.2013
Alternative investments, including private equity	978	—	635,620	636,598	—	—
Other financial undertakings	978	—	600,970	601,948	—	—
Other undertakings	—	—	34,650	34,650	—	—
Shares	757,365	12,095	35,080	804,540	—	—
Credit institutions	59,694	—	35,073	94,767	—	—
Other financial undertakings	81,966	12,095	—	94,061	—	—
Other undertakings	615,705	—	7	615,712	—	—
Fund units	—	1,337,096	—	1,337,096	—	—
Subordinated securities and receivables	—	703,719	29,673	733,392	—	—
Credit institutions	—	335,976	—	335,976	—	—
Other financial undertakings	—	287,936	29,673	317,609	—	—
Other undertakings	—	79,807	—	79,807	—	—
Senior fixed-income securities	—	17,227,408	—	17,227,408	99,121	22,529
Credit institutions	—	8,089,016	—	8,089,016	—	4,303
Other financial undertakings	—	1,409,422	—	1,409,422	—	2,083
Other undertakings	—	1,086,059	—	1,086,059	—	—
Public-sector authorities	—	6,641,827	—	6,641,827	99,121	16,143
Central banks	—	1,084	—	1,084	—	—
Positive market values from hedges	—	26,736	—	26,736	—	—
Total assets	777,774	21,931,789	974,565	23,684,128	99,121	22,529
Financial liabilities at fair value through profit or loss	4,718	746,102	—	750,820	—	—
Financial liabilities held for trading	4,718	746,102	—	750,820	—	—
Derivative financial instruments	4,718	746,102	—	750,820	—	—
Interest-rate-based derivatives	106	736,814	—	736,920	—	—
Currency-based derivatives	—	5,903	—	5,903	—	—
Equity- and index-based derivatives	4,586	3,385	—	7,971	—	—
Other derivatives	26	—	—	26	—	—
Negative market values from hedges	—	316,378	—	316,378	—	—
Total liabilities	4,718	1,062,480	—	1,067,198	—	—

The disclosures in the table "2014 measurement hierarchy (items that were not measured at fair value)" consist of those financial instruments and non-financial assets and liabilities for which fair value is provided in the notes.

MEASUREMENT HIERARCHY IN 2014
(ITEMS THAT WERE NOT MEASURED AT FAIR VALUE)

	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE/CARRYING AMOUNT	CARRYING AMOUNT
in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Cash reserves	335,408	—	—	335,408	335,408
Deposits with central banks	335,119	—	—	335,119	335,119
Deposits with foreign postal giro offices	289	—	—	289	289
Receivables	—	34,244,391	13,997,463	48,241,854	43,875,807
Subordinated securities and receivables	—	102,232	—	102,232	96,354
First-rank receivables from institutional investors	—	19,958,373	—	19,958,373	16,520,286
Credit institutions	—	14,177,055	—	14,177,055	11,860,977
Other financial undertakings	—	440,175	—	440,175	377,053
Other undertakings	—	266,752	—	266,752	198,815
Public-sector authorities	—	5,074,391	—	5,074,391	4,083,441
Construction loans	—	12,647,278	13,400,897	26,048,175	25,127,273
Construction loans to private customers secured by mortgages	—	11,777,438	11,482,124	23,259,562	22,352,516
Construction loans to private customers not secured by mortgages	—	869,840	1,918,773	2,788,613	2,774,757
Other receivables	—	1,536,508	596,566	2,133,074	2,131,894
Investment property	—	—	2,152,312	2,152,312	1,769,358
TOTAL ASSETS	335,408	34,244,391	16,149,775	50,729,574	45,980,573
Liabilities	—	11,729,291	22,391,412	34,120,703	33,690,157
Liabilities evidenced by certificates	—	1,194,018	—	1,194,018	1,165,708
Liabilities to credit institutions	—	6,472,081	21,800	6,493,881	6,401,409
Liabilities to customers	—	4,019,960	21,999,195	26,019,155	25,710,869
Finance lease liabilities	—	—	33,333	33,333	32,433
Other liabilities	—	43,232	337,084	380,316	379,738
Subordinated capital	—	644,783	—	644,783	616,498
TOTAL LIABILITIES	—	12,374,074	22,391,412	34,765,486	34,306,655

Measurement hierarchy in 2013
(items that were not measured at fair value)

in € thousands	Level 1 31.12.2013	Level 2 31.12.2013	Level 3 31.12.2013	Fair value/carrying amount 31.12.2013	Carrying amount 31.12.2013
Cash reserves	279,028	248,934	—	527,962	527,962
Deposits with central banks	278,850	143,207	—	422,057	422,057
Deposits with foreign postal giro offices	178	—	—	178	178
Debt instruments issued by public sector entities and bills of exchange permissible for financing	—	105,727	—	105,727	105,727
Receivables	—	33,013,877	15,011,485	48,025,362	45,897,589
Subordinated securities and receivables	—	88,464	—	88,464	88,495
First-rank receivables from institutional investors	—	18,419,680	—	18,419,680	17,095,162
Credit institutions	—	13,063,840	—	13,063,840	12,163,542
Other financial undertakings	—	217,356	—	217,356	218,416
Other undertakings	—	225,913	—	225,913	198,819
Public-sector authorities	—	4,796,541	—	4,796,541	4,397,534
Central banks	—	116,030	—	116,030	116,851
Senior fixed-income securities	—	4,806	316,597	321,403	332,298
Construction loans	—	13,142,249	13,907,498	27,049,747	26,253,754
Constructions loans to private customers secured by mortgages	—	12,294,134	12,123,693	24,417,827	23,652,456
Constructions loans to private customers not secured by mortgages	—	848,115	1,783,805	2,631,920	2,601,298
Other receivables	—	1,358,678	787,390	2,146,068	2,127,880
Investment property	—	8,127	1,999,191	2,007,318	1,671,715
Total assets	279,028	33,270,938	17,010,676	50,560,642	48,097,266
Liabilities	—	10,730,401	23,540,653	34,271,054	33,961,639
Liabilities evidenced by certificates	—	1,285,469	—	1,285,469	1,266,857
Liabilities to credit institutions	—	5,112,188	915,363	6,027,551	6,011,218
Liabilities to customers	—	4,322,556	22,205,766	26,528,322	26,252,943
Finance lease liabilities	—	—	35,354	35,354	36,366
Other liabilities	—	10,188	384,170	394,358	394,255
Subordinated capital	—	440,197	—	440,197	428,383
Total liabilities	—	11,170,598	23,540,653	34,711,251	34,390,022

The following depicts the changes in the fair value of financial instruments classified in Level 3 for both the reporting year and the previous year.

Changes in Level 3 in 2014

	Investments, excluding alternative investments		
	Credit institutions	Other financial undertakings	Other undertakings
in € thousands	2014	2014	2014
As at 1 January	16,899	4,987	252,306
Total net income/loss for the period	5,523	– 8	– 2,258
Net income/loss from financial assets available for sale	—	– 14	– 719
Unrealised gains/losses from financial assets available for sale (gross)	5,523	6	– 1,539
Purchases	—	—	2,202
Sales	—	—	– 19,099
Transfers to Level 3	—	—	114
As at 31 December	22,422	4,979	233,265
Income statement as at 31 December[1]	—	– 14	– 719

1 The net income/loss from financial assets available for sale includes period income and expenses for assets still in the portfolio at the end of the reporting period.

	Financial assets available for sale							Total
	Equity instruments						Subordinated securities and receivables	
	Alternative investments, including private equity		Shares			Fund units		
	Other financial undertakings	Other undertakings	Credit institutions	Other financial undertakings	Other undertakings		Other financial undertakings	
	2014	2014	2014	2014	2014	2014	2014	2014
	600,970	34,650	35,073	—	7	—	29,673	974,565
	36,739	– 3,010	394	640	– 1	– 27,021	—	10,998
	– 13,847	—	—	—	—	– 26,949	—	– 41,529
	50,586	– 3,010	394	640	– 1	– 72	—	52,527
	166,146	—	—	716	—	—	2,810	171,874
	– 65,969	– 755	—	– 1,074	– 6	– 6,319	– 372	– 93,594
	40	—	—	10,724	—	70,032	—	80,910
	737,926	30,885	35,467	11,006	—	36,692	32,111	1,144,753
	– 13,847	—	—	—	—	– 23,882	—	– 38,462

The transfer to Level 3 results from the use of non-observable measurement parameters due to the lack of directly or indirectly observable market data in comparison to the previous reporting period.

Changes in Level 3 in 2013

in € thousands	Investments, excluding alternative investments		
	Credit institutions	Other financial undertakings	Other undertakings
	2013	2013	2013
As at 1 January	15,201	7,035	268,885
Total net income/loss for the period	1,698	– 2,048	– 5,751
Net income/loss from financial assets available for sale	—	– 2,267	– 2,224
Unrealised gains/losses (-) from financial assets available for sale (gross)	1,698	219	– 3,527
Purchases	—	—	31,708
Sales	—	—	– 32,731
Reclassifications	—	—	– 9,805
As at 31 December	16,899	4,987	252,306
Income statement as at 31 December[1]	—	– 2,268	– 1,231

1 The net income/loss from financial assets available for sale includes period income and expenses for assets still in the portfolio at the end of the reporting period.

	Financial assets available for sale						Total
				Equity instruments		Subordinated securities and receivables	
	Alternative investments, including private equity			Shares	Fund units		
	Other financial undertakings	Other undertakings	Credit institutions	Other undertakings		Other financial undertakings	
	2013	2013	2013	2013	2013	2013	2013
	498,430	28,286	35,073	8	—	29,622	882,540
	2,058	9,659	—	– 1	—	—	5,615
	– 12,349	—	—	—	—	—	– 16,840
	14,407	9,659	—	– 1	—	—	22,455
	131,944	7,405	—	—	—	138	171,195
	– 41,267	– 10,700	—	—	—	– 87	– 84,785
	9,805	—	—	—	—	—	—
	600,970	34,650	35,073	7	—	29,673	974,565
	– 9,107	—	—	—	—	—	– 12,606

Realised gains and losses in the individual classes of financial instruments are shown in the net income/loss from financial assets available for sale.

EFFECTS OF ALTERNATIVE ASSUMPTIONS FOR FINANCIAL INSTRUMENTS IN LEVEL 3

Nearly all of the securities in Level 3 consist of unquoted interests of investments, alternative investments and private equity funds in the direct portfolio that are not fully consolidated or not accounted for using the equity method. Their fair values are normally determined by each company's management, primarily (2014: € 652.8 million; previous year: € 552.6 million) on the basis of net asset value. Of this, € 25.5 million (previous year: € 19.8 million) were attributable to "Investments, excluding alternative investments", and € 616.4 million (previous year: € 532.9 million) to "Alternative investments, including private equity". They were determined on the basis of specific information that is not publicly available, to which the W&W Group does not have access. Thus, it was not possible to subject them to a sensitivity analysis.

In the W&W Group, net asset values (2014: € 166.3 million; previous year: € 163.2 million) are measured for Group property investments that are assigned to "Investments, excluding alternative investments". These are based on discount rates that essentially determine the property's fair value. A change in discount rates by + 100 basis points in connection with a sensitivity analysis leads to a reduction in fair value to € 154.8 million (previous year: € 154.7 million), while a change in discount rates by - 100 basis points leads to an increase to € 178.4 million (previous year: € 178.8 million).

All changes in fair value are reflected in "Other comprehensive income".

The most significant measurement parameter for interests measured using the capitalised earnings method (2014: € 59.1 million; previous year: € 57.4 million) is the risk-adjusted discount rate. A material increase in the discount rate reduces fair value, whereas a decline in the discount rate increases fair value. However, a change by 10% has only a minor influence on the presentation of the net assets, financial position and financial performance of the W&W Group.

In addition, for certain interests, fair value is either deemed to be approximated by the amount of invested capital or is determined by outside appraisers. In this case as well, a sensitivity analysis is not possible due to lack of the specific parameters used.

The measurement methods used are listed in the following table "Quantitative information about the measurement of fair value in Level 3".

QUANTITATIVE INFORMATION ABOUT THE MEASUREMENT OF FAIR VALUE IN LEVEL 3

		Fair value	Measurement method	Non-observable input factors		Range, in %
in € thousands	31.12.2014	31.12.2013	31.12.2014	31.12.2014	31.12.2014	31.12.2013
Financial assets available for sale	1,144 753	974,565				
Equity instruments	1,112,642	944,892				
Investments, excluding alternative investments	260,666	274,192				
	28,584	23,087	Capitalised earnings method	Discount rate	6.50–11.00	6.70–13.39
	38,726	40,695	Approximation method	n/a	n/a	n/a
	193,356	210,410	Net asset value	Discount rate	5.50–6.55	5.77–6.55

Alternative investments, including private equity	768,811	635,620				
	30,535	34,300	Capitalised earnings method	Discount rate	5.60	6.00
	118,258	77,203	Approximation method	n/a	n/a	n/a
	620,018	524,117	Net asset value	n/a	n/a	n/a
Shares	46,473	35,080				
	35,467	35,073	Approximation method	n/a	n/a	n/a
	11,006	7	Net asset value	n/a	n/a	n/a
Fund units	36,692	—				
	36,692	—	Approximation method	n/a	n/a	n/a
Subordinated securities and receivables	32,111	29,673				
	32,111	29,673	Approximation method	n/a	n/a	n/a

(43) Impairment losses, by class

Impairment losses

	Financial assets available for sale		Receivables		Total	
in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Equity instruments	71,076	45,208	—	—	71,076	45,208
Investments	14,456	16,519	—	—	14,456	16,519
Shares	8,110	6,726	—	—	8,110	6,726
Fund units	48,510	21,963	—	—	48,510	21,963
Subordinated securities and receivables	—	256	23	—	23	256
First-rank receivables from institutional investors	—	—	1,857	432	1,857	432
Senior fixed-income securities	11	7	3,468	215	3,479	222
Building loans	—	—	125,067	118,951	125,067	118,951
Other receivables	—	—	6,285	7,308	6,285	7,308
Total	71,087	45,471	136,700	126,906	207,787	172,377

Expenses for credit risk adjustments for irrevocable loan commitments amount to € 0 thousand (previous year: € 133 thousand). Expenses for credit risk adjustments for financial guarantees amount to € 56 thousand (previous year: € 34 thousand).

(44) Derivative financial instruments

The table shows the nominal values and the positive and negative markets values for all derivatives of the W&W Group, i.e. both derivative financial instruments that are embedded as a hedging instrument in a hedging relationship recognised under the criteria of hedge accounting and those derivative financial instruments that are recognised under the sub-items "Financial assets held for trading" and "Financial liabilities held for trading".

The maturity bands were adjusted during the financial year for the purposes of clarity and better readability. In the previous year, the individual maturity bands between one and five years mainly contained swaps.

Remaining maturity in 2014

	Sooner than 1 year	1 to 5 years	Later than 5 years	Nominal values, total	Positive market values	Negative market values
in € millions						
Interest-rate-based derivatives						
OTC						
Swaps	4,024.7	13,677.2	10,984.4	28,686.3	1,123.0	1,534.6
Option purchases	400.0	—	—	400.0	22.1	0.0
Other	1,265.0	170.0	—	1,435.0	0.2	1.2
Exchange-traded						
Futures	106.3	—	—	106.3	—	1.8
Currency-based derivatives						
OTC						
Foreign exchange forwards	6,166.4	—	—	6,166.4	25.9	75.7
Exchange-traded						
Equity- and index-based derivatives						
OTC						
Option purchases	150.5	—	—	150.5	13.8	3.2
Exchange-traded						
Futures	250.0	—	—	250.0	2.2	0.6
Options	181.8	224.1	—	405.9	17.4	4.0
Loan-based derivatives	—	—	25.0	25.0	0.9	—
Derivatives	12,544.7	14,071.3	11,009.4	37,625.4	1,205.5	1,621.1

Remaining maturity in 2013

	Sooner than 1 year	1 to 5 years	Later than 5 years	Nominal values, total	Positive market values	Negative market values
in € millions						
Interest-rate-based derivatives						
OTC						
Caps/floors	—	153.0	—	153.0	—	1.6
Swaps	3,926.1	11,453.7	9,063.5	24,443.3	711.0	1,051.5
Option purchases	1,000.0	—	—	1,000.0	6.0	—
Other	230.0	720.0	—	950.0	6.1	0.1
Exchange-traded						
Futures	32.5	—	—	32.5	0.9	0.1
Currency-based derivatives						
OTC						
Foreign exchange forwards	3,221.5	—	—	3,221.5	24.7	5.9
Exchange-traded						
Equity- and index-based derivatives						
OTC						
Option purchases	0.6	—	—	0.6	11.4	1.5
Option sales	0.3	—	—	0.3	—	1.8
Exchange-traded						
Futures	40.1	—	—	40.1	14.6	—
Options	197.4	—	—	197.4	—	4.6
Loan-based derivatives	—	—	25.0	25.0	1.4	—
Other derivatives	97.5	—	—	97.5	—	—
Derivatives	8,746.0	12,326.7	9,088.5	30,161.2	776.1	1,067.1

(45) Other disclosures concerning hedging relationships

The following tables show the amount and the remaining maturity of cash flow hedges as at the reporting date:

in € thousands	Sooner than 3 months	3 months to 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
Nominal values 31.12.2014	—	—	660,000	580,000	—	1,240,000
Nominal values 31.12.2013	—	—	—	—	—	—

The maturity band "1 to 5 years" can be broken down as follows:

in € thousands	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
Nominal values 31.12.2014	460,000	—	150,000	50,000	660,000
Nominal values 31.12.2013	—	—	—	—	—

Expected deposits to (+) and distributions from (-) hedged items under cash flow hedges are as follows:

in € thousands	31.12.2014	31.12.2013
Sooner than 3 months	97	—
3 months to 1 year	884	—
1 to 2 years	—	—
2 to 3 years	—	—
3 to 4 years	—	—
4 to 5 years	– 18,470	—
Later than 5 years	10,781	—

Expected gains (+) and losses (-) from hedged items under cash flow hedges are as follows:

in € thousands	31.12.2014	31.12.2013
Sooner than 3 months	—	—
3 months to 1 year	—	—
1 to 2 years	—	—
2 to 3 years	—	—
3 to 4 years	—	—
4 to 5 years	– 5,093	—
Later than 5 years	20,862	—

The ineffective portion of cash flow hedges resulted in net income of € 1 thousand during the reporting period (previous year: net loss of € 3,339 thousand). The net loss in the previous year was the result of the termination of all cash flow hedging relationships that had existed at that point.

(46) Transfers of financial assets and granted and received collateral

Financial assets were transferred during the reporting period that were not or were not fully derecognised. In the W&W Group, all of these had to do with securities that were sold in connection with repurchase agreements or lent in connection with securities lending transactions. All of these securities are allocated to the category "Financial assets available for sale" and to the classes resulting from this, and they are subject to market price and counterparty credit risks.

Repurchase agreements are characterised by the fact that securities are sold for consideration, but at the same time it is agreed that such securities have to be purchased back at a later point against payment to the seller of an amount agreed to in advance. In addition to the purchase price, collateral is granted and received, depending on the market value of the securities sold. In connection with securities lending transactions, securities are lent against the granting of cash or non-cash collateral. After the borrowing period expires, the securities are returned to the lender. Sold or lent securities continue to be recognised in the balance sheet of the W&W Group in accordance with the prior categorisation. The ability of the W&W Group to dispose of these securities is restricted. At the same time, a financial liability is recognised in the amount of money received. Non-cash collateral is recognised only if the W&W Group is authorised to resell or pledge it without the issuer being in default in payment.

The relationship between sold or lent securities and the associated liabilities is as follows:

TRANSFERRED FINANCIAL ASSETS

	Carrying amount					
	Repurchase agreements		Securities lending transactions		Total	
in € thousands	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Financial assets available for sale	2,290,476	2,341,526	14,317	—	2,304,793	2,341,526
Equity instruments	—	—	14,317	—	14,317	—
Senior fixed-income securities	2,290,476	2,341,526	—	—	2,290,476	2,341,526
Total	2,290,476	2,341,526	14,317	—	2,304,793	2,341,526
Associated liabilities	2,317,109	2,342,078	—	—	2,317,109	2,342,078
Net position	– 26,633	– 552	14,317	—	– 12,316	– 552

As at 31 December 2014, senior fixed-income securities in the amount of € 51.6 million (previous year: € 0 million) continued to be taken in and then passed on in connection with reverse repurchase agreements.

There were no other business transactions under which the W&W Group retained ongoing commitments from the transfer.

Assets granted as collateral

FINANCIAL ASSETS GRANTED AS COLLATERAL IN 2014

	Transferred financial assets	Other collateral granted	Total
in € thousands	31.12.2014	31.12.2014	31.12.2014
Financial assets available for sale	2,304,793	92,882	2,397,675
Equity instruments	14,317	—	14,317
Senior fixed-income securities	2,290,476	92,882	2,383,358
Receivables	—	471,535	471,535
Building loans	—	471,535	471,535
Total	2,304,793	564,417	2,869,210

Financial assets granted as collateral in 2013

in € thousands	Transferred financial assets 31.12.2013	Other collateral granted 31.12.2013	Total 31.12.2013
Financial assets available for sale	2,341,526	98,453	2,439,979
Equity instruments	—	—	—
Senior fixed-income securities	2,341,526	98,453	2,439,979
Receivables	—	470,098	470,098
Building loans	—	470,098	470,098
Total	2,341,526	568,551	2,910,077

The amount of collateral granted for derivatives amounts to € 870.8 million (previous year: € 642.0 million).

In connection with open market operations, loans were obtained from Deutsche Bundesbank in the amount of € 1,946.0 million (previous year: € 1,675.0 million). To secure these loans, Deutsche Bundesbank requires as collateral a correspondingly high deposit of securities in the Deutsche Bundesbank custodial account. Securities that are on deposit in the custodial account of Deutsche Bundesbank in order to collateralise loans may be substituted at will with other securities accepted by the European Central Bank, provided that they do not fall below the required collateral value. The carrying amount of the securities in the custodial account of Deutsche Bundesbank amounts to € 6,844.5 million (previous year: € 5,535.0 million).

In addition, in accordance with regulatory requirements, the underwriting liabilities of German primary insurers in the W&W Group are covered by assets allocated to guarantee assets (financial instruments and properties). Assets allocated to guarantee assets are primarily available to settle policyholder claims. The pro rata allocation of individual assets to guarantee assets is not evident from the IFRS consolidated financial statements.

Assets received as collateral

Assets received as collateral may be liquidated only in the event of breach of contract. Collateral that can be resold or pledged without the issuer being in default in payment was received only in the amount of securities sold under reverse repurchase agreements.

The amount of cash collateral received for derivatives amounts to € 399.6 million (previous year: € 232.4 million). The amount of cash collateral received under repurchase agreements amounts to € 2,317.1 million (previous year: € 2,342.1 million).

Netting of financial instruments

The W&W Group does not meet the prerequisites for netting financial instruments that are subject to so-called netting agreements or enforceable master netting agreements. However, clearing agreements exist for some derivative positions. These clearing agreements provide that, in the event of failure to make payment, it is permissible tonet derivatives vis-à-vis the respective counterparty, taking into account the cash collateral granted and received. It is also possible to settle transactions when due using granted or received cash collateral.

The following table shows the derivatives recognised under the item "Financial assets at fair value through profit or loss" that are subject to a master netting agreement. The corresponding amounts that are notnetted in the balance sheet consist of derivatives recognised under the item "Financial liabilities at fair value through profit or loss", as well as securities collateral and cash collateral received under existing contracts with the same counterparties. The master netting agreements in the W&W Group do not form a basis for netting. However, were the netting criteria to be applicable, the netting of financial assets against the associated financial liabilities would have led to the following result:

Netting of financial assets in 2014

	Gross amount of financial assets recognised in the balance sheet	Associated amounts that are not netted in the balance sheet		
		Financial instruments	Cash collateral received	Net amount
in € thousands				
Derivatives	654,728	209,287	399,371	46,070
Reverse repurchase agreements, securities lending transactions and similar agreements	51,780	51,780	—	—

Netting of financial assets in 2013

	Gross amount of financial assets recognised in the balance sheet	Associated amounts that are not netted in the balance sheet		
		Financial instruments	Cash collateral received	Net amount
in € thousands				
Derivatives	304,621	94,931	218,710	– 9,020

The following table shows the derivatives recognised under the item "Financial liabilities at fair value through profit or loss" that are subject to a master netting agreement. The corresponding amounts that are notnetted in the balance sheet consist of derivatives recognised under the item "Financial assets at fair value through profit or loss", as well as cash collateral granted under existing contracts with the same counterparties. The master netting agreements in the W&W Group do not form a basis for netting. However, were the netting criteria to be applicable, the netting of financial liabilities against the associated financial assets would have led to the following result:

Netting of financial liabilities in 2014

in € thousands	Gross amount of financial liabilities recognised in the balance sheet	Associated amounts that are not netted in the balance sheet		
		Financial instruments	Cash collateral granted	Net amount
Derivatives	1,390,698	480,035	870,834	39,829
Repurchase agreements, securities lending transactions and similar agreements	2,317,109	2,290,476	—	26,633

Netting of financial liabilities in 2013

in € thousands	Gross amount of financial liabilities recognised in the balance sheet	Associated amounts that are not netted in the balance sheet		
Derivatives	959,273	265,636	729,517	– 35,880
Repurchase agreements, securities lending transactions and similar agreements	2,342,078	2,341,526	—	552

(47) Trust business

Trust business not required to be shown in the balance sheet had the following scope:

in € thousands	31.12.2014	31.12.2013
Trust assets pursuant to the German Building Code	358,146	347,598
Trust assets	358,146	347,598
Trust liabilities pursuant to the German Building Code	358,146	347,598
Trust liabilities	358,146	347,598

(48) Supplementary disclosures concerning the effect of financial instruments in the consolidated income statement and in other comprehensive income

Net gains and losses by category of financial instrument, which are depicted in the following table, consist of the following:

- Net gains consist of disposal gains, write-ups recognised in the income statement, subsequent receipts on written-down financial instruments, and currency gains from the measurement of debt-financing instruments on the reporting date.
- Net losses consist of disposal losses, impairments recognised in the income statement, expenses from risk provision and currency losses from the measurement of debt-financing instruments on the reporting date.

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Financial assets/liabilities at fair value through profit or loss	12,520	333,802
Financial assets/liabilities held for trading	– 190,539	150,401
Net gains	1,090,753	779,702
Net losses	1,281,292	629,301
Designated as financial assets at fair value through profit or loss	203,059	183,401
Net gains	275,681	284,396
Net losses	72,622	100,995
Financial assets available for sale	544,593	209,868
Net gains	684,188	424,022
Net losses	139,595	214,154
Receivables	306,643	241,016
Net gains	501,005	413,895
Net losses	194,362	172,879
Liabilities	– 1,974	– 6,327
Net gains	1,156	1,003
Net losses	3,130	7,330

For financial assets and liabilities not at fair value through profit or loss, which also includes subordinated capital, total interest income amounts to € 2,119.1 million (previous year: € 2,210.7 million) and total interest expenses amount to € 948.4 million (previous year: € 854.1 million).

In addition, currency translation involving these financial assets and liabilities results in currency income in the amount of € 304.2 million (previous year: € 32.9 million) and currency expenses in the amount of € 54.1 million (previous year: € 172.9 million).

Notes concerning risks under financial instruments and insurance contracts

(49) Risk management

The systematic and controlled assumption of risk for the purpose of achieving the return targets set is an integral part of corporate governance.

The W&W Group makes use of a comprehensive risk management and controlling system that consistently combines the systems and methods of the individual companies, which are tuned to the particular business requirements.

The aim of risk management is to promote sustainable added value for shareholders and to ensure that the claims of customers and providers of debt capital can be satisfied at all times. Risk management monitors the risk-bearing capacity and the risk profile of the W&W Group. Its task is to provide control and action impetus in the event of deviations from the desired risk profile or where risk-bearing capacity falls below the defined thresholds. Risk management thus contributes to securing the company as a whole and to preserving the capital basis as a material prerequisite for continual company operations.

In addition, risk management pursues the aim of protecting the reputation of the W&W Group as a financial planning specialist. The reputation of the W&W Group as a solid, reliable, trustworthy partner for its customers is a material factor for lasting success.

The risk management framework forms the framework for risk management. The risk strategy of the W&W Group establishes minimum requirements for the direction and framework of the W&W Group's risk policy. The Group risk policy defines differentiated requirements profiles in order to depict both the specific risk management requirements in the individual companies and the prerequisites for holistic Group risk management.

Our risk governance is capable of managing risks throughout the Group and at individual company level. At the same time, it ensures that the overall risk profile is in conformity with the objectives of the risk strategy.

The duties and responsibilities of all persons and committees involved in risk management issues are clearly defined. The Management Board of W&W AG is the supreme decision-making body of the W&W Group with respect to risk issues. The Group Board consists of the Management Board of W&W AG and the heads of the Home Loan and Savings Bank and Insurance divisions. It acts as a coordinating body. It serves to integrate the divisions, and it sets the business- and risk-strategy objectives and the material basic conditions for risk management. Once a year, the Audit Committee of W&W AG and the Audit Committees of the large individual companies check whether the risk management organisation in the respective areas of responsibility is adequate.

Under the standing agenda item "risk management", the Supervisory Board regularly examines the current risk situation. As the central body for the coordination of risk management, the Group Board Risk supports the Management Board and the Group Board in risk issues. Permanent members of the Group Board Risk include the Chief Risk Officer (CRO), who belongs to the Management Board of W&W AG, the CROs of the Home Loan and Savings Bank and Insurance divisions, and the head of the Group Risk Management/Controlling department. The body meets once a month and, where necessary, on an ad hoc basis. The Group Board Risk monitors the W&W Group's risk profile, appropriate capitalisation and liquidity resources. Moreover, it deliberates on Group-wide risk organisation standards and on the deployment of Group-wide risk management methods and instruments, and it proposes these to the members of the Management Board for approval.

Group Risk Management/Controlling guides and supports the Group Board Risk in establishing risk management standards that are uniform throughout the Group. It develops cross-company methods and processes for risk identification, evaluation, governance, monitoring and reporting. Moreover, the department creates qualitative and quantitative risk analyses. The Group Risk Management/Controlling department, which is based in W&W AG, is responsible both for the entire W&W Group and for W&W AG as an individual operating company.

The Group Credit Committee was established for efficient Group-wide credit governance. It develops proposals for loan decisions in the institutional area and submits them to the Group Board Risk for adoption.

A Group Liquidity Committee has been established for Group-wide liquidity governance. It is composed of representatives from the individual companies. It is responsible for the general liquidity governance of the Group and develops recommendations for the meetings of the Management Board bodies and for the Group Board Risk.

Another central body, the Group Compliance Committee, serves as the link between the Legal, Compliance, Audit, Customer Data Protection/Operational Security, and Risk Management departments. The Compliance Officer reports directly to the Management Board and to the Group Board Risk about compliance risks. Like W&W AG, the individual companies have created suitable organisational structures, composed of risk bodies and risk controlling units that are staffed with representatives of various departments, for appropriately monitoring and managing risks. The divisions regularly convene Risk Boards in order to assess the respective risk situation.

The Risk Board Insurance manages and monitors risks in the Insurance division. The Risk Board Home Loan and Savings Bank handles this in the Home Loan and Savings Bank division. The participation of the responsible Management Board members and affected departments guarantees the integration of circumstances pertaining to individual companies as well as the speedy exchange of information and quick action. Risk-relevant circumstances experienced by foreign subsidiaries are integrated through procedural networking and a direct reporting line to the Group Board Risk.

Flexible risk commissions with issue-specific composition enable quick response times in the event of unforeseen events.

The risk management process in the W&W Group is based on the risk strategy and comprises risk identification, risk assessment, risk taking and risk governance, risk monitoring and risk reporting in a closed control loop.

Within the scope of the risk inventory, all individual companies regularly identify, update and document assumed or potential risks. An implemented relevance filter classifies risks as material or immaterial. The assessment also evaluates the extent to which individual risks can take on a material character through interaction or accumulation (risk concentrations).

Depending on the type of risk, various risk measurement procedures are used in order to quantitatively evaluate them. If possible, risk measurement takes place with the help of stochastic processes and using the value at risk (VaR) standard. Currently, this approach is used to determine market price and counterparty credit risks (except for bad debt risks from reinsurance) as well as underwriting risks in property insurance. For the other risk areas, analytical computing or regulatory standard procedures are used, as well as expert opinions. For example, the risks identified within the scope of the risk inventory are evaluated on the basis of the probability of occurrence and loss potential.

Sensitivity and scenario analyses are regularly conducted within the scope of stress scenarios for specific risk areas and across risk areas. Indicator analyses augment the range of tools used to evaluate risk. The W&W Group defines risk management as the operational implementation of risk strategies in the risk-bearing business units. The decision to assume risk is made within the framework of the fields of action set down in the business strategy, both on a decentralised basis by the business divisions and by W&W AG. Based on the risk strategy, the respective departments in the individual operating companies manage their own risk positions. Thresholds, "red/yellow/green" systems, and limit and line systems are used to support risk management. Apart from IFRS results, risk parameters such as regulatory and economic risk-bearing capacity and division-specific indicators are used as key management parameters.

Compliance with the framework requirements for risk strategy and risk organisation and the suitability of the quality and grade of risk management are constantly monitored. Action recommendations are derived from these control activities for quantifiable and non-quantifiable risks, meaning that corrective action can be taken at an early stage in order to achieve the goals formulated in the business and risk strategy. The action recommendations agreed to in the risk bodies are tracked and reviewed by the risk-controlling units. The internal risk-bearing capacity model represents an important basis for the Group-wide monitoring of the overall risk profile and economic capitalisation. The ability of the

W&W Group and its main individual companies to support assumed risks with sufficient capital is continually tracked by risk management. Additionally, risk-bearing capacity is monitored using regulatory procedures (e.g. Basel II, Solvency I). The development of the future regulatory model in the insurance area is tracked in connection with the preparations for Solvency II.

All material risks of the W&W Group are promptly and regularly communicated to the Executive Board, to the Group Board and to the Supervisory Board of the W&W Group. The Group-wide risk reporting system is supplemented by a procedure for ad hoc risk communication. In this way, the Management Board of W&W AG and the Group Board of the W&W Group promptly learn of new threats or extraordinary changes in the risk situation that exceed the defined internal thresholds.

In managing the risk profile, attention is paid to avoiding risk concentrations from financial instruments and insurance contracts in order to maintain a balanced risk profile. In addition, in connection with risk management, an effort is made to achieve a reasonable relationship between the risk capital needs of the risk areas in order to limit susceptibility to individual risks. The W&W Group strives to limit risk concentrations as well as possible by diversifying capital investments, employing limit and line systems, clearly defining approval and underwriting guidelines in lending and insurance business, and obtaining appropriate reinsurance coverage from various providers with good credit ratings. The aim in customer business is a broadly positioned, regionally diversified customer structure. A diverse product range reaches customers through a variety of sales channels.

Because of the supervisory regulations currently in place (investment regulations for insurance companies and home loan and savings banks) and high internal rating requirements, the W&W Group is invested heavily in the area of financial institutions. Accordingly, in addition to the credit risk associated with the relevant counterparty, the W&W Group in particular bears the systemic risk of the financial sector. On the other hand, due to their high granularity, customer loan portfolios do not exhibit any appreciable risk concentrations.

In assessing credit risks on the portfolio level with the credit portfolio model, risk concentration aspects are taken into account in both proprietary and customer lending business. In the process, loan claims against individual borrowers and borrower groups, for instance, are monitored and limited. For this purpose, a comprehensive limit system is employed that suitably controls credit and counterparty risks for the Group as a whole. Disproportionately large individual risks that can lead to unacceptable losses are monitored closely and are subject to a global limit system.

In business with institutional borrowers, risk concentrations in large or various investments with an issuer are managed with a comprehensive investment line system. This ensures that the W&W Group's counterparty credit risks are suitably monitored in terms of risk concentration aspects too. A monitoring and reporting system has been set up under which risk concentrations with regard to a single counterparty, such as an issuer, that are above an internally defined threshold are reported to the W&W Group's Group Risk Management/Controlling.

Identifying risk concentrations requires making regular cross-company, interdisciplinary observations that are not contained in the established processes.

Stress scenarios across risk areas make it possible to identify risk concentrations. For example, abrupt changes in stress test results may be an indication of risk concentrations.

(50) MARKET PRICE RISKS

The risk of changes in interest rates, which is a form of market price risk, describes the risk that assets or liabilities held in interest-bearing securities may change in value due to a shifting and/or twisting of interest structure curves. The risk of changes in interest rates results from the market value risk of capital investments in conjunction with the obligation to generate the guaranteed interest and the guaranteed surrender values for policyholders.

If interest rates remain persistently low, this can pose income risks in the medium term for the Group (particularly Württembergische Lebensversicherung AG), since new investments and reinvestments can be made only at lower interest rates, while the guaranteed interest yield pledged to customers (interest guarantee risk) still has to be met. The interest guarantee risk is managed through comprehensive asset liability management and a dynamic product and rate policy. Through the amendment to Section 5 of the German Policy Benefit Provision Regulation (DeckRV), the legislator has expanded the framework, which is also recognised under tax law, for reinforcing the premium reserve in the form of an additional interest reserve in the new portfolio. This regulation was first applicable in the 2011 financial year. The amount of the additional interest reserve is determined by the reference interest rate, which is calculated as the average of Euro interest swap rates over 10 years. In 2014 the reference interest rate dropped to 3.15% (previous year: 3.41%).

Based on the regulations for the additional interest reserve, an interest reinforcement established in the business plan was provided in the old portfolio. The amount of the interest reinforcement is determined by the measurement interest rate, which amounts to 2.95% (previous year: 3.22%) for Württembergische Lebensversicherung AG. For 2015, we expect a further decline in the interest rates relevant to measurement and thus a further increase in the additional interest reserve and interest reinforcement.

Moreover, we had already increased the security level of the computation basis "interest rate" in the old portfolio by means of advance reserve reinforcements in 2010, 2011 and 2013. The interest reinforcement in the old portfolio with a measurement interest rate below the reference interest rate for the new portfolio also represents advanced reserve reinforcement. Though these measures contribute to the protection of the long-term risk-bearing capacity, they have a negative impact on the regulatory solvency ratio. A breakdown of the premium reserve by actuarial interest rate is provided in the notes to the consolidated balance sheet.

Financial derivatives are used in the W&W Group to manage interest rate risk. Derivative management instruments primarily consist of interest rate swaps, interest rate limitation agreements (caps, floors, and collars), interest rate options (swaptions), and futures and forwards. They are predominantly used to hedge the risks of changes in interest rates, but also to reduce risk concentrations. They are shown as economic hedging instruments in the risk management and controlling process.

If these economic hedges meet the requirements for hedge accounting, the hedging relationships are also depicted as such in the IFRS consolidated financial statements. In banking and insurance business, fixed-income receivables and, in banking business, fixed-income securities portfolios in the category "Financial assets available for sale" are hedged against losses in asset value on both the individual transaction level and the portfolio level (fair value hedge). Moreover, in banking business, variable-yield receivables and securities in the category "Financial assets available for sale" and variable-yield liabilities are hedged against fluctuations in cash flows affecting net income (cash flow hedge).

The effects that a potential change in the interest rate level by 100 or 200 basis points (parallel shifting of the interest structure curve) would have on the consolidated income statement and on other comprehensive income are depicted in the following table. Because the interest rate level is very low, it was elected to dispense with calculating a decline in the interest rate level by 200 bps, since the results did not appear meaningful. In addition, a floor was drawn for the scenario of a decline in interest rates by 100 basis points at a level of 0%, whereby negative interest rates arising under this scenario were left out of consideration.

The material changes in the effects are attributable to positioning’s in the Home Loan and Savings Bank division. In 2014, sensitivity and the associated effect on other comprehensive income increased slightly in scenarios with an interest rate increase. Decisive for this were mainly the effects from the build-up of cash flow hedging relationships at Wüstenrot Bausparkasse AG. The effects on the consolidated income statement lessened under all interest rate scenarios. This is mainly attributable to a reduction in the interest rate sensitivity of free-standing derivative positions in the Home Loan and Savings Bank division. Because of the currently low interest rate level, the exclusion of negative interest rates leads to an asymmetry as at the end of the year compared with rising interest rates under a negative scenario shift.

With respect to net income for the period and to net income recognised in other comprehensive income, there is no asset-value-oriented risk of a change in interest rates for receivables carried at amortised cost. Hedged items that are the subject of a fair value hedging relationship on an individual or portfolio level are measured at fair value through profit or loss with respect to the hedged risk.

RISK OF CHANGES IN INTEREST RATES: NET EFFECT AFTER DEFERRED TAXES AND PROVISION FOR DEFERRED PREMIUM REFUNDS

	CHANGE IN THE CONSOLIDATED INCOME STATEMENT		CHANGE IN OTHER COMPREHENSIVE INCOME	
in € thousands	31.12.2014	31.12.2013	31.12.2014	31.12.2013
+ 100 basis points	– 5,804	– 19,837	– 404,991	– 332,000
- 100 basis points	38,088	60,049	338,629	345,468
+ 200 basis points	– 4,163	– 22,096	– 770,760	– 633,650

Risks of changes in the prices of equity instruments

On the one hand, the risk of changes in the prices of equity instruments describes the general risk that assets and thus net income and/or equity may change negatively as a result of market movements. On the other, it also describes the specific risk characterised by issuer-related aspects.

In the W&W Group, the risk of changes in the prices of equity instruments is mainly characterised by share price and investment risks. The share price risk is the risk that losses may result from the change in the prices of open equity positions. The investment risk is the risk that losses may result from negative value changes regarding investments, from the cancellation of dividends or from the need to pay income subsidies. The risk of changes in the prices of equity instruments is managed through stock options and futures. In addition, financial derivatives, including stock options, are used to implement certain investment strategies in fund assets and to achieve additional income.

The following overview shows the effects that an increase or decrease in the market value of equity instruments by 10% and 20% would have on the consolidated income statement and on other comprehensive income. Also depicted are the effects after deferred taxes and, for life/health insurers, in addition the effects after the provision for deferred premium refunds.

The table shows that the risks of changes in the prices of equity instruments have on the whole lessened year on year with regard to the net income recognised in other comprehensive income. By contrast, sensitivity with respect to consolidated net income is slightly higher year on year.

RISK OF CHANGES IN PRICES: NET EFFECT AFTER DEFERRED TAXES AND PROVISION FOR DEFERRED PREMIUM REFUNDS

	CHANGE IN THE CONSOLIDATED INCOME STATEMENT		CHANGE IN OTHER COMPREHENSIVE INCOME	
in € thousands	31.12.2014	31.12.2013	31.12.2014	31.12.2013
+ 10%	4,294	3,968	55,166	65,381
- 10%	– 8,500	– 6,506	– 52,024	– 62,877
+ 20%	8,181	8,726	110,333	130,761
- 20%	– 27,243	– 27,829	– 92,071	– 109,942

Exchange rate risks

Exchange rate risk describes the risk that losses may result from a change in exchange rates. The extent of this risk depends on the number of open positions and on the potential that the relevant currency will experience a rate change.

The effects that an increase or decrease in the material exchange rate would have on the consolidated income statement and on other comprehensive income are depicted in the following table. Also taken into account were the effects of deferred taxes and, for life/health insurers, in addition the effects of the provision for deferred premium refunds.

The depicted exchange rate risk results from both asset and liability positions and includes only monetary assets, i.e. means of payment and claims denominated in amounts of money, as well as obligations that have to be settled with a fixed or determinable amount of money. Exchange rate risks under equity instruments (non-monetary assets) are not included.

EXCHANGE RATE RISK: NET EFFECT AFTER DEFERRED TAXES AND PROVISION FOR DEFERRED PREMIUM REFUNDS

	CHANGE IN THE CONSOLIDATED INCOME STATEMENT		CHANGE IN OTHER COMPREHENSIVE INCOME	
in € thousands	31.12.2014	31.12.2013	31.12.2014	31.12.2013
USD				
+ 10%	– 4,810	4,064	5,079	– 4,264
- 10%	4,810	– 4,064	– 5,079	4,264
DKK				
+ 1 %	290	1,513	3	—
- 1 %	– 290	– 1,513	– 3	—

In all, it can be seen from the table that, in accordance with the strategic positioning of our overall investment portfolio, exchange rate risks are of only minor significance.

For further information about the management of market price risks in the W&W Group, please see the risk reporting in the Management Report.

(51) Counterparty credit risks

Counterparty credit risk is an important risk typical of the industry that Group companies assume. Counterparty credit risk describes the risk of a loss or lost profit due to default by a contract partner. The term "counterparty credit risk" primarily covers the following types:

Credit risk: Credit risk describes the risk that a contracting partner will be unable to meet its obligations after having been provided with benefits in the form of liquid resources, securities or services (e.g. risk of default by a party owing a receivable or by a bond issuer, liquidation risk with respect to granted collateral).

Counterparty risk: Counterparty risk describes the risk that an unrealised gain from pending transactions will no longer be able to be collected due to default by a contracting partner (e.g. default by a swap counterparty under a swap with a positive market value).

Country risk: Country risk describes the risk that arises not from the specific circumstances of the contracting partner itself but rather from its activities abroad. This risk may be caused by political or economic turbulence in this country that leads to transfer problems and thus to additional counterparty credit risks.

In the W&W Group, loans and advances to customers exist mainly in the area of private residential construction financing in the Federal Republic of Germany. The loans are predominantly secured by property liens. Commercial financing business ceased in 2004. In addition to risk analysis and risk management by the operational units, the W&W Group manages credit risks in residential construction financing business at the portfolio level through application scoring and ongoing credit checks. In payment clearing and settlement business, application scoring is supplemented with behaviour scoring. Risks from customer lending business are measured using a stochastic loan portfolio model. In addition, credit risks at the Group level are analysed, monitored and communicated to the Management Board in connection with regular credit risk reporting, which corresponds to the German Minimum Requirements for Risk Management (MaRisk).

The W&W Group monitors risks from the default on receivables due from policyholders, agents and reinsurers with the aid of EDP-supported controls of outstanding accounts. With regard to receivables from policyholders, the average default rate over the last three years to the reporting date amounts to 0.1% (previous year: 0.2%). With regard to receivables from agents, the average default rate over the last three years amounts to 3.0% (previous year: 3.6%). Because of the high credit rating of reinsurers, receivables from reinsurance do not constitute a material risk.

Reinsurance contracts are in place with counterparties on the reinsurance market that have flawless credit, meaning that the default risk is significantly reduced (cf. the item "Receivables from reinsurance business" in the table "Neither overdue nor individually impaired assets, by rating class").

The maximum counterparty credit risk from financial assets at fair value through profit or loss amounts to € 168.3 million (previous year: € 140.7 million).

As at the reporting date, the following financial assets subject to counterparty credit risk, as well as the assets resulting from primary insurance and reinsurance contracts that are subject to counterparty credit risk, are recognised in the consolidated balance sheet.

Assets subject to counterparty credit risks in 2014

	Neither overdue nor individually impaired assets	Overdue but not individually impaired assets	Individually impaired assets	Existing portfolio impairment provisions	Total	Reduction of the maximum default risk through collateral
in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Cash reserves	335,408	—	—	—	335,408	—
Financial assets at fair value through profit or loss	2,055,628	—	—	—	2,055,628	—
Designated as financial assets at fair value through profit or loss	900,604	—	—	—	900,604	—
Senior fixed-income securities	239,546	—	—	—	239,546	—
Structured products	661,058	—	—	—	661,058	—
Financial assets held for trading	1,155,024	—	—	—	1,155,024	—

ASSETS SUBJECT TO COUNTERPARTY CREDIT RISKS IN 2014 (CONTINUATION)

	NEITHER OVERDUE NOR INDIVIDUALLY IMPAIRED ASSETS	OVERDUE BUT NOT INDIVIDUALLY IMPAIRED ASSETS	INDIVIDUALLY IMPAIRED ASSETS	EXISTING PORTFOLIO IMPAIRMENT PROVISIONS	TOTAL	REDUCTION OF THE MAXIMUM DEFAULT RISK THROUGH COLLATERAL
Senior fixed-income securities	480	—	—	—	480	—
Derivative financial instruments	1,154,544	—	—	—	1,154,544	—
Financial assets available for sale	22,407,672	—	921	—	22,408,593	—
Senior fixed-income securities	21,336,327	—	385	—	21,336,712	—
Subordinated securities and receivables	1,071,345	—	536	—	1,071,881	—
Receivables	42,881,677	832,092	442,397	– 48,823	44,107,343	23,389,775
Building loans	23,784,249	767,365	439,358	– 36,707	24,954,265	23,159,922
Building loans to private customers secured by property liens	20,837,718	745,189	426,707	– 31,057	21,978,557	22,102,009
Building loans to private customers not secured by property liens	2,709,199	22,176	12,651	– 5,650	2,738,376	1,057,913
Portfolio hedge adjustment	237,332	—	—	—	237,332	—
First-rate receivables from institutional investors	16,520,286	—	—	– 1,552	16,518,734	229,810
Subordinated securities and receivables	96,354	—	—	– 22	96,332	—
Other receivables	2,110,961	6,737	2,222	– 377	2,119,543	43
Receivables from reinsurance business	90,619	—	—	– 1,270	89,349	—
Receivables from policyholders	243,228	30,053	—	– 7,674	265,607	—
Receivables from agents	35,980	27,937	817	– 1,221	63,513	—
Positive market values from hedges	51,104	—	—	—	51,104	—
Reinsurers' portion of technical provisions	1,353,969	—	—	—	1,353,969	—
TOTAL	69,085,458	832,092	443,318	– 48,823	70,312,045	23,389,775

Assets subject to counterparty credit risks in 2013

in € thousands	Neither overdue nor individually impaired assets 31.12.2013	Overdue but not individually impaired assets 31.12.2013	Individually impaired assets 31.12.2013	Existing portfolio impairment provisions 31.12.2013	Total 31.12.2013	Reduction of the maximum default risk through collateral 31.12.2013
Cash reserves	527,962	—	—	—	527,962	—
Financial assets at fair value through profit or loss	1,403,354	—	—	—	1,403,354	—
Designated as financial assets at fair value through profit or loss	596,386	—	—	—	596,386	—
Structured products	596,386	—	—	—	596,386	—
Financial assets held for trading	806,968	—	—	—	806,968	—
Senior fixed-income securities	57,511	—	—	—	57,511	—
Derivative financial instruments	749,457	—	—	—	749,457	—
Financial assets available for sale	17,949,426	—	11,374	—	17,960,800	—
Senior fixed-income securities	17,227,011	—	397	—	17,227,408	—
Subordinated securities and receivables	722,415	—	10,977	—	733,392	—
Receivables	44,949,323	989,878	264,374	– 37,527	46,166,048	24,857,361
Building loans	24,949,311	927,319	250,351	– 35,007	26,091,974	24,454,115
Building loans to private customers secured by property liens	22,256,008	900,073	242,040	– 29,920	23,368,201	23,281,509
Building loans to private customers not secured by property liens	2,565,741	27,246	8,311	– 5,087	2,596,211	1,172,606
Portfolio hedge adjustment	127,562	—	—	—	127,562	—
First-rate receivables from institutional investors	17,095,162	—	—	– 1,491	17,093,671	403,212
Senior fixed-income securities	323,186	—	9,112	—	332,298	—
Subordinated securities and receivables	88,495	—	—	—	88,495	—

Assets subject to counterparty credit risks in 2013 (continuation)

in € thousands	Neither overdue nor individually impaired assets	Overdue but not individually impaired assets	Individually impaired assets	Existing portfolio impairment provisions	Total	Reduction of the maximum default risk through collateral
	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013
Other receivables	2,103,927	8,069	4,541	– 1,029	2,115,508	34
Receivables from reinsurance business	113,745	—	—	—	113,745	—
Receivables from policyholders	241,987	36,084	—	—	278,071	—
Receivables from agents	33,510	18,406	370	—	52,286	—
Positive market values from hedges	26,736	—	—	—	26,736	—
Reinsurers' portion of technical provisions	1,427,806	—	—	—	1,427,806	—
Total	66,284,607	989,878	275,748	– 37,527	67,512,706	24,857,361

Information about cash collateral received for derivative financial assets can be found in Note 46.

Recognised under "Overdue but not individually impaired assets" are not only overdue instalment payments but also the underlying receivable as a whole.

Wüstenrot Bausparkasse AG, Wüstenrot Bank AG Pfandbriefbank, Württembergische Lebensversicherung AG and the Czech credit institutions conduct construction financing business.

Existing default risks are diminished by obtaining in-rem collateral, primarily in the property financing area. Loans made by Württembergische Lebensversicherung AG are 100% secured by property liens.

In addition, Group companies entered into off-balance-sheet transactions, and these likewise result in counterparty credit risks despite the absence of assets. They include irrevocable loan commitments made by Group companies in the amount of € 909.2 million (previous year: € 1,138.2 million), the assumption of financial guarantees in the amount of € 34.1 million (previous year: € 15.6 million) and sureties with a maximum counterparty credit risk of € 3.2 million (previous year: € 6.6 million). The counterparty credit risk from irrevocable loan commitments, financial guarantees and sureties is determined by the maximum liability volume, less provision created for counterparty credit risks.

As at the reporting date, the carrying amount of building loans whose terms were renegotiated and that would otherwise have been overdue or impaired amounts to € 12.9 million (previous year: € 12.8 million). These loans are almost fully secured by property liens.

The following table provides a breakdown by external rating class of assets that are neither overdue nor individually impaired as at the reporting date.

NEITHER OVERDUE NOR INDIVIDUALLY IMPAIRED ASSETS IN 2014, BY RATING CLASS

	AAA	AA	A	BBB	BB	B OR WORSE	NO RATING	TOTAL
in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Cash reserves	206,106	129,302	—	—	—	—	—	335,408
Financial assets at fair value through profit or loss	108,771	258,992	1,332,807	294,251	32,463	180	28,164	2,055,628
Designated as financial assets at fair value through profit or loss	108,291	220,814	245,546	293,310	32,463	180	—	900,604
Senior fixed-income securities	108,291	131,255	—	—	—	—	—	239,546
Structured products	—	89,559	245,546	293,310	32,463	180	—	661,058
Financial assets held for trading	480	38,178	1,087,261	941	—	—	28,164	1,155,024
Senior fixed-income securities	480	—	—	—	—	—	—	480
Derivative financial instruments	—	38,178	1,087,261	941	—	—	28,164	1,154,544
Financial assets available for sale	9,447,042	4,834,078	3,111,252	4,244,057	524,745	237,964	8,534	22,407,672
Senior fixed-income securities	9,447,042	4,744,635	2,775,351	3,738,088	392,035	230,642	8,534	21,336,327
Subordinated securities and receivables	—	89,443	335,901	505,969	132,710	7,322	—	1,071,345
Receivables	8,967,241	6,239,685	2,708,271	479,489	6,036	364	24,480,591	42,881,677
Building loans	—	—	—	—	—	—	23,784,249	23,784,249
Building loans to private customers secured by property liens	—	—	—	—	—	—	20,837,718	20,837,718
Building loans to private customers not secured by property liens	—	—	—	—	—	—	2,709,199	2,709,199
Portfolio hedge adjustment	—	—	—	—	—	—	237,332	237,332
First-rate receivables from institutional investors	8,966,983	6,041,406	1,196,422	310,314	5,161	—	—	16,520,286
Subordinated securities and receivables	—	26,483	14,428	55,443	—	—	—	96,354
Other receivables	258	123,678	1,458,951	113,732	532	364	413,446	2,110,961

Neither overdue nor individually impaired assets in 2014, by rating class (continuation)

	AAA	AA	A	BBB	BB	B or worse	No rating	Total
in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Receivables from reinsurance business	—	48,118	38,470	—	343	—	3,688	90,619
Receivables from policyholders	—	—	—	—	—	—	243,228	243,228
Receivables from agents	—	—	—	—	—	—	35,980	35,980
Positive market values from hedges	—	4,046	47,058	—	—	—	—	51,104
Reinsurers' portion of technical provisions	—	1,270,653	80,958	9	396	—	1,953	1,353,969
Total	18,729,160	12,736,756	7,280,346	5,017,806	563,640	238,508	24,519,242	69,085,458

Neither overdue nor individually impaired assets in 2013, by rating class

	AAA	AA	A	BBB	BB	B or worse	No rating	Total
in € thousands	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013
Cash reserves	279,028	248,934	—	—	—	—	—	527,962
Financial assets at fair value through profit or loss	57,511	39,851	891,461	193,397	15,144	301	205,689	1,403,354
Designated as financial assets at fair value through profit or loss	—	18,971	238,224	144,291	15,144	301	179,455	596,386
Structured products	—	18,971	238,224	144,291	15,144	301	179,455	596,386
Financial assets held for trading	57,511	20,880	653,237	49,106	—	—	26,234	806,968
Senior fixed-income securities	57,511	—	—	—	—	—	—	57,511
Derivative financial instruments	—	20,880	653,237	49,106	—	—	26,234	749,457
Financial assets available for sale	5,535,918	3,268,952	5,041,777	3,481,842	330,331	274,387	16,219	17,949,426

Senior fixed-income securities	5,453,709	3,216,988	4,749,775	3,228,173	299,713	267,422	11,231	17,227,011
Subordinated securities and receivables	82,209	51,964	292,002	253,669	30,618	6,965	4,988	722,415
Receivables	4,363,767	5,029,467	6,994,538	2,657,460	68,345	10,173	25,825,573	44,949,323
Building loans	—	—	—	—	—	—	24,949,311	24,949,311
Building loans to private customers secured by property liens	—	—	—	—	—	—	22,256,008	22,256,008
Building loans to private customers not secured by property liens	—	—	—	—	—	—	2,565,741	2,565,741
Portfolio hedge adjustment	—	—	—	—	—	—	127,562	127,562
First-rate receivables from institutional investors	4,301,132	4,883,784	5,449,975	2,409,913	5,161	—	45,197	17,095,162
Senior fixed-income securities	24,414	18,781	51,473	118,488	62,672	10,173	37,185	323,186
Subordinated securities and receivables	26,495	6,508	20,207	35,285	—	—	—	88,495
Other receivables	11,726	62,437	1,428,948	86,072	76	—	514,668	2,103,927
Receivables from reinsurance business	—	57,957	43,935	7,702	436	—	3,715	113,745
Receivables from policyholders	—	—	—	—	—	—	241,987	241,987
Receivables from agents	—	—	—	—	—	—	33,510	33,510
Positive market values from hedges	—	765	24,348	1,623	—	—	—	26,736
Reinsurers' portion of technical provisions	1,043,499	237,274	138,305	7,263	495	—	970	1,427,806
TOTAL	11,279,723	8,825,243	13,090,429	6,341,585	414,315	284,861	26,048,451	66,284,607

The maturity structure of overdue but not individually impaired financial assets is depicted in the following table:

MATURITY STRUCTURE OF OVERDUE BUT NOT INDIVIDUALLY IMPAIRED ASSETS IN 2014

in € thousands	UP TO 1 MONTH OVERDUE	MORE THAN 1 MONTH UP TO 2 MONTHS OVERDUE	MORE THAN 2 MONTHS UP TO 3 MONTHS OVERDUE	MORE THAN 3 MONTHS UP TO 1 YEAR OVERDUE	MORE THAN 1 YEAR OVERDUE	TOTAL
	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Receivables	638,149	118,853	35,021	26,949	13,120	832,092
Building loans	599,017	115,280	34,468	12,721	5,879	767,365
Building loans to private customers secured by property liens	582,522	111,549	33,351	12,002	5,765	745,189
Building loans to private customers not secured by property liens	16,495	3,731	1,117	719	114	22,176
Other receivables	5,014	191	78	74	1,380	6,737
Receivables from policyholders	7,845	3,304	338	12,957	5,609	30,053
Receivables from agents	26,273	78	137	1,197	252	27,937
TOTAL	638,149	118,853	35,021	26,949	13,120	832,092

MATURITY STRUCTURE OF OVERDUE BUT NOT INDIVIDUALLY IMPAIRED ASSETS IN 2013

in € thousands	UP TO 1 MONTH OVERDUE	MORE THAN 1 MONTH UP TO 2 MONTHS OVERDUE	MORE THAN 2 MONTHS UP TO 3 MONTHS OVERDUE	MORE THAN 3 MONTHS UP TO 1 YEAR OVERDUE	MORE THAN 1 YEAR OVERDUE	TOTAL
	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013
Receivables	740,108	129,141	48,720	40,131	31,778	989,878
Building loans	707,183	124,293	44,348	25,651	25,844	927,319
Building loans to private customers secured by property liens	686,295	119,535	43,319	25,106	25,818	900,073
Building loans to private customers not secured by property liens	20,888	4,758	1,029	545	26	27,246
Other receivables	6,727	148	193	95	906	8,069
Receivables from policyholders	11,719	3,809	3,492	14,033	3,031	36,084
Receivables from agents	14,479	891	687	352	1,997	18,406
TOTAL	740,108	129,141	48,720	40,131	31,778	989,878

The majority of overdue but not individually impaired assets involve receivables from building loans, which are mostly secured by property liens. The gross carrying amounts of individually impaired assets, the direct write-downs taken as at the reporting date and the individual impairment provisions created as at the reporting date are depicted in the table.

INDIVIDUALLY IMPAIRED ASSETS IN 2014

	GROSS CARRYING AMOUNT	DIRECT WRITE-DOWN	INDIVIDUAL IMPAIRMENT PROVISION	TOTAL
in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Financial assets available for sale	1,037	– 116	—	921
Senior fixed-income securities	500	– 115	—	385
Subordinated securities and receivables	537	– 1	—	536
Receivables	618,044	– 22,271	– 153,376	442,397
Building loans	593,804	– 18,145	– 136,301	439,358
Building loans to private customers secured by property liens	549,004	– 16,726	– 105,571	426,707
Building loans to private customers not secured by property liens	44,800	– 1,419	– 30,730	12,651
Senior fixed-income securities	2 744	– 2 744	—	—
Other receivables	14,862	– 666	– 11,974	2,222
Receivables from policyholders	1,019	—	– 1,019	—
Receivables from agents	5,615	– 716	– 4,082	817
TOTAL	619,081	– 22,387	– 153,376	443,318

Individually impaired assets in 2013

in € thousands	Gross carrying amount 31.12.2013	Direct write-down 31.12.2013	Individual impairment provision 31.12.2013	Total 31.12.2013
Financial assets available for sale	13,696	– 2,322	—	11,374
Senior fixed-income securities	500	– 103	—	397
Subordinated securities and receivables	13,196	– 2,219	—	10,977
Receivables	428,698	– 23,112	– 141,212	264,374
Building loans	395,656	– 18,532	– 126,773	250,351
Building loans to private customers secured by property liens	360,886	– 17,284	– 101,562	242,040
Building loans to private customers not secured by property liens	34,770	– 1,248	– 25,211	8,311
Other receivables	16,703	– 819	– 11,343	4,541
Receivables from agents	5,202	– 1,736	– 3,096	370
Total	442,394	– 25,434	– 141,212	275,748

For further information about the management of counterparty credit risks in the W&W Group, please see the risk reporting in the Management Report.

(52) Underwriting risks

Life/health insurance business

In the W&W Group, life/health insurance business consists of life insurance (endowment and term insurance), annuity insurance, occupational disability insurance and health insurance. Life insurance portfolios mainly contain long-term contracts with a discretionary surplus distribution. Unit-linked endowment life insurance policies and annuity insurance policies are covered congruently by fund units attributable to the policies.

Reinsurance acceptance business is conducted to only a negligible extent.

Risks of the insurance portfolio and the risk management system

Life insurance is characterised by the long duration of the commitments entered into, for which reason calculations are made using conservative assumptions.

Risks from life insurance business mainly consist of biometric risk, interest guarantee risk and cost risk. The assessment of the interest guarantee risk is dealt with in detail in Note 50.

Biometric actuarial bases, such as mortality, life expectancy and invalidity probabilities, are subject both to short-term risks of fluctuation and error as well as to longer-term change trends. We control these risks on an ongoing basis through actuarial analyses and tests. In terms of product development, we take potential changes into account through corresponding actuarial modelling.

With annuity insurance, the assessment of life expectancy (longevity risk) is of particular importance for the premium reserve. In addition to monitoring our own results, we also rely on the findings, notices and guidelines of the German

Association of Actuaries (DAV) for the purposes of stabilising the information basis. In light of the fact that the trend in mortality improvement has not yet sufficiently attenuated, the life insurance companies, as in previous years, once again adjusted the safety margins for longevity risk in the premium reserve in the 2014 financial year. Prospective findings concerning mortality trends or a renewed adjustment of safety margins recommended by the DAV may in the future lead to further additions to the premium reserve.

The responsible actuary judged the actuarial bases to be reasonable. The findings and notices of the DAV and the supervisory authority did not result in any different appraisal in this regard. Internal reporting to the supervisory authority contains an annual comparison with actual events. Minor changes in assumptions with respect to the biometric factors, interest rates and costs on which calculations are based are absorbed by the safety margins built into the actuarial bases.

In the event that expectations as to risks, costs and/or interest rates should change, the effect on net income is substantially lessened by adjusting the future surplus participation of policyholders. Risks are limited by obtaining suitable reinsurance from reinsurance companies with pristine investment-grade ratings.

SENSITIVITY ANALYSIS

In life insurance, actuarial bases with high safety margins are used to calculate premiums in order to account for longevity. Safety margins that are no longer required are returned to customers in the form of surplus participation. Short-term fluctuations arenetted by reducing or increasing the additions to the provision for premium refunds intended for future surplus participation. In the event of longer-term changes, surplus participation is in addition adjusted accordingly.

BIOMETRIC RISK

An increase in mortality has a negative effect on mortality insurance policies (endowment and term life insurance), whereas it has a positive effect on annuity insurance policies. Currently expected mortality rates lead to distinctly positive risk results on account of the existing safety margins. In accordance with the mechanism described above, deviations from the expected value have only negligible effects on gross income and can even be absorbed in their entirety. This effect is further reduced by obtaining reinsurance. The safety margin for annuity insurance policies has been adjusted at a high level through additional strengthening of the provisions for longevity risk.

In the area of occupational disability insurance, invalidity probabilities are subject to medical and legal changes, as well as to social and economic trends. As measured against current expectations, the safety margins built into the calculation remain sufficient, meaning that positive results can be expected. Deviations from expectations that have appreciable effects on either gross or net income are not considered to be realistic.

In the area of health insurance, the risk resulting from the increase in per capita claims is limited by the ability to adjust premiums that were contractually agreed with customers.

CANCELLATION RISK

Increased cancellation behaviour by customers can result in greater liquidity outflows than expected.

In the past, cancellation rates were subject to very negligible fluctuations, meaning that only slight changes have to be classified as realistic and that the effect on net income is therefore insignificant.

Moreover, negative effects on net income arise only in the initial years following contract conclusion, provided that claims not yet due against the policyholder are recognised that are no longer collectable following cancellation. A suitable impairment provision is created to account for cancellations. The creation of impairment provisions is based on conservative assumptions stemming from the experience of previous years.

The application of cancellation penalties results in positive effects on net income with regard to surrenders in later years, since the released provisions correspond at least to the paid surrender value.

Unit-linked insurance policies are covered congruently by the corresponding funds. If, in addition, further guarantee commitments are made, they are also taken into account in the premium reserve. Increases or decreases in cancellations do not lead to any appreciable effects on net income.

RISK CONCENTRATIONS

Concentrations of underwriting risk in life and health insurance result from regional risk concentrations, as well as from high risks associated with individually insured persons.

The life/health insurers manage regional risk concentrations by selling their insurance products throughout the country. The risk concentration from individually insured persons (cluster risk) is reduced by obtaining reinsurance from first-rate reinsurers.

Remaining risk concentrations result from the respectively insured risks, i.e. mortality, longevity and invalidity risk. For the purposes of illustrating the existing risk concentration, the following breaks down the premium reserve by insured risk.

PREMIUM RESERVE, BY TYPE OF INSURED RISK

	GROSS	NET	GROSS	NET
in € thousands	31.12.2014	31.12.2014	31.12.2013	31.12.2013
Area of life insurance	27,095,884	26,010,009	26,606,491	25,523,751
Predominantly mortality risk	12,734,880	12,248,940	13,103,779	12,581,676
Predominantly longevity risk (annuities)	13,537,487	13,035,613	12,723,122	12,255,898
Predominantly invalidity risk	823,517	725,456	779,590	686,177
Area of health insurance	447,823	447,823	379,102	379,102
TOTAL	27,543,707	26,457,832	26,985,593	25,902,853

The following overview shows the primary insurers' gross premium reserve for insurance contracts by insured amount (for annuity policies, 12 times the annual annuity).

PREMIUM RESERVE FOR INSURANCE CONTRACTS WITH AN INSURED AMOUNT OF

	GROSS	GROSS
in € thousands	31.12.2014	31.12.2013
Less than € 0.5 million	26,575,602	26,022,846
€ 0.5 million to € 1.0 million	251,445	271,001
€ 1 million to € 5 million	201,406	212,080
€ 5 million to € 15 million	67,431	100,564
TOTAL	27,095,884	26,606,491

RISKS FROM OPTIONS AND GUARANTEES CONTAINED IN INSURANCE CONTRACTS

Unit-linked life and annuity insurance: guaranteed minimum benefit. With unit-linked life and annuity insurance, the investment risk is borne by policyholders. There is no market risk, since all contracts are congruently covered. Products are designed so as to ensure that a corresponding reserve is created for the parts of the premium needed to cover the guaranteed minimum benefit. For dynamic hybrid products with guaranteed minimum benefits, there is a risk of monetisation should the price of the capital protection fund (Wertsicherungsfonds) fall, in which case the investment risk is transferred to the insurance company. If the capital protection fund does not achieve the required capital protection commitment, the guarantee commitment provided by the insurance company becomes effective in addition. Where the price rises, a liquidity risk may result through the shifting from other assets into the capital protection fund.

Annuity insurance: lump-sum option

Exercise of the lump-sum option is influenced by factors specific to the policyholder. Where the guaranteed interest rate is high, rational financial behaviour by customers during times of low interest rates can lower the rate of exercise of the lump-sum option. As a result, the expected reduction of the interest rate guarantee exposure would no longer exist.

Life insurance: annuitisation option

The annuitisation option is carried out at the rates applicable to new contracts. This option has no effect on the balance sheet or the income statement.

Surrender and premium-waiver option

With all contracts with a surrender option, the premium reserve is at least as high as the surrender value. The same applies to the premium reserve to be created for premium-exempt benefits in the case of premium waivers.

Dynamic premium option

The option to increase insurance benefits by paying a greater premium without a reevaluation of risk is generally carried out at the original actuarial interest rate, but based on prior experience, the policyholder's decision is more strongly influenced by the insurance character of the contract or by the expectation of higher interest through surplus participation. Although rational financial behaviour by customers during times of low interest rates can increase the interest rate guarantee exposure, the terms and conditions for newer rate generations dealing with the increase of insurance provide for the ability to increase using the current actuarial bases.

Property and casualty insurance business and reinsurance business

Description of the insurance portfolio

In Germany, property and casualty insurance business is conducted by Württembergische Versicherung AG. Württembergische Versicherung AG insures risks with a focus on the private and corporate customer areas. It operates the traditional business lines of general liability insurance, motor and property insurance, legal protection insurance, casualty insurance, building insurance, aviation insurance, loss-of-income insurance, transport insurance and technical insurance.

Risks of the insurance portfolio and the risk management system

Underwriting risks arise from the uncertainty about future trends in claims and costs under concluded insurance contracts, as a consequence of which unexpected claim and benefit obligations can lead to a negative net income situation.

In the area of property insurance, underwriting risks are mainly of a short-term nature, since claim adjustment can usually happen quickly. In the case of serious personal injuries in the areas of general liability insurance, motor liability insurance and casualty insurance, the risks are also subject to exogenous developments, such as medical advances and the life expectancy associated with them. Moreover, they are influenced by developments involving statutory damage compensation and liability rules.

Sensitivity analysis

Risks are underwritten solely on the basis of actuarial and statistical analyses. This means that Württembergische Versicherung AG has built sufficient safety margins into its rates in order to cover risk fluctuations.

Expert actuarial opinions and regular simulation and stress calculations are used to review the adequacy of provisions. The results of this study led to the finding that Württembergische Versicherung AG has sufficient reserves in the area of property and casualty insurance.

If claims or costs trend contrary to expectations, this can have negative effects on the income statement.

Underwriting risks are measured using company-specific stochastic models or statistical and analytical factoring models that are customary in the industry. Claim scenario analyses are also carried out.

Risk concentrations

Risk concentrations result primarily from the risk insured under the various business lines. For the purposes of illustrating the existing risk concentrations, the following breaks down the provision for claims by business line. In this regard, it is evident that the portfolio, which is characterised by a broadly diversified mix of business lines, contributes to a reduction of risk exposures.

Provision for outstanding insurance claims

	Gross	Net	Gross	Net
in € thousands	31.12.2014	31.12.2014	31.12.2013	31.12.2013
General liability, corporate customers	435,271	411,049	403,610	376,380
Property insurance, corporate customers	268,477	214,263	301,485	234,344
General liability, private customers	92,178	90,620	83,083	81,992
Other, private customers	5,259	5,250	6,508	4,882
Motor liability	1,057,675	922,826	1,017,747	881,759
Other motor	2,555	911	936	936
Household	16,250	15,733	14,171	14,171
Legal protection	151,325	151,325	142,312	142,312
Partial cover	5,663	5,237	8,175	1,454
Casualty	167,795	167,795	146,542	146,542
Full cover	41,363	39,506	60,468	39,339
Residential building	74,330	56,067	120,065	64,179
Other	174,620	160,998	157,485	144,335
Total	2,492,761	2,241,580	2,462,587	2,132,625

For further information about the management of underwriting risks in the W&W Group, please see the risk reporting in the Management Report.

(53) Liquidity risks

Liquidity risk describes the risk that a company will be unable to procure the financial resources necessary to settle the commitments it has made. Liquidity risk may also result where a financial asset cannot be sold promptly and at short notice at its fair value or where liquid resources can be obtained only under terms less favourable than anticipated. Liquidity risks thus consist of insolvency risk, market liquidity risk and refinancing risk.

The following presents a breakdown of the remaining maturity of select financial instruments in 2014:

Breakdown of remaining maturity in 2014
Assets

	3 months or sooner	3 months to 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Financial assets at fair value through profit or loss	148,096	97,521	611,112	1,198,899	—	2,055,628
Designated as financial assets at fair value through profit or loss	23,850	44,819	345,676	486,259	—	900,604
Financial assets held for trading	124,246	52,702	265,436	712,640	—	1,155,024
Financial assets available for sale	1,089,449	809,207	4,915,975	15,163,178	430,784	22,408,593
Receivables	3,251,064	2,862,408	10,476,867	24,115,781	3,372,549	44,078,669
Building loans	960,258	1,708,636	8,190,047	11,023,918	3,007,082	24,889,941
First-rate receivables from institutional investors	451,223	861,049	2,195,343	13,012,671	—	16,520,286
Senior fixed-income securities	—	—	—	—	—	—
Subordinated securities and receivables	5,457	1,767	35,430	41,700	12,000	96,354
Other receivables	1,834,126	290,956	56,047	37,492	353,467	2,572,088
Risk provision	– 14,053	– 17,341	– 93,669	– 66,186	– 23,317	– 214,566
Positive market values from hedges	4,819	670	8,485	37,130	—	51,104

Breakdown of remaining maturity in 2014
Liabilities

	3 months or sooner	3 months to 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Financial liabilities at fair value through profit or loss	177,536	28,223	288,759	517,512	—	1,012,030
Liabilities	10,122,355	18,955,601	3,114,851	2,173,377	1,280,959	35,647,143
Liabilities evidenced by certificates	5,809	179,985	854,462	125,452	—	1,165,708
Liabilities to credit institutions	4,425,135	722,035	371,029	864,704	18,506	6,401,409
Liabilities to customers	5,353,374	17,691,176	1,700,106	936,695	29,518	25,710,869
Finance lease liabilities	1,125	3,378	14,059	13,871	—	32,433
Other liabilities	336,912	359,027	175,195	232,655	1,232,935	2,336,724
Negative market values from hedges	60,972	10,705	190,054	347,020	—	608,751
Subordinated capital	16,790	3,000	94,489	458,683	43,536	616,498

Breakdown of remaining maturity in 2013
Assets

	3 months or sooner	3 months to 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
in € thousands	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013
Financial assets at fair value through profit or loss	161,073	74,632	522,319	645,330	—	1,403,354
Designated as financial assets at fair value through profit or loss	26,479	43,155	252,496	274,256	—	596,386
Financial assets held for trading	134,594	31,477	269,823	371,074	—	806,968
Financial assets available for sale	665,696	533,307	4,466,734	12,025,967	269,097	17,960,801
Receivables	3,663,917	2,844,170	11,068,223	24,968,470	3,685,553	46,230,333
Building loans	1,103,395	2,156,399	7,791,612	11,785,793	3,288,993	26,126,192
First-rate receivables from institutional investors	516,622	450,170	3,127,713	13,000,657	—	17,095,162
Senior fixed-income securities	207,174	24,623	14,669	85,832	—	332,298
Subordinated securities and receivables	3,557	1,998	39,240	31,700	12,000	88,495
Other receivables	1,833,169	210,980	94,989	64,488	384,560	2,588,186
Risk provision	– 19,316	– 26,201	– 45,800	– 65,327	– 47,177	– 203,821
Positive market values from hedges	1,205	221	13,140	12,170	—	26,736

Breakdown of remaining maturity in 2013
Liabilities

	3 months or sooner	3 months to 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
in € thousands	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013
Financial liabilities at fair value through profit or loss	114,502	23,400	253,337	359,581	—	750,820
Liabilities	26,485,993	1,672,564	3,864,560	2,370,529	1,546,023	35,939,669
Liabilities evidenced by certificates	28,505	237,281	811,726	189,345	—	1,266,857
Liabilities to credit institutions	3,666,775	365,370	1,092,450	869,270	17,353	6,011,218
Liabilities to customers	22,479,243	663,766	1,777,526	1,064,034	268,374	26,252,943
Finance lease liabilities	982	2,951	15,098	17,335	—	36,366
Other liabilities	310,488	403,196	167,760	230,545	1,260,296	2,372,285
Negative market values from hedges	53,220	1,139	131,896	130,123	—	316,378
Subordinated capital	12,367	—	148,702	267,314	—	428,383

The following overview depicts the contractually agreed future gross distributions at the earliest possible date for the financial instruments in the portfolio as at the reporting date. For the liability items resulting from insurance contracts, the expected maturity structure is shown:

Contractually agreed cash flows in 2014

	3 months or sooner	3 months to 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Later than 20 years	Total
in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Derivative financial instruments	128,016	204,644	833,108	465,634	102,699	20,609	13,597	1,768,307
Derivative financial liabilities at fair value through profit or loss	106,081	123,113	516,832	306,706	65,661	11,286	13,063	1,142,742
Negative market values from hedges	21,935	81,531	316,276	158,928	37,038	9,323	534	625,565
Liabilities	10,450,563	18,756,016	3,251,316	1,757,840	215,704	61,228	—	34,492,667
Liabilities evidenced by certificates	4,099	188,239	884,753	131,183	—	—	—	1,208,274
Liabilities to credit institutions	4,775,073	731,126	392,919	871,427	—	—	—	6,770,545
Liabilities to customers	5,377,084	17,757,507	1,957,003	736,908	213,073	55,917	—	26,097,492
Deposits from home loan savings business and other savings deposits	767,044	17,319,810	407,700	114,136	—	—	—	18,608,690

Other deposits	4,431,954	414,898	1,549,303	622,772	213,073	55,917	—	7,287,917
Savings deposits with agreed termination period	178,086	—	—	—	—	—	—	178,086
Down payments received	—	22,799	—	—	—	—	—	22,799
Finance lease liabilities	1,156	3,469	14,970	13,155	2,631	—	—	35,381
Other liabilities	293,151	75,675	1,671	5,167	—	5,311	—	380,975
Subordinated capital	617	34,723	201,723	237,880	157,335	59,446	463,213	1,154,937
Profit-sharing certificates	—	—	6,524	25,276	7,732	—	—	39,532
Subordinated liabilities	617	34,723	195,199	212,604	149,603	59,446	463,213	1,115,405
Irrevocable loan commitments	715,207	116,897	77,088	—	—	—	—	909,192
Financial guarantees	9,930	24,161	—	—	—	—	—	34,091
TOTAL	11,304,333	19,136,441	4,363,235	2,461,354	475,738	141,283	476,810	38,359,194

PROSPECTIVE MATURITY OF AMOUNTS RECOGNISED IN THE BALANCE SHEET IN 2014

	3 MONTHS OR SOONER	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	10 TO 15 YEARS	15 TO 20 YEARS	LATER THAN 20 YEARS	TOTAL
in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Liabilities from reinsurance business	10,533	10,500	—	—	—	—	—	21,033
Liabilities to customers from direct insurance business	113,566	197,958	171,501	106,652	57,884	31,210	33,175	711,946
Technical provisions	1,098,740	2,803,027	9,504,238	6,389,895	3,818,077	2,278,601	3,729,697	29,622,275
Premium reserve in the area of life insurance	539,936	2,188,298	8,527,233	5,918,662	3,479,091	1,970,241	3,077,967	25,701,428
Provision for outstanding insurance claims	502,160	537,424	696,970	269,282	168,870	148,534	169,521	2,492,761
Provision for unit-linked life insurance contracts	24,881	75,439	280,035	201,951	170,116	159,826	482,209	1,394,457
Other technical provisions	31,763	1,866	—	—	—	—	—	33,629
TOTAL	1,222,839	3,011,485	9,675,739	6,496,547	3,875,961	2,309,811	3,762,872	30,355,254

CONTRACTUALLY AGREED CASH FLOWS IN 2013

in € thousands	3 MONTHS OR SOONER 31.12.2013	3 MONTHS TO 1 YEAR 31.12.2013	1 TO 5 YEARS 31.12.2013	5 TO 10 YEARS 31.12.2013	10 TO 15 YEARS 31.12.2013	15 TO 20 YEARS 31.12.2013	LATER THAN 20 YEARS 31.12.2013	TOTAL 31.12.2013
Derivative financial instruments	425,230[1]	636,256[1]	592,239[1]	207,398[1]	25,122[1]	8,954[1]	29,809[1]	1,925,008[1]
Derivative financial liabilities at fair value through profit or loss	383,138[1]	594,130[1]	287,298[1]	88,039[1]	11,697[1]	—[1]	22,643[1]	1,386,945[1]
Negative market values from hedges	42,092	42,126	304,941	119,359	13,425	8,954	7,166	538,063
Liabilities	26,658,638	1,485,887	4,149,076	1,852,492	390,596	91,044	21,104	34,648,837
Liabilities evidenced by certificates	25,836	248,804	854,357	182,309	10,526	—	—	1,321,832
Liabilities to credit institutions	3,666,956	381,563	1,135,495	875,240	—	—	—	6,059,254
Liabilities to customers	22,635,185	797,648	2,139,296	774,694	374,809	88,645	21,104	26,831,381
Deposits from home loan savings business and other savings deposits	18,056,538	107,011	348,299	31,297	—	—	—	18,543,145
Other deposits	4,355,359	680,907	1,777,913	743,397	374,809	88,645	21,104	8,042,134
Savings deposits with agreed termination period	223,288	—	—	—	—	—	—	223,288
Down payments received	—	9,730	13,084	—	—	—	—	22,814
Finance lease liabilities	1,156	3,469	16,964	13,155	5,261	—	—	40,005
Other liabilities	329,505	54,403	2,964	7,094	—	2,399	—	396,365
Subordinated capital	4,748	18,120	216,928	198,567	119,182	—	—	557,545
Profit-sharing certificates	3,860	—	42,660	26,389	8,250	—	—	81,159
Subordinated liabilities	888	18,120	174,268	172,178	110,932	—	—	476,386
Irrevocable loan commitments	790,319	179,649	167,839	442	—	—	—	1,138,249
Financial guarantees	4,106	10,169	1,291	—	—	—	—	15,566
TOTAL	27,883,041	2,330,081	5,127,373	2,258,899	534,900	99,998	50,913	38,285,205

1 Previous year's figure adjusted. Pursuant to IFRS 7.39(b), cash flows for derivative financial liabilities are to be disclosed. In the previous year additional cash flows were contained for derivative financial assets.

Prospective maturity of amounts recognised in the balance sheet in 2013

in € thousands	3 months or sooner	3 months to 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	Later than 20 years	Total
	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013
Liabilities from reinsurance business	571	6,046	—	—	—	—	—	6,617
Liabilities to customers from direct insurance business	25,117	301,792	163,437	98,543	55,726	30,378	42,234	717,227
Technical provisions	1,140,370	2,801,214	9,502,893	6,378,871	3,675,885	2,089,119	3,511,291	29,099,643
Premium reserve in the area of life insurance	542,482	2,147,808	8,437,886	5,863,217	3,356,984	1,841,677	3,190,051	25,380,105
Provision for outstanding insurance claims	532,028	542,685	665,758	258,037	162,787	142,282	159,010	2,462,587
Provision for unit-linked life insurance contracts	37,119	108,896	399,249	257,617	156,114	105,160	162,230	1,226,385
Other technical provisions	28,741	1,825	—	—	—	—	—	30,566
Total	1,166,058	3,109,052	9,666,330	6,477,414	3,731,611	2,119,497	3,553,525	29,823,487

For further information about the management of liquidity risks in the W&W Group, please see the risk reporting in the Management Report.

Capital management

As the holding company, Wüstenrot & Württembergische AG manages the capital resources of the W&W Group. On the one hand, it collects dividends and transfers of profit or loss; on the other hand, it carries out capital measures, such as capital increases and decreases, and makes loans to Group companies.

The main objectives of capital management are an efficient allocation of and an adequate return on IFRS equity. In order to ensure this, claims to income or loss are derived for the individual subsidiaries based on a minimum return on the respective IFRS equity.

As at 31 December 2014, the equity of the W&W Group according to IFRS amounted to € 3,674.2 million (previous year: € 3,253.0 million). The changes in the individual equity components are depicted in Note 26 "Equity".

Other objectives of capital management are, on the one hand, ensuring risk-bearing capacity on the basis of the internal risk-bearing capacity model of the W&W Group and, on the other hand, meeting the minimum regulatory capital requirements set forth in, among other things, the provisions of the EU Capital Requirements Regulation (CRR), the German Banking Act (KWG), the German Insurance Supervision Act (VAG) and the German Supervision of Financial Conglomerates Act (FKAG).

Another capital requirement is that the W&W Group as a whole, as well as the individual subsidiaries, maintain sufficient capital to enable a financial rating of at least "A". In connection with efficient capital management, the W&W Group moreover deploys subordinated capital in order to satisfy supervisory requirements concerning solvency.

We provide further remarks about our capital management and its objectives in the risk report in the Management Report.

(54) SUPERVISORY SOLVENCY

The W&W Group's insurance companies and credit and financial services institutions are subject at the level of the individual company to supervision by the German Federal Financial Supervisory Authority (BaFin) and Deutsche Bundesbank pursuant to the CRR, the KWG and the VAG, as well as to the respective rules applicable in the country of registration of the W&W Group's supervised foreign companies. This supervision results in requirements concerning the capital resources of these companies.

Wüstenrot & Württembergische AG ensures that all supervised subsidiaries maintain at a minimum the capital resources that they require in order to satisfy regulatory requirements. In this respect, in accordance with supervisory laws, equity, subordinated capital and profit participation rights form the basis for such capital management.

In the case of Wüstenrot Bank AG Pfandbriefbank and Wüstenrot Bausparkasse AG, subordinated liabilities and profit participation rights are allocated to regulatory capital pursuant to Regulation (EU) No. 575/2013.
In the case of Württembergische Versicherung AG and Württembergische Lebensversicherung AG, subordinated liabilities are allocated to regulatory capital pursuant to Section 53c, para. 3, no. 3b VAG.

In both the reporting year and the previous year, all W&W Group companies that are subject to supervision satisfied the regulatory capital requirements.

The following table shows the regulatory capital ratios for the main companies:

	Available capital pursuant to the VAG/CRR		Solvency requirements pursuant to the VAG/CRR		Ratio in %	
in € millions	2014	2013	2014	2013	2014	2013
Wüstenrot & Württembergische AG[1]	1,849.7	1,812.8	40.2	40.2	4,598.9	4,507.3
Wüstenrot Bausparkasse AG[2]	798.0	831.0	5,975.9	7,411.5	13.4	11.2
Wüstenrot Bank AG Pfandbriefbank[2]	493.9	560.0	3,785.1	4,811.8	13.0	11.6
Württembergische Versicherung AG[1]	325.7	325.7	208.0	208.0	156.6	156.6
Württembergische Lebensversicherung AG[1]	1,744.6	1,576.3	1,124.4	1,104.5	155.2	142.7
Württembergische Krankenversicherung AG[1]	25.7	22.7	13.4	12.6	191.5	180.6

1 Minimum requirement of 100%.
2 Minimum requirement of 8%.

In addition to supervision at the level of the individual company, W&W Group companies are also subject to banking and insurance supervision at the consolidated level. For instance, Wüstenrot & Württembergische AG and its subordinated companies form a mixed financial holding group, and the insurance companies form an insurance group. In addition, BaFin has classified the W&W Group as a financial conglomerate.

With entry into force on 4 July 2013 of the German Act on the Implementation of the EU Financial Conglomerate Directive, a mixed financial holding group came about within the W&W Group. Effective 31 December 2013, Wüstenrot & Württembergische AG has been defined by BaFin as the superordinate undertaking of the mixed financial holding group. Pursuant to Section 10a, para. 2, sentence 4 of the German Banking Act (KWG), Wüstenrot & Württembergische AG is responsible in this capacity for all Group-related duties, including for ensuring suitable capital resources. As at 31 December 2014, the overall capital ratio of the mixed financial holding group was 16.5% (previous year: 13.7%) and thus satisfied the mandated regulatory minimum capital ratio of 8.0%.

The W&W Group insurance companies form an insurance group. In the 2013 financial year, the insurance group had a coverage ratio of 234.3%, thus satisfying the regulatory minimum capital requirements of 100%. As at the reporting date of 31 December 2014, the provisional coverage ratio for the insurance group, including all material investments, was 235.2%.

Within the financial conglomerate, BaFin defined Wüstenrot & Württembergische AG as the superordinate undertaking. Therefore, Wüstenrot & Württembergische AG must ensure satisfaction of the regulatory requirements for financial conglomerates under, among other things, the German Supervision of Financial Conglomerates Act (FKAG) and the German Financial Conglomerates Solvency Regulation (FkSolV). These requirements include, among other things, that the W&W Group financial conglomerate maintains sufficient capital resources to satisfy minimum regulatory requirements at all times. In the 2013 financial year, the W&W Group financial conglomerate had a coverage ratio of 141.1%, thus satisfying the regulatory minimum capital requirements of 100%. As at the reporting date of 31 December 2014, the provisional coverage ratio for the financial conglomerate, including all material investments, was 148.6%.

Internally, the W&W Group has set target solvency ratios for the large subsidiaries and at the level of the groups and the financial conglomerate that are considerably in excess of current statutory requirements in order to ensure the continued high stability of the Group and of the individual companies. Internal calculations on the basis of the preliminary data for 2014 and on the basis of the extrapolation and planning for 2015 and 2016 show that the minimum supervisory requirements concerning capital resources can be satisfied in the financial conglomerate, in the mixed financial holding group and in the insurance group.

(55) RISK-BEARING CAPACITY MODEL

Please see our depiction in the risk report in the Management Report.

(56) EXTERNAL RATING

The W&W Group strives to achieve a financial rating of at least "A". Therefore, the capital management objective of Wüstenrot & Württembergische AG is to furnish the Group as a whole and the individual subsidiaries with the equity necessary to accomplish this. Please see the Management Report with respect to the current ratings of the W&W Group.

Other disclosures

(57) LEASING

During the 2014 reporting year and during the previous year, business was conducted in the area of finance leasing as lessee and in the area of operating leasing as lessee and lessor.

2014

	UP TO 1 YEAR	1 TO 5 YEARS	LONGER THAN 5 YEARS	TOTAL
in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Finance leasing – lessee				
Minimum lease payments	4,625	14,970	15,786	35,381
Interest effects	98	935	1,915	2,948
Present value of minimum lease payments	4,527	14,035	13,871	32,433
Operating leasing – lessor				
Minimum lease payments	98,303	300,138	283,485	681,926
Operating leasing – lessee				
Minimum lease payments	23,750	12,736	1,375	37,861

2013

	Up to 1 year	1 to 5 years	Longer than 5 years	Total
in € thousands	31.12.2013	31.12.2013	31.12.2013	31.12.2013
Finance leasing – lessee				
Minimum lease payments	4,625	16,964	18,416	40,005
Interest effects	98	1,867	2,354	3,639
Present value of minimum lease payments	4,527	15,777	16,062	36,366
Operating leasing – lessor				
Minimum lease payments	79,759	243,544	208,254	531,557
Operating leasing – lessee				
Minimum lease payments	17,302	20,304	2,961	40,567

As at 31 December 2014, two properties for own use in particular were recognised as finance leases.

The property for own use located at Friedrich-Scholl-Platz 1 in Karlsruhe was sold in 2011 and then leased back for continued own use (so-called sale and leaseback transaction). This transaction was classified as a finance lease based on the lease being at arm's length. The lease has a term of 15 years and cannot be terminated. Also agreed upon was a one-off lease renewal option for a fixed term of five years. If the lessee intends to exercise the option, it must give the lessor notice thereof 16 months prior to expiry of the lease term. Moreover, the lease contains a general prospective price adjustment clause, which is based on how the consumer price index changes. In addition, neither a repurchase option nor contingent lease payments or restrictions were agreed to.

The second property for own use, which is located at Gutenbergstraße 16a in Stuttgart, was also classified as a finance lease based on the lease being at arm's length. The lease has a term of 7.5 years and cannot be terminated. Also agreed to was a price adjustment clause, which is based on a contractually stipulated rate of increase. There is no repurchase option.

In the 2013 financial year, the property located at Rotebühlplatz 20 in Stuttgart was sold and then leased back in part for own use. A price adjustment clause was agreed to, which is based on how the consumer price index changes. This transaction was classified as an operating lease. The lease has a term of 7.5 years and cannot be terminated. In addition, neither a repurchase option nor contingent lease payments or restrictions were agreed to.

Operating leasing as lessor is conducted for investment property. Many of the leases entered into have open-ended terms. Some, however, have fixed terms. With regard to commercial properties, price adjustment clauses are regularly agreed to, which are based on the consumer price index. With regard to residential properties, such agreements have been entered into for properties that have been acquired since 2012 and for those that have undergone high-quality renovations.

Operating leasing conducted for property for own use, like mainframe computers, mainframe hardware and software, printers and vehicles as a lessee. The leases normally have terms of up to 10 years. Renewal options exist with some properties for own use. Price adjustment clauses are likewise agreed to, which are based on the consumer price index. There are often no purchase options.

During the financial year, minimum lease payments of € 18.8 million (previous year: € 18.2 million) were recognised as an expense as lessee under operating leases. In the area of finance leasing and operating leasing, no payments were made under subleasing relationships in either the 2014 financial year or the previous year. For these transactions, there were also no restrictions imposed under the leasing agreement.

(58) Contingent liabilities and other liabilities

Contingent liabilities

in € thousands	31.12.2014	31.12.2013
Contingent liabilities	701,306	638,062
from deposit protection funds	346,054	314,139
from sureties and warranties	3,249	6,552
from capital contributions calls not yet made	351,335	317,128
Other contingent liabilities	668	243
Other liabilities	943,283	1,153,814
Irrevocable loan commitments	909,192	1,138,249
Financial guarantees	34,091	15,565
Total	1,644,589	1,791,876

As at 31 December 2014, capital contribution calls not yet made as relate to investments in the W&W Group amounted to € 351.3 million (previous year: € 317.1 million).

Irrevocable loan commitments consist of remaining obligations under loans and credit lines that have been granted but not yet drawn down or fully drawn down. A risk of changes in interest rates is low with irrevocable loan commitments due to their short terms.

Wüstenrot Bank AG Pfandbriefbank and Wüstenrot Bausparkasse AG are members of Entschädigungseinrichtung deutscher Banken GmbH, which is a company that operates the compensation scheme established by the Association of German Banks. In addition, Wüstenrot Bank AG Pfandbriefbank is a member of Einlagensicherungsfonds des Bundesverbandes Deutscher Banken e.V., which is an association that operates the deposit protection fund established by the Association of German Banks. Furthermore, Wüstenrot Bausparkasse AG is a member of Bausparkassen-Einlagensicherungsfonds e.V., which is an association that operates the deposit protection fund established by the Association of Private Home Loan and Savings Banks. As a result of participation in the compensation scheme and the deposit protection funds, member institutions are obligated to provide additional funding when necessary.

W&W AG has submitted a declaration to the Association of German Banks, pursuant to which it undertakes to indemnify the latter against all losses incurred through measures taken by the deposit protection fund for the benefit of Wüstenrot Bank AG Pfandbriefbank.

As at 31 December 2014, no placement or underwriting obligations had been drawn down, as was the case in the previous year.

As a result of membership in Verkehrsopferhilfe e.V., which is an association that assists road accident victims through a guarantee fund established by German motor liability insurers, the W&W Group is obligated to provide this association with the resources necessary for carrying out its purpose. The amount that it is required to pay in each year is determined by its share of the premium revenue that member companies earned from direct insurance in the calendar year before last.

Pursuant to Sections 124 et seq. of the German Insurance Supervision Act (VAG), German life insurers are required to be members of a protection fund. Pursuant to Section 124, para. 2 VAG, ARA Pensionskasse AG joined the protection fund for life insurers as a voluntary member. Based on the German Protection Fund Financing Regulation (Life), the protection fund for life insurers levies annual contributions of not more than 0.02% of total net technical provisions until a protection fund of 0.1% of total net technical provisions has been built up. The Group is not subject to any future obligations from this.

In addition, the protection fund can levy special contributions equal to an additional 0.1% of total net technical provisions. This corresponds to an obligation of € 34.5 million (previous year: € 31.3 million).

Following the underwriting of insurance contracts, the protection fund for health insurers can levy special contributions of not more than 0.2% of total net technical provisions in order to fulfil its duties. This results in a payment obligation of € 1.1 million (previous year: € 0.9 million).

In addition, the W&W Group's life insurers and pension funds have undertaken to provide the protection fund or, alternatively, Protektor Lebensversicherungs AG with financial resources in the event that the resources of the protection fund are insufficient in the case of a reorganisation. The obligation amounts to 1% of total net technical provisions, with netting of the contributions that have previously been made to the protection fund to date. Including the above-mentioned payment obligation of 1%, the total obligation as at the reporting date amounts to € 310.5 million (previous year: € 281.9 million).

Württembergische Lebensversicherung AG has subsidiary liability for the pension obligations of Pensionskasse der Württembergischen VVaG, insofar as they are entered into for employees of Württembergische Lebensversicherung AG.

Waiver of recourse and indemnity declaration

Pursuant to an existing waiver of recourse and indemnification agreement, in the event that the company is sued as a result of an agent having provided faulty advice in connection with the brokering of an insurance product that the company sells, the company has agreed to waive potential recourse claims against the agent, unless the agent acted wilfully and the damage is covered by liability insurance. With respect to the agent's own liability in connection with the brokering of insurance or financial services products offered by an insurance company of the W&W Group, by a collaboration partner of one of these insurance companies or in the course of further advice for one of these companies or collaboration partners, the company has also agreed to provide an indemnity in the event faulty advice was provided. The minimum insurance cover is limited to € 200 thousand per claim and a total of € 300 thousand per year and, for damages in connection with faulty advice provided in insurance brokering, to € 1,000 thousand per claim and € 1,500 thousand per year.

(59) Related party disclosures

Group parent company

The parent company of Wüstenrot & Württembergische AG is Wüstenrot Holding AG, Ludwigsburg, which is wholly owned by the non-profit Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e.V., Ludwigsburg.

Transactions with related persons

Natural persons considered to be related parties pursuant to IAS 24 are members of the key management personnel (the Management Board and Supervisory Board of W&W AG), the members of the Management Board and Supervisory Board of the parent company, and their close family members.

Transactions with related persons of W&W AG were carried out in connection with the normal business activity of Group companies. This mainly had to do with business relationships in the areas of home loan and savings business, banking business, and life, health and property insurance.

All transactions were at arm's length and took place at preferential terms customary in the industry,

As at 31 December 2014, receivables from related persons amount to € 367.8 thousand (previous year: € 379.3 thousand), and liabilities to related persons amount to € 2,559.0 thousand (previous year: € 1,784.3 thousand). In 2014 the interest income from related persons that results from granted loans amounts to € 3.0 thousand (previous year: € 15.5 thousand), and the interest expenses for savings deposits from related persons amount to € 11.2 thousand (previous year: € 16.0 thousand). In 2014 premiums in the amount of € 46.0 thousand (previous year: € 147.7 thousand) were paid by related persons for insurance policies in the areas of life, health and property insurance.

Transactions with related companies

Wüstenrot Holding AG

Wüstenrot Holding AG as parent company and W&W AG are parties to a brand name transfer and use agreement. As at 31 December 2014, a financial liability is owed to Wüstenrot Holding AG under this agreement in the amount of € 23.7 million (previous year: € 25.1 million). W&W AG makes fixed annual amortisation payments (principal and interest) to Wüstenrot Holding AG in the amount of € 2.5 million, plus value-added tax. In addition, business relations between the W&W Group and Wüstenrot Holding AG are essentially limited to making use of the banking services of Wüstenrot Bank AG Pfandbriefbank and services in the areas of IT and other services. The transactions were at arm's length.

Sister companies

Business relations with W&W AG sister companies are limited to making use of the banking services of Wüstenrot Bank AG Pfandbriefbank. The transactions were at arm's length.

Unconsolidated subsidiaries of W&W AG and other related companies

The W&W Group is a party to various services agreements with unconsolidated W&W AG subsidiaries and other related W&W AG companies. In addition, unconsolidated W&W AG subsidiaries and other related W&W AG companies made use of banking services. Pensionskasse der Württembergischen VVaG is recognised under other related companies as the post-employment benefit plan for the benefit of employees. The transactions were at arm's length.
As at the reporting date, the open balances from transactions with related companies are as follows:

in € thousands	31.12.2014	31.12.2013
Unconsolidated subsidiaries	259	202
Other related companies	24,953	24,893
Receivables from customers	25,212	25,095
Wüstenrot Holding AG	56	79
Sister companies	247	10
Unconsolidated subsidiaries	37,162	36,345
Other related companies	18	66
Other receivables	37,483	36,500
Receivables from related companies	62,695	61,595
Wüstenrot Holding AG	6,999	9,214
Unconsolidated subsidiaries	28,762	32,290
Other related companies	17,034	20,722
Liabilities to customers	52,795	62,226
Wüstenrot Holding AG	23,764	25,140
Sister companies	692	—
Unconsolidated subsidiaries	18,649	19,880
Other related companies	2,067	12,980
Other liabilities	45,172	58,000
Liabilities to related companies	97,967	120,226

Income and expenses from transactions with related companies are as follows:

in € thousands	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Wüstenrot Holding AG	145	117
Unconsolidated subsidiaries	33,542	34,896
Associated companies	30	32
Other related companies	1,646	1,509
Income from transactions with related companies	35,363	36,554
Wüstenrot Holding AG	1,646	1,665
Unconsolidated subsidiaries	37,728	38,678
Other related companies	13,415	23,920
Expenses from transactions with related companies	52,789	64,263

(60) Remuneration Report

Individual Management Board remuneration

The basic principles of the remuneration system are presented in detail in the remuneration report of the Management Report. The following information comprises the disclosures pursuant to Section 314, para. 1, no. 6 of the German Commercial Code (HGB).

The total compensation was reviewed by the Supervisory Board and is in due relation to the duties and performance of the members of the Management Board and to the position of the Group.

In the reporting period, the total compensation for members of the Management Board for the exercise of their duties in the Group of Wüstenrot & Württembergische AG amounted to € 3,004.7 thousand (previous year: € 3,636.8 thousand) and was made up as follows:

Individual Management Board remuneration 2014

in € thousands	End of office	Non-performance-based compensation		Performance-based compensation (short-term)		Performance-based compensation (sustainable) From 2011	Performance-based compensation (sustainable) From 2010	Ancillary benefits		Total	
		2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Active members of the Executive Board											
Dr Alexander Erdland	1/2020	958.4	953.8	134.1	173.2	143.5	179.3	159.6	158.7	1,395.6	1,465.0
Dr Michael Gutjahr	8/2020	466.0	424.0	68.0	76.1	62.0	76.6	19.7	19.6	615.7	596.3
Dr Jan Martin Wicke	4/2014	194.7	584.0	24.3	106.6	88.3	99.7	42.0	128.3	349.3	918.6
Jens Wieland	6/2020	544.0	528.0	75.0	104.5	—	—	25.1	24.4	644.1	656.9
Total		2,163.1	2,489.8	301.4	460.4	293.8	355.6	246.4	331.0	3,004.7	3,636.8

Of the ancillary benefits, the remuneration for work as members of the Supervisory Board in the Group companies accounted for € 170.0 thousand (previous year: € 246.0 thousand).

As at the end of 2014, the performance-based sustainable compensation of a past financial year, namely of the financial year 2011, was earned, as the W&W Group had reported average IFRS earnings after taxes amounting to at least € 100 million per year and no loss in any of the three years from 2012 to 2014. This performance-based compensation is to be paid out in 2015.

In addition to the earned performance-based compensation in the above table, conditional claims to payment of the performance-based compensation of the financial years 2012 to 2014 were acquired (the part of the performance-based compensation not yet paid):

Multi-year variable remuneration (sustainability component)	Financial year 2012, payable in 2016	Financial year 2013, payable in 2017	Financial year 2014, payable in 2018	Total
in € thousands				
Dr Alexander Erdland	110.9	167.5	134.1	412.5
Dr Michael Gutjahr	49.7	73.9	68.0	191.6
Jens Wieland	25.9	77.6	57.6	161.1
Subtotal	186.5	319.0	259.7	765.2
Klaus Peter Frohmüller (until 12/2013)	75.9	113.5	—	189.4
Dr Jan Martin Wicke (until 4/2014)	68.4	103.1	24.3	195.8
Total	330.8	535.6	284.0	1,150.4

Three financial years relevant to target achievement	2013	2014	2015	
	2014	2015	2016	
	2015	2016	2017	
Compensation earned upon end of financial year	2015	2016	2017	

The payment is made only if the aforesaid conditions occur/do not occur in the years 2015 to 2017. For 2014, the final amounts will be established only after confirmation of target achievement by the Supervisory Board.

For the performance-based compensation of the financial year 2013, which was paid out in 2014 after confirmation of the target achievement level, a reversal amounting to a total of € 17.5 thousand (previous year: expense of € 1.2 thousand) arose. The amount consists of reversals for Dr Erdland of € 5.7 thousand (previous year: € 0.6 thousand), for Mr Frohmüller of € 3.5 thousand (previous year: expense of € 0.2 thousand), for Dr Gutjahr of € 2.2 thousand (previous year: expense of € 0.5 thousand), for Dr Wicke of € 3.5 thousand (previous year: € 0.2 thousand) and for Mr Wieland of € 2.6 thousand (previous year: expense of €1.3 thousand).

In the financial year 2013, provisions for the acquired conditional claims for payment of the performance-based remuneration of the financial year 2013 in 2017 were recognised in the total amount of € 577.4 thousand (previous year: € 330.9 thousand). As Mr Wieland will receive his performance-based compensation at W&W Informatik GmbH after confirmation of the target achievement level in the following year in the full amount and thus no conditional claims will arise at this company, the provision recognised for the conditional claims is lower than for the short-term performance-based compensation. Therefore, a reversal amounting to € 17.6 thousand (previous year: € 0.1 thousand) arose after confirmation of the target achievement level.

Apart from this, the Group companies did not grant or pay any other unpaid compensation, compensation converted to other types of claims, compensation used to increase other claims or other compensation not specified in any previous annual financial statements.

Based on the retirement age 61, the present value of the pensions attributable to the Group amounts to a total of € 7,652.1 thousand (previous year: € 5,451.5 thousand). Of this amount, Dr Erdland accounts for € 3,447.6 thousand (previous year: € 2,763.4 thousand) and Dr Gutjahr for € 3,361.9 thousand (previous year: € 2,119.7 thousand). Based on the retirement age 65, Dr Wicke accounts for € 623.5 thousand (previous year: € 477.3 thousand) and Mr Wieland for € 219.1 thousand (previous year: € 91.1 thousand). These benefits are long-term benefits that are granted after the termination of the employment. The additions attributable to the Group during the financial year total € 2,200.6 thousand (previous year: € 454.6 thousand). Of this amount, additions for Dr Erdland account for € 684.2 thousand (previous year: reversal of € 174.7 thousand), for Dr Gutjahr for € 1,242.2 thousand (previous year: € 146.0 thousand), for Dr Wicke for € 146.3 thousand (previous year: expense of € 77.6 thousand) and for Mr Wieland for € 128.0 thousand (previous year: € 56.4 thousand).

Netting the claims against the previous employer, the pension of Dr Erdland amounts to € 128.5 thousand (previous year: € 128.5 thousand). The pension of Dr Gutjahr amounts to € 122.6 thousand (previous year: € 105.5 thousand), netting occupational pension benefits against third parties against the pension.

Dr Gutjahr will be granted a transitional allowance if the employment contract is not extended by the company beyond the assured service period without a good cause that would have entitled the company to terminate the employment with immediate effect. In this case, his income from independent and non-independent activities until the age of 61 will benetted if, together with the transitional allowance, it exceeds the income last received from the company. If the employment ends after the expiry of the first office term of Mr Wieland and prior to the age of 61, Mr Wieland shall receive a transitional allowance, unless Mr Wieland rejects the extension of the employment contract against the same compensation or compensation that is more favourable for him or the non-extension is the result of an important reason within the meaning of Section 626 of the German Civil Code (BGB) for which Mr Wieland is responsible.

The share of Dr Gutjahr's annual transitional allowance that is attributable to the Group amounts to € 122.6 thousand (previous year: €105.5 thousand). Mr Wieland's transitional allowance amounts to € 100.0 thousand (previous year: € 100.0 thousand), payable from the termination of the employment contract until Mr Wieland reaches the age of 61, at the most however until the end of the month from which Mr Wieland receives benefits from the statutory pension fund or occupational pension benefits from the company for the first time. Any income that Mr Wieland earns from a new activity shall benetted against his claim to payment of the transitional allowance. However, the netting shall take place only if and to the extent that the other income exceeds an amount of € 165.0 thousand (previous year: € 165.0 thousand).

Past service cost was not incurred. No benefits were promised or granted in the financial year ended or in the previous year by a third party to a member of the Management Board for his work.

The company did not grant any loans to members of the Executive Board. Liability relationships in favour of the members of the Management Board were not entered into.

In the financial year ended, the total compensation of former members of the Management Board amounted to € 1,677.8 thousand (previous year: € 1,714.8 thousand). Of this amount, survivor's pensions accounted for € 309.0 thousand (previous year: € 422.8 thousand).

Provisions of € 22,202.5 thousand (previous year: € 19,716.9 thousand) were recognised for pension obligations towards previous members of the Management Board and survivors.

Further encumbrances of the W&W Group from benefits payable to former members of the Executive Board, members of the Supervisory Board and their survivors in the form of severance, pension, survivor's pension or similar benefits did not exist in the financial year.

The following table "Benefits granted" presents the contractually granted benefits including ancillary benefits including the minimum and maximum remuneration that can be achieved for variable remuneration components for the reporting period 2014 in accordance with the requirements of Section 4.2.5 of the German Corporate Governance Code of May 2013. The table "Inflow in/for the reporting period" shows the fixed remuneration as well as the short-term and long-term variable remuneration amounts earned in the financial year.

Benefits granted

	Dr Alexander Erdland				Dr Michael Gutjahr			
	Chairman of the Management Board Strategy, Communication, Audit, Compliance				Finance, Risk Management, HR			
			Minimum	Maximum			Minimum	Maximum
in € thousands	2013	2014	2014	2014	2013	2014	2014	2014
Fixed remuneration	953.8	958.4	958.4	958.4	424.0	466.0	466.0	466.0
Ancillary benefits[1]	158.7	159.6	159.6	159.6	19.6	19.7	19.7	19.7
Total	1,112.5	1,118.0	1,118.0	1,118.0	443.6	485.7	485.7	485.7
One-year variable remuneration	118.7	118.7	—	166.2	53.0	60.0	—	84.0
Multi-year variable compensation	118.7	118.7	—	166.2	53.0	60.0	—	84.0
Financial year 2013: Average IFRS earnings after taxes amounting to at least € 100 million/year (financial years 2014–2016)	118.7	n/a	n/a	n/a	53.0	n/a	n/a	n/a
Financial year 2014: Average IFRS earnings after taxes amounting to at least € 100 million/year (financial years 2015–2017)	n/a	118.7	—	166.2	n/a	60.0	—	84.0
Total	1,349.9	1,355.4	1,118.0	1,450.4	549.6	605.7	485.7	653.7
Pension expenses (= service cost according to IAS 19)	—	—	—	—	78.7	81.0	81.0	81.0
Total remuneration (DCGK)	1,349.9	1,355.4	1,118.0	1,450.4	628.3	686.7	566.7	734.7

1 The ancillary benefits also contain the remuneration for work as Supervisory Board members in the Group companies.

Benefits granted

	Dr Jan Martin Wicke				Jens Wieland			
	Until 30 April 2014				IT, Operations			
			Minimum	Maximum			Minimum	Maximum
in € thousands	2013	2014	2014	2014	2013	2014	2014	2014
Fixed remuneration	584.0	194.7	194.7	194.7	528.0	544.0	544.0	544.0
Ancillary benefits[1]	128.3	42.0	42.0	42.0	24.4	25.1	25.1	25.1
Total	712.3	236.7	236.7	236.7	552.4	569.1	569.1	569.1
One-year variable remuneration	73.0	24.3	—	34.0	77.0	66.0	—	92.4
Multi-year variable compensation	73.0	24.3	—	34.0	55.0	50.0	—	70.0
Financial year 2013: Average IFRS earnings after taxes amounting to at least € 100 million/year (financial years 2014–2016)	73.0	n/a	n/a	n/a	55.0	n/a	n/a	n/a
Financial year 2014: Average IFRS earnings after taxes amounting to at least € 100 million/year (financial years 2015–2017)	n/a	24.3	—	34.0	n/a	50.0	—	70.0
Total	858.3	285.3	236.7	304.7	684.4	685.1	569.1	731.5
Pension expenses (= service cost according to IAS 19)	72.7	24.4	24.4	24.4	58.8	56.8	56.8	56.8
Total remuneration (DCGK)	931.0	309.7	261.1	329.1	743.2	741.9	625.9	788.3

1 The ancillary benefits also contain the remuneration for work as Supervisory Board members in the Group companies.

Inflow in/for the reporting period

	Dr Alexander Erdland		Dr Michael Gutjahr	
	Chairman of the Management Board Strategy, Communication, Audit, Compliance		Finance, Risk Management, HR	
in € thousands	2014	2013	2014	2013
Fixed remuneration	958.4	953.8	466.0	424.0
Ancillary benefits[1]	159.6	158.7	19.7	19.6
Total	1,118.0	1,112.5	485.7	443.6
One-year variable remuneration	134.1	173.2	68.0	76.1
Multi-year variable compensation	143.5	179.3	62.0	76.6
Financial year 2010: Average IFRS earnings after taxes amounting to at least € 100 million/year (financial years 2011–2013)	n/a	179.3	n/a	76.6
Financial year 2011: Average IFRS earnings after taxes amounting to at least € 100 million/year (financial years 2012–2014)	143.5	n/a	62.0	n/a
Total remuneration (Section 314, para. 1, no. 6 of the German Commercial Code (HGB))	1,395.6	1,465.0	615.7	596.3
Pension expenses (= service cost according to IAS 19)	—	—	81.0	78.7
Total remuneration (DCGK)	1,395.6	1,465.0	696.7	675.0

1 The ancillary benefits also contain the remuneration for work as Supervisory Board members in the Group companies.

INFLOW IN/FOR THE REPORTING PERIOD

	Dr Jan Martin Wicke		Jens Wieland	
	Until 30 April 2014		IT, Operations	
in € thousands	2014	2013	2014	2013
Fixed remuneration	194.7	584.0	544.0	528.0
Ancillary benefits[1]	42.0	128.3	25.1	24.4
Total	236.7	712.3	569.1	552.4
One-year variable remuneration	24.3	106.6	75.0	104.5
Multi-year variable compensation	88.3	99.7	—	—
Financial year 2010: Average IFRS earnings after taxes amounting to at least € 100 million/year (financial years 2011–2013)	n/a	99.7	n/a	n/a
Financial year 2011: Average IFRS earnings after taxes amounting to at least € 100 million/year (financial years 2012–2014)	88.3	n/a	n/a	n/a
Total remuneration (Section 314, para. 1, no. 6 of the German Commercial Code (HGB))	349.3	918.6	644.1	656.9
Pension expenses (= service cost according to IAS 19)	24.4	72.7	56.8	58.8
Total remuneration (DCGK)	373.7	991.3	700.9	715.7

1 The ancillary benefits also contain the remuneration for work as Supervisory Board members in the Group companies.

Supervisory Board remuneration

The Supervisory Board remuneration is paid in the form of fixed remuneration whose amount is determined by the General Meeting. If the General Meeting does not determine any amount, the amount of the previous year applies. Increases are determined for the Chairperson, the Vice-Chairperson and for committee activities. Moreover, attendance fees are granted for participation in Supervisory Board meetings.

The basic remuneration payable after the end of the financial year amounts to € 25.0 thousand (previous year: € 25.0 thousand) per year. The committee remuneration amounts to € 8.0 thousand (previous year: € 8.0 thousand) per year for the Risk and Audit Committee as well as for the Personnel Committee and to € 4.0 thousand (previous year: € 4.0 thousand) per year for the Conciliation Committee and the Administration Committee. No committee remuneration is paid for the Nomination Committee. The attendance fee amounts to € 0.5 thousand (previous year: € 0.5 thousand) per Supervisory Board meeting. No attendance fees are granted for participation in committee meetings.

The basic remuneration and the committee remuneration was 150% higher for the Chairman and 75% higher for the Vice-Chairmen.

The total remuneration that the members of the Supervisory Board of Wüstenrot & Württembergische AG received for the financial year 2014 amounted to € 786.5 thousand (previous year: € 772.9 thousand). Of this amount, further Supervisory Board mandates in the Group account for € 106.7 thousand (previous year: € 105.6 thousand). Members of the Supervisory Board of Wüstenrot & Württembergische AG received pro rata remuneration of € 11.1 thousand (previous year: € 0.0 thousand) from the company for the financial year 2014.

The expenses and the VAT attributable to the Supervisory Board remuneration are additionally refunded to the members of the Supervisory Board on request. However, they are not included in the said expenses.

Advances and loans to members of the Supervisory Board of Wüstenrot & Württembergische AG existed in the amount of € 321.3 thousand (previous year: € 326.8 thousand). The loans were granted by Group companies. The interest rates range from 2.0% to 7.9%. Loans amounting to € 92.3 thousand (previous year: € 16.8 thousand) were repaid by the members of the Supervisory Board. Liability relationships in favour of these persons were not entered into.

Options or other types of share-based remuneration for members of the Supervisory Board do not exist in the W&W Group. No provisions for current pensions or entitlements had to be recognised for members of the Supervisory Board or their survivors.

The company did not pay the members of the Supervisory Board any remuneration and did not grant any benefits for personally performed services such as consulting or brokerage services.

Individual Supervisory Board remuneration 2014

	Wüstenrot & Württembergische AG			Group	Total	
	Basic remuneration	Attendance fee	Committee remuneration			
in € thousands	2014	2014	2014	2014	2014	2013
Hans Dietmar Sauer (Chairman)	62.5	3.0	48.0	—	113.5	112.5
Frank Weber (Vice-Chairman)	43.8	3.0	12.0	16.0	74.8	73.8
Christian Brand	25.0	3.0	4.0	—	32.0	31.0
Peter Buschbeck	14.9	1.5	4.8	—	21.2	—
Wolfgang Dahlen	25.0	3.0	16.0	16.0	60.0	53.4
Thomas Eichelmann	25.0	1.5	15.1	—	41.6	34.5
Dr Rainer Hägele	25.0	3.0	12.0	—	40.0	39.0
Dr Reiner Hagemann	25.0	3.0	8.0	—	36.0	35.0
Ute Hobinka	25.0	3.0	12.0	3.0	43.0	41.5
Jochen Höpken	25.0	3.0	4.0	—	32.0	35.2
Uwe Ilzhöfer	25.0	2.5	8.0	26.0	61.5	61.0
Dr Wolfgang Knapp	25.0	2.0	4.0	—	31.0	31.0
Andreas Rothbauer	25.0	3.0	8.0	20.0	56.0	55.0
Ulrich Ruetz	25.0	2.0	12.1	—	39.1	51.0
Matthias Schell	25.0	3.0	4.0	—	32.0	31.0
Christoph Seeger	25.0	3.0	8.0	25.7	61.7	61.0
Subtotal	446.2	42.5	180.0	106.7	775.4	745.9
Gunter Ernst (formerly)	10.1	1.0	—	—	11.1	27.0
Total	456.3	43.5	180.0	106.7	786.5	772.9

Total remuneration for persons in key positions

The total remuneration for persons of Group management in key positions (Management Board and Supervisory Board of Wüstenrot & Württembergische AG) amounted to € 5,440.9 thousand (previous year: € 7,313.4 thousand). Of this amount, benefits due on a short-term basis account for € 4,750.7 thousand (previous year: € 6,145.0 thousand), benefits after the termination of employment for € 259.6 thousand (previous year: € 317.5 thousand), other benefits due on a long-term basis for € 430.6 thousand (previous year: € 721.6 thousand) and benefits due to the termination of employment for € 0.0 thousand (previous year: € 129.2 thousand).

(61) Number of employees

In terms of full-time equivalents, the number of employees of the W&W Group as at 31 December 2014 was 7,670 (previous year: 8,005). On the reporting date, the number of employees was 9,140 (previous year: 9,605).

The average headcount in the last 12 months was 9,325 (previous year: 9,680). This average is calculated as the arithmetic mean of the end-of-quarter headcounts as of the reporting date between 31 March 2014 and 31 December 2014 and of the corresponding prior-year period and is distributed over the individual segments as follows:

Number of employees by segment on annual average

	31.12.2014	31.12.2013
Home Loan and Savings Bank	2,760	2,963
Life and Health Insurance	968	1,060
Property/Casualty Insurance	3,936	4,049
All other segments	1,661	1,608
Total	9,325	9,680

(62) Auditor

The Supervisory Board of Wüstenrot & Württembergische AG commissioned KPMG AG Wirtschaftsprüfungsgesellschaft with the audit of the consolidated financial statements. For services of the audit firm, € 3,875 thousand (previous year: € 3,312 thousand) was spent for the financial year in the W&W Group. Of this amount, audit services accounted for € 2,643 thousand (previous year: €2,088 thousand), other assurance services for € 595 thousand (previous year: € 460 thousand), tax advisory services for € 37 thousand (previous year: €83 thousand) and other services for € 600 thousand (previous year: € 681 thousand).

(63) Events after the balance sheet date

After the publication of the decision of the management on 10 December 2014, W&W AG published a voluntary public partial takeover offer to the shareholders of Württembergische Lebensversicherung AG for the purchase of up to 1,398,227 shares (corresponds to up to 11.48% of the share capital of Württembergische Lebensversicherung AG) against payment of € 17.75 per share, which means a maximum volume of € 24.8 million. As of the preparation date, the acceptance deadline had not been reached. For further information, please refer to the section on events after the reporting date in the Management Report.

(64) Corporate Governance Code

The Executive and Supervisory Boards of our listed companies Wüstenrot & Württembergische AG, Stuttgart, Germany, and Württembergische Lebensversicherung AG, Stuttgart, Germany, made the Declaration of Conformity with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) and have made it permanently available to shareholders on the webpages of the W&W Group at www.ww-ag.com/corporate-governance.

(65) Group affiliation

The consolidated financial statements of Wüstenrot & Württembergische AG, Stuttgart, Germany, are subgroup financial statements that are included in the consolidated financial statements of Wüstenrot Holding AG, Ludwigsburg, Germany, which holds the majority of the interests in Wüstenrot & Württembergische AG, Stuttgart, Germany. The consolidated financial statements of Wüstenrot Holding AG, Ludwigsburg, Germany, and the subgroup financial statements of Wüstenrot & Württembergische AG, Stuttgart, Germany, are published in the electronic Federal Gazette.

Shareholding list according to Section 315a in conjunction with Section 313 (2) of the German Commercial Code (HGB)

The shareholding list of the W&W Group as at 31 December 2014 is presented below. The overview lists all companies in which more than 5% is held within the W&W Group:

Name and domicile of the company	Direct share in equity in %	Consolidation type[1]
Wüstenrot & Württembergische AG, Stuttgart		F
Affiliates		
Germany		
3B Boden-Bauten-Beteiligungs-GmbH, Ludwigsburg	100.00	F
Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart	100.00	F
Altmark Versicherungsmakler GmbH, Stuttgart	100.00	M
Altmark Versicherungsvermittlung GmbH, Stuttgart	100.00	M
Asendorfer Kippe ASK GmbH & Co. KG, Stuttgart	100.00	M
Berlin Leipziger Platz Grundbesitz GmbH, Stuttgart	100.00	M
Beteiligungs-GmbH der Württembergischen, Stuttgart	100.00	M
City Immobilien GmbH & Co. KG der Württembergischen, Stuttgart	100.00	F
City Immobilien II GmbH & Co. KG der Württembergischen, Stuttgart	100.00	F
Ganzer GmbH & Co. KG, Harrislee	100.00	M
Gerber GmbH & Co. KG, Stuttgart	100.00	F
Gestorf GmbH & Co. KG, Stuttgart	100.00	M
GMA Gesellschaft für Markt- und Absatzforschung mbH, Ludwigsburg	100.00	M
Hinterbliebenenfürsorge der Deutschen Beamtenbanken GmbH, Karlsruhe	100.00	M
IVB – Institut für Vorsorgeberatung Risiko- und Finanzanalyse GmbH, Karlsruhe	100.00	M
Karlsruher Lebensversicherung AG, Karlsruhe	82.76	F
Karlsruher Rendite Immobiliengesellschaft mbH i. L., Karlsruhe	100.00	M
KLV BAKO Dienstleistungs-GmbH, Karlsruhe	92.80	M
KLV BAKO Vermittlungs-GmbH, Karlsruhe	75.90	M

Name and domicile of the company	Direct share in equity in %	Consolidation type[1]
LP 1 Beteiligungs-GmbH & Co. KG, Stuttgart	100.00	M
Miethaus und Wohnheim GmbH i. L., Mannheim	100.00	M
Nord-Deutsche AG Versicherungs-Beteiligungsgesellschaft, Stuttgart	100.00	M
Schulenburg GmbH & Co. KG, Stuttgart	100.00	M
Stuttgarter Baugesellschaft von 1872 AG, Stuttgart	100.00	M
W&W Asset Management GmbH, Ludwigsburg	100.00	F
W&W Gesellschaft für Finanzbeteiligungen mbH, Stuttgart	100.00	F
W&W Informatik GmbH, Ludwigsburg	100.00	F
W&W Produktion GmbH, Berlin	100.00	F
W&W Service GmbH, Stuttgart	100.00	F
Windpark Golzow GmbH & Co. KG, Rheine	100.00	M
WL Erneuerbare Energien Verwaltungs GmbH, Stuttgart	100.00	M
WL Renewable Energy GmbH & Co. KG, Stuttgart	100.00	F
WL Sustainable Energy GmbH & Co. KG, Stuttgart	100.00	F
Wohnimmobilien GmbH & Co. KG der Württembergischen, Stuttgart	100.00	F
Württembergische Immobilien AG, Stuttgart	100.00	F
Württembergische KÖ 43 GmbH, Stuttgart	94.00	M
Württembergische Krankenversicherung AG, Stuttgart	100.00	F
Württembergische Lebensversicherung AG, Stuttgart	83.42	F
Württembergische Logistik I GmbH & Co. KG, Stuttgart	100.00	M
Württembergische Logistik II GmbH & Co. KG, Stuttgart	94.89	M
Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart	100.00	M
Württembergische Versicherung AG, Stuttgart	100.00	F
Württembergische Vertriebsservice GmbH für Makler und freie Vermittler, Stuttgart	100.00	M
Württembergische Verwaltungsgesellschaft mbH, Stuttgart	100.00	M
Württfeuer Beteiligungs-GmbH, Stuttgart	100.00	M
WürttLeben Alternative Investments GmbH, Stuttgart	100.00	F
WürttVers Alternative Investments GmbH, Stuttgart	100.00	F
Wüstenrot Bank AG Pfandbriefbank, Ludwigsburg	100.00	F
Wüstenrot Bausparkasse AG, Ludwigsburg	100.00	F
Wüstenrot Grundstücksverwertungs-GmbH, Ludwigsburg	100.00	M

Shareholding list (continued)

Name and domicile of the company	Direct share in equity in %	Consolidation type[1]
Wüstenrot Haus- und Städtebau GmbH, Ludwigsburg	100.00	F
Wüstenrot Immobilien GmbH, Ludwigsburg	100.00	M
Czech Republic		
WIT Services s.r.o., Prague	100.00	M
Wüstenrot hypoteční banka a.s., Prague	100.00	F
Wüstenrot pojišťovna a.s., Prague	100.00	F
Wüstenrot service s.r.o., Prague	100.00	M
Wüstenrot stavební spořitelna a.s., Prague	55.92	F
Wüstenrot životní pojišťovna a.s., Prague	100.00	F
France		
Württembergische France Immobiliere SARL, Strasbourg	100.00	M
Württembergische France Strasbourg SARL, Strasbourg	100.00	M
Ireland		
W&W Advisory Dublin Ltd., Dublin	100.00	F
W&W Asset Management Dublin Ltd., Dublin	100.00	F
W&W Europe Life Limited, Dublin	100.00	F
Structured companies (consolidation mandatory)		
Germany		
Credit Suisse-WV Immofonds, Frankfurt am Main	99.26	M
LBBW AM Emerging Markets Bonds-Fonds 1, Stuttgart	100.00	F
LBBW AM Emerging Markets Bonds-Fonds 2, Stuttgart	100.00	F
LBBW AM Emerging Markets Bonds-Fonds 3, Stuttgart	100.00	M
LBBW AM-130, Stuttgart	100.00	F
LBBW AM-15-Fonds, Stuttgart	100.00	F
LBBW AM-203, Stuttgart	100.00	F
LBBW AM-567, Stuttgart	100.00	F
LBBW AM-69, Stuttgart	100.00	F
LBBW AM-76, Stuttgart	100.00	F
LBBW AM-93, Stuttgart	100.00	F
LBBW AM-94, Stuttgart	100.00	F
LBBW AM-99, Stuttgart	100.00	M

Shareholding list (continued)

Name and domicile of the company	Direct share in equity in %	Consolidation type[1]
LBBW AM-AROS, Stuttgart	100.00	F
LBBW AM-Südinvest 160, Stuttgart	100.00	F
LBBW AM-WSV, Stuttgart	100.00	F
LBBW AM-WV Corp Bonds Fonds, Stuttgart	100.00	F
LBBW AM-WV P&F, Stuttgart	100.00	F
LBBW AM USD Corporate Bond Fonds 1, Stuttgart	100.00	F
LBBW AM Covered Call USA Fonds, Stuttgart	100.00	M
LBBW AM USD Corporate Bond Fonds 2, Stuttgart	100.00	M
LBBW AM USD Corporate Bond Fonds 3, Stuttgart	87.01	M
LBBW AM WWAG Corporate Bond Fonds, Stuttgart	100.00	M
LBBW AM-Suedinvest Hw Emb, Stuttgart	66.50	M
W+W Sachinvest, Stuttgart	93.55	M
Ireland		
W&W Euro Corporate Bond Fund A, Dublin	63.64	M
W&W Flexible Point and Figure, Dublin	100.00	M
W&W Flexible Premium, Dublin	100.00	F
W&W Flexible Premium Euro, Dublin	100.00	M
W&W Flexible Premium II, Dublin	100.00	F
W&W Global Strategies Asset-backed Securities Fund, Dublin	99.98	F
W&W Global Strategies European Equity Value, Dublin	100.00	F
W&W Global Strategies South East Asian Equity Fund, Dublin	99.59	F
W&W International Global Convertibles Fonds, Dublin	96.72	F
Associates		
Germany		
BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart	35.00	E
Eschborn Grundstücksgesellschaft mbH & Co. KG, Stuttgart	51.00	M
V-Bank AG, Munich	47.14	E
Slovakia		
Wüstenrot stavebná sporiteľňa a.s., Bratislava	40.00	E

1 Explanation of consolidation types:
F = Companies included in the consolidated financial statements by way of full consolidation.
E = Companies included in the consolidated financial statements according to the equity method.
M = Not included in the consolidated financial statements due to minor significance.

Shareholding list (continued)

Name and domicile of the company

	Direct share in equity in %
Other shareholdings[1] over 5% and up to 20%	
Germany	
Adveq Europe II GmbH, Frankfurt am Main	16.77
Adveq Technology III GmbH, Frankfurt am Main	18.84
Adveq Technology V GmbH, Frankfurt am Main	16.50
Auda Ventures GmbH & Co. Beteiligungs-KG, Munich	5.79
BPE2 Private Equity GmbH & Co. KG, Hamburg	10.00
Coller German Investors GmbH & Co. KG, Munich	10.00
Crown Premium Private Equity III GmbH & Co. KG, Munich	6.60
Deutscher Solarfonds "Stabilität 2010" GmbH & Co. KG, Frankfurt am Main	17.77
Domus Beteiligungsgesellschaft der Privaten Bausparkassen mbH, Berlin	19.82
EquiVest II GmbH & Co. Zweite Beteiligungs KG Nr. 1 für Vermögensanlagen, Munich	9.97
European Sustainable Power Fund Nr. 2 GmbH & Co. KG, Grünewald	12.10
GLL GmbH & Co. Messeturm Holding KG, Munich	5.97
High Tech Beteiligungen GmbH & Co. KG, Düsseldorf	6.60
HVH Immobilien GmbH & Co. New York KG, Munich	9.95
IVZ Immobilien Verwaltungs GmbH & Co. Finanzanlagen KG, Munich	10.00
IVZ Immobilien Verwaltungs GmbH & Co. Südeuropa KG, Munich	10.00
Kapitalbeteiligungsgesellschaft der Deutschen Versicherungswirtschaft AG i. L., Berlin	6.84
Odewald & Compagnie GmbH & Co. KG für Vermögensanlagen in Portfoliounternehmen, Berlin	13.52
VV Immobilien GmbH & Co. United States KG, Munich	9.98
Hungary	
Fundamenta-Lakáskassza-Lakástakarékpénztár Zrt., Budapest	11.47
Ireland	
Crown Global Secondaries II plc, Dublin	7.22
Luxembourg	
DB Secondary Opportunities SICAV-SIF – Sub Fund DB SOF II Feeder USD, Luxembourg	16.79
United Kingdom of Great Britain and Northern Ireland	
Brookfield Capital Partners Fund III (NR A) L.P., George Town	12.20
Carlyle Cardinal Ireland Fund, L.P., Grand Cayman	5.82
Glennmont Clean Energy Fund Europe 1 'A' L.P., London	11.80
Kennet III A L.P., St. Peter Port	6.73
Kennet IV L.P., St. Peter Port	18.83
Partners Group Emerging Markets 2007, L.P., Edinburgh	12.01

1 The shareholdings listed below are structured companies.

Name and domicile of the company	Share in equity in %	Currency	Balance sheet date	Equity[1]	Earnings after taxes[1]
Other shareholdings[3] from 20%					
Germany					
Adveq Opportunity II Zweite GmbH, Frankfurt am Main	29.31	€	31.12.2013	25,457,219	1,851,253
DBAG Fund VI Feeder GmbH & Co. KG, Frankfurt am Main	30.71	€	31.12.2013	5,720,850	– 8,232
Europroperty, Wiesbaden	21.95	€	30.09.2014	151,113,884	– 27,156,618
Onshore Wind Portfolio 2012 GmbH & Co. KG, Frankfurt am	20.72	€	31.10.2013	100,588,543	1,417,951
PWR Holding GmbH, Munich	33.33	€	31.12.2012	1,871,526	– 26,075
RP Global Diversified Portfolio III, Frankfurt am Main	72.68	€	31.12.2013	12,918,929	– 384,885
RP Global Diversified Portfolio II, Frankfurt am Main	30.00	€	31.12.2013	12,787,223	– 841,502
RP Global Diversified Portfolio I, Frankfurt am Main	84.25	€	31.12.2013	9,552,638	– 1,021,477
VC Fonds Baden-Württemberg GmbH & Co. KG, Stuttgart	25.00		New investment 28.08.2014		
VV Immobilien GmbH & Co. US City KG, Munich	23.10	€	31.12.2013	27,932,045	5,187,729
W&W Europa-Fonds, Stuttgart	41.95	€	31.01.2014	21,371,437	1,677,012
W&W Internationaler Rentenfonds BWI, Stuttgart	79.78	€	31.01.2014	88,963,776	1,997,805
W&W VERMOEGENSVERWALTENDE STRATEGIE, Stuttgart	72.07	€	28.02.2014	25,734,808	15,234
W&W Quality Select Aktien Europa, Stuttgart	28.24	€	31.01.2014	25,731,158	2,896,504
Ireland					
BlackRock NTR Renewable Power Fund plc, Dublin	89.55	US$[2]	31.12.2013	18,857,000	– 1,501,000
Luxembourg					
F&C Emerging Markets Bond C Euro (Hedged), Luxembourg	47.84	US$[2]	30.09.2013	308,247,206	19,154,252
First State European Diversified Infrastructure Feeder Fund II	20.00		New investment 17.03.2014		
IKAV SICAV-FIS SCA – ecoprime TK I, Luxembourg	41.28	€	30.09.2013	50,486,695	2,354,392
IKAV SICAV-FIS SCA – Global Energy (Ecoprime III),	45.36	€	30.09.2013	9,497,582	154,051
IKAV SICAV-FIS SCA – Global PV Investments, Luxembourg	46.25	€	30.09.2013	38,694,209	2,300,606
Secondary Opportunities SICAV-SIF – Sub-fund SOF III	35.48		New investment 30.10.2014		
United Kingdom of Great Britain and Northern Ireland					
BlackRock Private Equity Partners III (Feeder No. 1) L.P.,	100.00	€	31.12.2013	12,745,088	1,768,382
Capital Dynamics Clean Energy and Infrastructure Feeder	28.24	US$[2]	31.12.2013	82,371,790	292,836
Capital Dynamics US Solar Energy Feeder, L.P., Edinburgh	62.69	US$[2]	31.12.2013	57,577,090	992,303
HgCapital Renewable Power Partners 2 LP, London	29.53	€	31.12.2013	37,637,818	– 13,043,009
Project Glow Co-Investment Fund, L.P., Grand Cayman	51.72		New investment 10.10.2014		

1 The disclosures refer to the latest available annual financial statements indicated under "Balance sheet date".

Appendix to the notes to the consolidated financial statements

COUNTRY-BY-COUNTRY REPORTING (SECTION 26a of the German Banking Act (KWG))

The requirements of Article 89 of the Directive 2013/36/EU on country-by-country reporting were implemented in German law in Section 26a of the German Banking Act (KWG).

The regulatory scope of consolidation forms the basis. The disclosures are made country by country after intra-Group reconciliation. The allocation of the type of activity is made according to the definitions of Section 1 of the German Banking Act (KWG), and the allocation of the geographic location on the basis of domicile. The legally independent branch in Luxembourg is presented separately.

INCLUDED COMPANIES

	TYPE OF ACTIVITY	DOMICILE/CITY	COUNTRY
Wüstenrot Bausparkasse AG	Credit institution	Ludwigsburg	Germany
Wüstenrot Bank AG Pfandbriefbank	Credit institution	Ludwigsburg	Germany
W&W Asset Management GmbH	Financial service institution	Ludwigsburg	Germany
W&W Informatik GmbH	Provider of ancillary services	Ludwigsburg	Germany
W&W Service GmbH	Provider of ancillary services	Stuttgart	Germany
Wüstenrot & Württembergische AG	Financial firm	Stuttgart	Germany
W&W Gesellschaft für Finanzbeteiligungen mbH	Financial firm	Stuttgart	Germany
Wüstenrot Holding AG	Financial firm	Ludwigsburg	Germany
Wüstenrot stavební spořitelna a.s.	Credit institution	Prague	Czech Republic
Wüstenrot hypoteční banka a.s.	Credit institution	Prague	Czech Republic
Wüstenrot Bausparkasse AG Niederlassung Luxembourg	Credit institution	Munsbach	Luxembourg

The earnings of continuing operations before income taxes without impairment, administrative expenses and other operating expenses is presented as revenue. The number of recipients of wages and salaries in full-time equivalents was determined in accordance with Section 267, para. 5 of the German Commercial Code (HGB). Apart from the current taxes from national tax regulations, the taxes on profit or loss also contain deferred taxes. Deferred taxes are recognised in the amount in which a refund is expected or a payment will probably be made to the respective tax authority. The deferred taxes are calculated at the respective country-specific tax rates.

COUNTRY-SPECIFIC DISCLOSURES 2014

		GERMANY	CZECH REPUBLIC	LUXEMBOURG
Revenue	in € thousands	868,393	42,573	2,084
Recipients of wages and salaries in full-time equivalents	Number	4,387	393	7
Profit/loss before taxes	in € thousands	148,565	13,018	– 996
Taxes on profit/loss	in € thousands	– 46,742	– 2,564	365
Public aid received	in € thousands	—	—	—

Within the scope of the first disclosure as at 31 December 2013, the only information that must be disclosed apart from the company name, type of activity and geographic location consists of revenue details and the number of recipients of wages and salaries.

COUNTRY-SPECIFIC DISCLOSURES 2013

		GERMANY	CZECH REPUBLIC	LUXEMBOURG
Revenue	in € thousands	835,676	44,728	919
Recipients of wages and salaries in full-time equivalents	Number	4,468	401	7

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the Group's net assets, financial position and financial performance, and the Management Report provides a fair presentation of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stuttgart, 27 February 2015

Dr Alexander Erdland

Dr Michael Gutjahr

Jens Wieland

Auditor's report

We have audited the consolidated financial statements prepared by Wüstenrot & Württembergische AG, Stuttgart, Germany, consisting of the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements as well as its company and Group Management Report for the financial year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and of the company and Group Management Report in accordance with IFRS as endorsed in the EU and the additional requirements of German commercial law pursuant to Section 315a, para. 1 of the German Commercial Code (HGB) is the responsibility of the company's Executive Board. Our responsibility is to assess the consolidated financial statements and the company and Group Management Report on the basis of our audit.

We performed our audit of the consolidated financial statements according to Section 317 of the German Commercial Code (HGB) under consideration of the German principles of proper auditing as set forth by the Institute of Public Auditors in Germany (IDW). According to these principles, the audit shall be planned and conducted in such a way that flaws and violations that have a major impact on the presentation of the net assets, financial position and financial performance as conveyed through the annual financial statements under consideration of the principles of proper accounting and through the company and Group Management Report can be identified with reasonable certainty. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible errors are taken into account in the determination of audit procedures. Within the scope of the audit, the effectiveness of the accounting-related internal control system and the proof of the information in the consolidated financial statements and company and Group Management Report were largely assessed on the basis of samples. The audit included an assessment of the annual financial statements of the companies included in the consolidated financial statements, the determination of the scope of consolidation, the applied accounting and consolidation principles, and material estimates of the Management Board as well as an assessment of the overall presentation of the consolidated financial statements and of the company and Group Management Report. We believe that our audit provides a sufficiently reliable basis for our opinion.

Our audit did not give rise to any objections.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as endorsed in the EU and the supplementary regulations to be applied according to Section 315a, para. 1 of the German Commercial Code (HGB) and, under consideration of these regulations, give a true and fair view of the Group's net assets, financial position and financial performance. The company and Group Management Report is in accordance with the consolidated financial statements and, as a whole, gives a true and fair view of the Group's situation and duly presents the opportunities and risks of the future development.

Stuttgart, 11 March 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Ellenbürger	Dr Hasenburg
AUDITOR	**AUDITOR**

BALANCE SHEET (W&W AG HGB)

ASSETS

in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2013
A. Capital investments				
I. Land, land-type rights and buildings, including buildings on third-party land		76,705		73,709
II. Capital investments in affiliated companies and participations				
1. Interests in affiliated companies	1,586,087			1,586,120
2. Loans to affiliated companies	167,550			190,446
3. Participations	29,651			26,181
		1,783,288		1,802,747
III. Other capital investments				
1. Shares, interests or shares in investment assets and other variable-yield securities	541,445			453,470
2. Bearer bonds and other fixed-income securities	85,486			47,401
3. Other loans	442,696			409,982
4. Deposits with credit institutions	128,704			163,774
thereof with affiliated companies € 128,704 thousand (previous year: € 163,774 thousand)				
5. Other capital investments	87			87
		1,198,418		1,074,714
IV. Receivables from deposits with ceding companies		36,890		37,224
			3,095,301	2,988,394
B. Receivables				
I. Amounts receivable on reinsurance business		45,383		57,412
thereof from affiliated companies € – thousand (previous year: € – thousand)				
II. Other receivables		137,203		166,845
thereof from affiliated companies € 122,403 thousand (previous year: € 127,190 thousand)			182,586	224,257
CARRYOVER			3,277,887	3,212,651

Assets

in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2013
Carryover			3,277,887	3,212,651
C. Other assets				
I. Property, plant and equipment and inventories		159		720
II. Current accounts with banks, cheques and cash		3,237		4,560
thereof with affiliated companies € 2,181 thousand (previous year: € 1,741 thousand)			3,396	5,280
D. Deferred assets				
I. Deferred interest and rental income		11,394		11,982
II. Other deferred assets		717		956
			12,111	12,938
E. Excess of plan assets over pension liabilities			304	323
Total assets			3,293,698	3,231,192

BALANCE SHEET (W&W AG HGB)

LIABILITIES

in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2013
A. Equity				
I. Share capital		490,311		481,121
II. Capital reserve		997,765		979,281
III. Retained earnings				
Other retained earnings	351,577			346,577
		351,577		346,577
IV. Unappropriated surplus		56,883		51,846
			1,896,536	1,858,825
B. Technical provisions				
I. Provision for unearned premiums				
1. Gross amount	20,576			20,452
2. Thereof to: the portion for ceded reinsurance business	2,182			1,839
		18,394		18,613
II. Provision for future policy benefits				
1. Gross amount	34,116			34,714
		34,116		34,714
III. Provision for outstanding insurance claims				
1. Gross amount	487,959			556,237
2. Thereof to: the portion for ceded reinsurance business	122,215			203,785
		365,744		352,452
IV. Claims equalisation provision and similar provisions		51,297		45,556
V. Other technical provisions				
1. Gross amount	5,429			4,881
2. Thereof to: the portion for ceded reinsurance business	814			701
		4,615		4,180
			474,166	455,515
CARRYOVER			2,370,702	2,314,340

LIABILITIES

in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2013
CARRYOVER			2,370,702	2,314,340
C. Other provisions				
I. Provisions for pensions and similar obligations		690,062		641,909
II. Tax provisions		74,235		71,987
III. Other provisions		19,266		30,531
			783,563	744,427
D. Deposits retained from ceded reinsurance business			18,635	23,949
E. Other liabilities				
I. Accounts payable on reinsurance business		28,624		32,135
thereof to affiliated companies € 18,091 thousand (previous year: € 31,575 thousand)				
II. Sundry liabilities		92,100		116,255
thereof from taxes € 2,164 thousand (previous year: € 1,793 thousand) thereof in connection with social security € - thousand (previous year: € 137 thousand) thereof to affiliated companies € 88,320 thousand (previous year: € 113,078 thousand)			120,724	148,390
D. Deferred liabilities			74	86
TOTAL LIABILITIES			3,293,698	3,231,192

INCOME STATEMENT (W&W AG HGB)

in € thousands	1.1.2014 to 31.12.2014	1.1.2014 to 31.12.2014	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
I. Technical account				
1. Premiums earned for own account				
a) Gross premiums written	308,767			300,394
b) Paid reinsurance premiums	73,659			72,670
		235,108		227,724
c) Change in the gross provision for unearned premiums	– 124			– 336
d) Change in the reinsurers' portion of the gross provision for unearned premiums	343			– 24
		219		– 360
			235,327	227,364
2. Allocated investment return transferred from the non-technical account, net of reinsurance			1,092	1,086
3. Other technical incomes for own account			441	301
4. Expenses for insurance claims for own account				
a) Payments for insurance claims				
aa) Gross amount	277,567			303,077
bb) Reinsurers' portion	123,204			142,195
		154,363		160,882
b) Change in the provision for outstanding insurance claims				
aa) Gross amount	– 73,566			130,524
bb) Reinsurers' portion	– 79,256			114,547
		5,690		15,977
			160,053	176,859
5. Change in other net technical provisions				
a) Net provision for future policy benefits		598		526
b) Sundry net technical provisions		– 435		– 341
			163	185
6. Expenses for insurance business for own account				
a) Gross expenses for insurance business		87,855		86,299
b) Thereof less: received commissions and profit participations from ceded reinsurance business		14,723		16,351
			73,132	69,948
7. Other technical expenses for own account			1,150	1,109
8. SUBTOTAL			2,688	– 18,980
9. Change in the claims equalisation provision and similar provisions			– 5,741	6,167
10. Net technical loss for own account			– 3,053	– 12,813
II. Non-technical account				

1. Income from capital investments				
a) Income from participations	10,985			48,585
thereof from affiliated companies € 8,268 thousand (previous year: € 46,943 thousand)				
b) Income from other capital investments	41,349			31,131
thereof from affiliated companies € 12,019 thousand (previous year: € 13,269 thousand)				
c) Income from write-ups	15,721			5,359
d) Gains from the disposal of capital investments	5,553			3,365
e) Income from profit pools, profit transfer agreements and partial profit transfer agreements	90,565			102,328
		164,173		190,768
2. Expenses for capital investments				
a) Capital investment management expenses, interest expenses and other expenses for capital investments	4,077			4,591
b) Write-downs on capital investments	4,849			15,416
c) Losses from the disposal of capital investments	9			9
d) Expenses from loss assumption	6,685			–
		15,620		20,016
		148,553		170,752
3. Income from technical interest		– 1,191		– 1,172
			147,362	169,580
4. Other income		87,115		88,001
5. Other expenses		146,159		150,638
			– 59,044	– 62,637
6. Net income from normal business activities			85,265	94,130
7. Extraordinary expenses		1,849		1,849
8. Net extraordinary loss			– 1,849	– 1,849
9. Income taxes		27,382		20,634
			27,382	20,634
10. ANNUAL PROFIT			56,034	71,647
11. Retained earnings carried forward from the previous year			849	199
12. Allocation to retained earnings				
d) Other retained earnings			–	20,000
13. UNAPPROPRIATED SURPLUS			56,883	51,846

NOTES (W&W AG HGB)

Notes concerning the annual financial statements

Wüstenrot & Württembergische AG draws up its annual financial statements and prepares its Management Report in accordance with the statutory requirements of the German Commercial Code (HGB), the German Stock Corporation Act (AktG), the German Act on the Supervision of Insurance Undertakings (VAG) and the German Regulation on the Accounting of Insurance Undertakings (RechVersV).

MEASUREMENT METHODS FOR ASSETS

Land, land-type rights and buildings, including buildings on third-party land

Assets recognised under the item "Land, land-type rights and buildings" are measured at the lower of cost, less scheduled straight-line depreciation, and fair value. Unscheduled write-downs take place only in the event of expected permanent impairment, and the lower fair value is recognised. If the reasons for a lower carrying amount no longer exist, the asset is written up to a maximum of its historical amortised cost.

All write-downs on land relate to fixed assets.

Interests in affiliated companies and participations

Interests in affiliated companies and participations are measured at cost. Pursuant to Section 341b, para. 1 of the German Commercial Code (HGB) in conjunction with Section 253, para. 3, third sentence HGB, unscheduled write-downs to the lower fair value take place only in the event of expected permanent impairment (moderate lower-value principle). If the reasons for a lower carrying amount no longer exist, the asset is written up to a maximum of its historical cost.

Loans to affiliated companies

Recognised under the item "Loans to affiliated companies" are bearer bonds, registered bonds, promissory notes and loans. For recognition and measurement, please see the comments on the items below.

Shares, interests or shares in investment assets and other variable-yield securities

Interests or shares in investment assets are recognised at average cost less unscheduled write-downs according to the strict lower-value principle pursuant to Section 341b, para. 2 of the German Commercial Code (HGB) in conjunction with Section 253, para. 4 HGB. If the reasons for a lower carrying amount no longer exist, the asset is written up to a maximum of its historical cost.
Interests or shares in investment assets are generally measured at their redemption price. Otherwise, where the moderate lower-value principle is applied, fair value is determined according to a corresponding method.

Bearer bonds and other fixed-income securities

Bearer bonds and other fixed-income securities are recognised at a security's average cost less unscheduled write-downs according to the strict lower-value principle pursuant to Section 341b, para. 2, second half-sentence of the German Commercial Code (HGB) in conjunction with Section 253, para. 4 HGB and are measured taking into account the requirement to reverse impairment losses.

These securities forming part of fixed assets are recognised at cost, provided that there are no default events or any indications of permanent impairment based on prepared ratings analyses (e.g. expected future reductions of nominal value). With regard to subordinated receivables that are contained in fixed assets in the form of listed bearer instruments, in accordance with the type of subordination and the way the specific terms are structured, if there have been interest losses or if there were indications of a risk of repayment at nominal value, the listed price at year-end was used for measurement. If the prices of instruments that were written down in previous years once again rise, they are written up to a maximum of their historical cost.

Other loans

The item "Other loans" contains registered bonds, promissory notes, loans receivable and any other loans. These receivables are likewise measured according to the rules applicable to fixed assets.

In departure from this, registered bonds are recognised pursuant to Section 341c, para. 1 of the German Commercial Code (HGB) at their nominal value less repayments made. Premiums and discounts are spread linearly over the term.

Promissory notes, loans receivable and any other loans are measured according to the rules applicable to fixed assets. In departure from this, these receivables are measured pursuant to Section 341c, para. 3 of the German Commercial Code (HGB) at amortised costs by spreading the difference between cost and the repayment amount over the residual maturity using the effective interest method.

Registered profit participation certificates forming part of any other loans are measured at cost less impairment provisions.

Deposits with credit institutions and other capital investments

Deposits with credit institutions and other capital investments are generally recognised at nominal value.

Impairment provisions, structured products, fair value determinations

Individual and collective impairment provisions are created for discernible risks and are deducted directly from the carrying amount.

With regard to subordinated bank capital in the form of registered instruments under the items "Other loans" and "Other capital investments" (non-fungible debt securities with loss participation, such as registered profit-sharing certificates or silent participations), if there were indications of permanent impairment (e.g. reductions of nominal value) and, in accordance with the subordination and the way the specific terms are structured, a reduction of nominal value is likely, such instruments are written down in the amount of the expected reduction of nominal value. If they were written down in previous years due to a reduction of nominal value, these items are written up to a maximum of their cost if, based on the current state of information, it can be assumed that their nominal value will be restored in whole or in part.

Currency forwards were concluded in order to economically hedge German covered mortgage bonds and bearer bonds. Their measurement occurs on a business-by-business basis.

Acquired option rights are measured at cost in the amount of the option premium less write-downs according to the strict lower-value principle, taking into account the requirement to reverse impairment losses. Option premiums for sold options are recognised under "Other liabilities" for as long as there is a duty to perform under the option. A risk of obligation surplus under written options is accounted for by creating provisions for impending losses.

The fair value of land, land-type rights and buildings is continuously verified using the discounted cash flow method. Properties newly acquired during the financial year are based on external appraisals.

We base the fair value of affiliated companies and participations on their capitalised income value or on the fair value determined using the net asset value method, in some cases also on cost.

Assets of property, plant and equipment – assets whose net cost was more than € 1,000 – are measured at cost less straight-line depreciation over their normal useful life pursuant to official AfA tables (German depreciation tables).

Economic goods with a net cost of up to € 150 are depreciated in full in the year of acquisition. In accordance with tax rules, low-value economic goods with a net cost of more than € 150 and up to € 1,000 are recognised in full in the year of acquisition and depreciated on a straight-line basis over a period of five years.

Recognised as the fair value of other capital investments is the most recently available exchange price or a market value determined on the basis of recognised mathematical models that are customary on the market.
Investment certificates are recognised at the most recently available redemption price.

Other assets

Interest and rental income arrearages contained under the item "Other receivables" are recognised at nominal value. Current default risks are taken into account through individual impairment provisions. Collective impairment provisions are created on the basis of individual testing and in accordance with experience in recent years and, as with individual impairment provisions, are deducted from assets.

Other receivables and other assets are recognised at nominal value.

No use was made of the option to recognise deferred tax assets on the basis of the tax relief resulting under Section 274, para. 1, second sentence of the German Commercial Code (HGB).

The excess of plan assets over pension liabilities relates to a surplus that results from the netting of reinsurance claims measured at fair value against liabilities under phased-in early retirement (*Altersteilzeit*) agreements. Insolvency-proof reinsurance claims are measured at the coverage capital specified in the business plan, which, under compliance with the strict lower-value principle, corresponds to amortised cost in accordance with Section 253, para. 4 of the German Commercial Code (HGB) and thus, in the absence of other measurement methods, to fair value within the meaning of Section 255, para. 4, fourth sentence HGB.

Receivables from deposits with ceding companies and amounts receivable on reinsurance business

Receivables from deposits with ceding companies and amounts receivable on reinsurance business are generally recognised at nominal value. In addition, amounts receivable on reinsurance business contain receivables that were measured using the default probability of the S&P rating model and for which collective impairment provisions were created.

In contrast to the previous year, we not only recognised the default risk of reinsurers in the form of a collective impairment provision for amounts receivable on reinsurance business, but we also deducted on the liabilities side the part that relates to the reinsurers' portions of technical provisions for insurance claims. The figures for the previous year were not adjusted.

MEASUREMENT METHODS FOR LIABILITIES

Technical provisions

The provision for unearned premiums in assumed business was recognised according to the information provided by the prior insurers and in compliance with supervisory rules.

The provision for future policy benefits for accident insurance policies that provide for premium refunds and for life insurance business was created pursuant to the information provided by the prior insurers.

Provisions for outstanding insurance claims for assumed business were calculated according to the information provided by the prior insurers, in some cases as augmented by our own findings.

The claims equalisation provision contained in item B. IV was created according to the annex to Section 29 of the German Regulation on the Accounting of Insurance Undertakings (RechVersV).

The provision for nuclear installation risks and the provision for major pharmaceutical risks arising under product liability insurance were created in accordance with Section 30 RechVersV.

Other technical provisions were created according to the information provided by the prior insurers, in some cases as augmented by our own findings.

The reinsurers' portion of technical provisions was calculated in accordance with the contractual agreements.

Provisions for pensions and similar obligations

The provisions for pensions and similar obligations were determined in the satisfaction amount pursuant to the German Accounting Law Modernisation Act (BilMoG) using the projected unit credit method on the basis of the Heubeck mortality tables 2005 G and employing an interest rate of 4.55% (previous year: 4.9%), a salary trend of 3.0% p.a., a pension trend of 2.0% p.a., and assumed fluctuation of 3.5% p.a. (rate area) and 1.0% p.a. (contract area). The difference in pensions and similar obligations as at 1 January 2010 as determined under the old HGB calculation and under the new BilMoG calculation (with an interest rate of 5.25%) amounted to € 117.3 million, and at least one fifteenth of this amount is to be refunded in each financial year until 31 December 2024. As at the reporting date, there was a coverage shortfall of € 78.2 million.

In connection with required netting, the pledged reinsurance policies (€ 4.0 million) are taken into account at fair value. This is composed of the coverage capital plus surplus participation.

Tax provisions and other provisions

Other provisions with a maturity of longer than one year were generally determined in accordance with Section 253, para. 1, second sentence of the German Commercial Code (HGB) in the required satisfaction amount, taking into account future price and cost increases. The price and cost increases of other provisions are in line with the inflation rate and were taken into account over the respective term of the provision at rates of 1-2%.

The rate used to discount the tax provisions and other provisions corresponds to the average rate of the past seven years published by the German Bundesbank pursuant to the German Regulation on the Discounting of Provisions (RückAbzinsV) for a correspondingly assumed remaining maturity. In particular, for reasons of transparency, results from changes in the discount rate or interest rate effects of a changed estimate of remaining maturity are recognised under "Net financial result" separately from the current tax expenses using the gross method. Tax interest accrued as at the reporting date is recognised under "Other provisions".

Sundry other provisions and tax provisions were recognised in the required satisfaction amount.

Provisions for phased-in early retirement, social affairs and long-term service emoluments

For legal obligations under phased-in early retirement contracts existing on the reporting date, a provision is created, taking into account employer expenses for social insurance, in the amount of the present value of future top-up benefits (salary and supplemental contributions towards pension insurance) and compensation payments due to reduced pension insurance claims and the satisfaction arrearages from advance work performed by the employee. The provision is discounted according to the specific maturities using the corresponding interest rates published by the German Bundesbank in accordance with the German Regulation on the Discounting of Provisions (RückAbzinsV). Biometric factors, including fluctuation, are taken into account when measuring the provision via a flat-rate discount of 2%. In addition, pledged reinsurance policies are taken into account at fair value, which is composed of coverage capital plus irrevocably committed surplus participation, and netted against phased-in early retirement obligations as coverage assets.

The provisions for social affairs and for long-term service emoluments were determined in the required satisfaction amount in accordance with Section 253, para. 1, second sentence of the German Commercial Code (HGB) by applying the Heubeck mortality tables 2005 G and an interest rate of 3.65% under the projected benefit obligation method. Fluctuation and future salary increases were taken into account.

Deposits retained from ceded reinsurance business and other liabilities

Deposits retained from ceded reinsurance business and other liabilities are recognised in the amount needed to satisfy them.

CURRENCY TRANSLATION

With securities additions, the amount in euros resulting from the price of the security and the exchange rate on the date of acquisition is used as the basis for cost, and the amount in euros resulting from the price of the security and the ECB's average spot exchange rate on the reporting date is used as the basis for market value. Securities are subsequently measured at the ECB's average spot exchange rate.

With regard to participations as well as to private equity commitments denominated in foreign currencies, cost is based on the exchange rate at the time of acquisition. With subsequent measurement, we took potential appreciation into account for the currency components.

We measured bank balances denominated in foreign currencies at the ECB's average spot exchange rate on the reporting date.

Currency translation for assets and liabilities with a remaining maturity of less than one year takes place pursuant to Section 256a, second sentence of the German Commercial Code (HGB) at the ECB's average spot exchange rate on the reporting date without complying with the cost principle or the realisation principle.

Income and expenses are recognised on the settlement date at daily rates.

Exchange rate gains and losses for capital investments denominated in foreign currencies that do not serve to congruently cover the technical provisions are recognised under income or expenses from capital investments.

Recording of income and expenses on an accrual basis

Active, non-Group reinsurance business is recorded in the following year, since the necessary accounting information from cedants for the current accounting year is not on hand at the time the financial statements are drawn up. The business assumed by affiliated companies is recognised in the reporting year. As a result of later recording, premium income for 2013 in the amount of € 7.6 million (previous year: € 7.9 million) was recognised in the 2014 reporting year.

Notes concerning assets

A. Capital investments

The change in capital investments is depicted in the table "Individual disclosures concerning assets". The rate gains resulting from currency translation are listed at € 3.6 million (previous year: € – million) under write-ups, and rate losses at € – million (previous year: € 0.8 million) under write-downs. These currency fluctuations are recognised in the income statement under the items "Other income" or "Other expenses", as the case may be.

I. Land, land-type rights and buildings, including buildings on third-party land

As at the reporting date, our land used exclusively in the Group consists of four (previous year: four) properties with a carrying amount of € 76.7 million (previous year: € 73.7 million). No properties were acquired or sold during the reporting year.

One asset under construction has been in the portfolio since 2014.

II. Capital investments in affiliated companies and participations

Pursuant to Section 285, no. 11 of the German Commercial Code (HGB), the disclosures concerning participations are set forth in the table "List of shareholdings". The list sets forth all companies in which W&W AG owns more than 5%.

III. Other capital investments

1. Shares, interests or shares in investment assets and other variable-yield securities

in € thousands	2014	2013
Interests or shares in investment assets	541,445	453,470
Total	541,445	453,470

3. Other loans

in € thousands	2014	2013
Registered bonds	189,393	199,431
Promissory notes and loans receivable	238,303	195,551
Any other loans	15,000	15,000
Total	442,696	409,982

The item "Any other loans" contains a non-negotiable profit participation certificate in the amount of € 15.0 million (previous year: € 15.0 million).

4. Deposits with credit institutions

As at the end of the reporting year, we had overnight money and short-term money in the amount of € 128.7 million (previous year: € 163.8 million) invested in affiliated companies.

Fair value of capital investments

Measurement reserves

in € thousands	Carrying amount 2014	Fair value 2014	Measurement reserves[1] 2014	Carrying amount 2013	Fair value 2013	Measurement reserves[1] 2013
Land, land-type rights and buildings, including buildings on third-party land	76,705	78,123	1,418	73,709	73,864	155
Interests in affiliated companies	1,586,087	2,650,240	1,064,153	1,586,120	2,596,530	1,010,410
Loans to affiliated companies	167,550	177,624	10,074	190,446	200,604	10,158
Participations	29,651	46,788	17,137	26,181	36,620	10,439
Shares, interests or shares in investment assets and other variable-yield securities	541,445	598,467	57,022	453,470	504,253	50,783
Bearer bonds and other fixed-income securities	85,486	88,907	3,421	47,401	47,407	6

Registered bonds	189,393	214,551	25,158	199,431	209,034	9,603
Promissory notes and loans receivable	238,303	261,625	23,322	195,551	211,775	16,224
Any other loans	15,000	15,268	268	15,000	15,374	374
Deposits with credit institutions	128,704	128,733	29	163,774	163,789	15
Other capital investments	87	87	—	87	87	—
Receivables from deposits with ceding companies	36,890	36,890	—	37,224	37,224	—
TOTAL	3,095,301	4,297,303	1,202,002	2,988,394	4,096,561	1,108,167
Carrying amount of all capital investments, in %			38.83			37.08

1 Net perspective, balance of measurement reserves and hidden liabilities.

Disclosures pursuant to Section 285, no. 18 of the German Commercial Code (HGB) concerning capital investments recognised at greater than fair value

With regard to loans to affiliated companies in the form of promissory notes, the market values of items with a carrying amount of € 30,000,000 are € 22,516 below the carrying amount. No write-downs were carried out, since these facts and circumstances are not occasioned by creditworthiness. We expect to receive interest and amortisation payments as planned.

Disclosures pursuant to Section 285, no. 19 of the German Commercial Code (HGB)

DISCLOSURES CONCERNING DERIVATIVE FINANCIAL INSTRUMENTS NOT AT FAIR VALUE

DERIVATIVE FINANCIAL INSTRUMENT/GROUPING	TYPE	NOMINAL	FAIR VALUE	MEASUREMENT METHOD USED	CARRYING AMOUNT AND ITEM[1]
		in € thousands	in € thousands		in € thousands
Interest-rate-based transactions	Cap/floor	153,000	– 40	Discounted cash flow method	– 600
Currency-based transactions	Currency forwards	38,974	13	Discounted cash flow method	—

1 The carrying amount of interest-rate-based transactions is contained in part in the liabilities item E. II ("Other liabilities") and in part in the liabilities item C. III. ("Other provisions").
The currency-based currency forward was concluded for pending transactions that are not accounted for.

This table focuses on derivatives whose carrying amount does not correspond to fair value on the reporting date.

Derivatives have to do with transactions to be satisfied at a future point in time whose value is based on the change in the value of an underlying pursuant to the agreed contractual terms. Normally, there are no or only minor acquisition costs for these.
If on the reporting date the carrying amount of a derivative corresponds to fair value, it is nevertheless taken into account in the table if the recognised value is based on the imparity principle or results from the creation of a loss provision.

Fund name	Investment objective	Certificate value under Section 36 of the German Investment Act (InvG)	Carrying amount	Discrepancy from the carrying amount	Distributions during the financial year
		in € thousands	in € thousands	in € thousands	in € thousands
BWInvest-76	Mixed fund (up to 70%)	283,597	252,534	31,063	10,000
LBBW AM-99	Mixed fund (up to 70%)	59,243	58,430	813	—
LBBW AM-EMB3	Pension fund	61,889	49,004	12,884	—
LBBW AM Cove.Call USA Fund	Equity fund	18,722	15,549	3,173	202
LBBW AM-W&W AG Corporate Bonds Fonds	Pension fund	52,898	47,500	5,398	—
LBBW AM-USD Corporate Bond Fonds 3	Pension fund	10,737	10,467	270	383
W&W Global Convertibles Funds	Pension fund	49,106	46,907	2,199	859
W&W Flexible Point & Figure	Mixed fund (up to 70%)	39,054	39,054	—	—
W&W Flexible Premium II Fund B	Mixed fund (up to 70%)	23,221	22,000	1,221	—

We are unaware of any restrictions in the daily sell option. Only where all fund units are sold is there a termination notice period of three months.

B. Receivables

II. Other receivables

Other than receivables from general settlement transactions with affiliated companies in the amount of € 29.2 million (previous year: € 22.6 million), recognised here are essentially receivables from profit and loss transfer agreements in the amount of € 90.6 million (previous year: € 102.3 million) and from tax refund claims in the amount of € 13.9 million (previous year: € 37.4 million).

D. Deferred assets

II. Other deferred assets

This essentially contains premiums from the acquisition of registered bonds in the amount of € 0.6 million (previous year: € 1.0 million).

E. Excess of plan assets over pension liabilities

Assets that serve to cover liabilities under pension obligations or similar long-term obligations and that are inaccessible to all other creditors are required to be netted against the provisions for such obligations. If in the process the fair value of such assets exceeds the carrying amount of the provisions, the item "Excess of plan assets over pension liabilities" is to be created on the assets side of the balance sheet. The netting pursuant to Section 246, para. 2, fourth sentence of the German Commercial Code (HGB) of claims under reinsurance policies in the amount of € 1,188 thousand (previous year: € 1,385 thousand) with partial amounts of the phased-in early retirement provisions for satisfaction arrearages in the amount of € 884 thousand (previous year: € 1,061 thousand) results in an excess of € 304 thousand (previous year: € 324 thousand).

Notes concerning liabilities

A. Equity

I. Share capital

The share capital of € 490.3 million (previous year: € 481.1 million) is divided into 93,749,720 (previous year: 91,992,622) registered shares. The change of € 9.2 million results from the conversion of dividend claims into shares.

II. Capital reserve

As at the reporting date, the capital reserve amounts to € 997.8 million (previous year: € 979.3 million). It relates to the premium from the capital contribution, and it was increased by € 18.5 million due to the conversion of dividend claims into shares.

III. Retained earnings

Retained earnings increased from € 346.6 million to € 351.6 million as a result of the resolution adopted by the Annual General Meeting to allocate € 5.0 million from the 2013 unappropriated surplus.

In 2010, pursuant to Art. 67, para. 1, third sentence of the Introductory Act to the German Commercial Code (EGHGB), € 82.40 thousand was allocated to retained earnings from the release of provisions.

IV. Unappropriated surplus

The unappropriated surplus amounts to € 56.9 million (previous year: € 51.8 million). This includes retained earnings in the amount of € 0.8 million (previous year: € 0.2 million) carried forward from the previous year.

C. Other provisions

I. Provisions for pensions and similar obligations

In addition to pension provisions for Wüstenrot & Württembergische AG and employees of the former Württembergische Feuerversicherung AG and Gemeinschaft der Freunde Wüstenrot GmbH, recognised here are pension provisions for nine (previous year: nine) subsidiaries. Wüstenrot & Württembergische AG assumed joint liability for the pension commitments of these subsidiaries in exchange for a one-time compensation payment in the amount of the former partial value and made an internal agreement with the subsidiaries to meet these pension obligations. As at the reporting date, pension provisions amount to € 690.1 million (previous year: € 641.9 million). This amount contains the netting of the asset value from reinsurance policies in the amount of € 4.0 million (previous year: € 3.6 million).

III. Other provisions

These contain provisions for the personnel area in the amount of € 9.3 million (previous year: € 10.4 million), for the annual financial statements in the amount of € 1.9 million (previous year: € 1.5 million) and for sundry provisions in the amount of € 8.1 million (previous year: € 14.7 million). "Other provisions" also contain benefits for phased-in early retirement. Since 2010, this item has contained the portion of the provision that is not "out-financed" in an insolvency-proof manner through reinsurance. Pledged reinsurance policies for pension commitments that are inaccessible to all other creditors and serve solely to satisfy liabilities under pension obligations are netted with these. Income and expenses from discounting and from the assets to be netted are handled in an analogous manner. Pledged reinsurance policies are taken into account at fair value. This is composed of the coverage capital plus surplus participation, share of measurement reserve, and final surplus participation.

As at 31 December, the item "Benefits for phased-in early retirement" is as follows:

in € thousands	31.12.2014	31.12.2013
Satisfaction amount for earned claims	1,691	1,618
Thereof capable of netting with the coverage capital of reinsurance[1]	884	1,061
CARRYING AMOUNT	807	557

1 The fair value of coverage capital corresponds to cost.

E. OTHER LIABILITIES

III. Other liabilities

There are liabilities to affiliated companies in the amount of € 88.3 million (previous year: € 113.1 million), trade payables in the amount of € 0.3 million (previous year: € 0.5 million), liabilities for value-added taxes in the amount of € 2.2 million (previous year: € 1.8 million) and liabilities for severance payments in the amount of € 0.7 million (previous year: € –million).

All liabilities have a remaining maturity of less than 12 months.

F. DEFERRED LIABILITIES

This contains discounts for registered bonds in the amount of € 0.1 million (previous year: € 0.1 million).

Notes concerning the income statement

I. TECHNICAL ACCOUNT

2. Allocated investment return transferred from the non-technical account, net of reinsurance

Recognised here pursuant to Section 38 of the German Regulation on the Accounting of Insurance Undertakings (RechVersV) is interest on pension provisions and the premium reserve after deduction of the reinsurers' portion. It also covers interest on the provision for future policy benefits for assumed reinsurance in life insurance business.

4. Expenses for insurance claims for own account

b) Change in the provision for outstanding insurance claims

Gains in the amount of € 10.4 million (previous year: € 14.3 million) resulted from the settlement of the provision for outstanding insurance claims that was assumed from the previous financial year. These mainly come from the business lines motor (€ 4.1 million), fire (€ 2.9 million) and general liability (€ 1.5 million).

6. Expenses for insurance operations for own account

Gross expenses for insurance operations amount to € 87.9 million (previous year: € 86.3 million), of which € 87.1 million (previous year: € 85.6 million) was attributable to acquisition costs and € 0.8 million (previous year: € 0.7 million) to general administrative expenses.

II. Non-technical account

1. Income from capital investments

b) Income from other capital investments

in € thousands	2014	2013
Land, land-type rights and buildings, including buildings on third-party land	7,984	7,971
Other capital investments	33,365	23,160
Total	41,349	31,131

c) Income from write-ups

Income from write-ups includes exchange rate gains of € 15 thousand (previous year: € 7 thousand). The breakdown of this item is depicted in the notes under "Individual disclosures concerning assets".

d) Gains from the disposal of capital investments

in € thousands	2014	2013
Loans to affiliated companies	5,256	—
Shares, interests or shares in investment assets and other variable-yield securities	—	3,362
Bearer bonds and other fixed-income securities[1]	297	3
Total	5,553	3,365

1 Thereof exchange rate gains of € 5 thousand (previous year: € — thousand)

2. Expenses for capital investments

b) Write-downs on capital investments

Under this item, € 1.4 million (previous year: € 12.3 million) was attributable to write-downs pursuant to Section 253, para. 3, third sentence of the German Commercial Code (HGB), thereof € 1.4 million (previous year: € 12.2 million) to affiliated companies. Expenses for write-downs include exchange rate losses of € 6 thousand (previous year: € 8 thousand).

c) Losses from the disposal of capital investments

in € thousands	2014	2013
Bearer bonds and other fixed-income securities	9	9
Total	9	9

4. Other income

This item contains service income in the amount of € 66.8 million (previous year: € 81.0 million), income from the release of provisions created in previous years in the amount of € 6.0 million (previous year: € 2.2 million), exchange rate gains in the amount of € 5.9 million (previous year: € 2.8 million) and interest income in the amount of € 6.6 million (previous year: € 0.4 million).

5. Other expenses

General administrative expenses constitute the largest item, coming in at € 104.1 million (previous year: € 112.5 million). It contains expenses for performed services in the amount of € 66.8 million (previous year: € 81.0 million). Other material items are expenses for pensions and support in the amount of € 17.8 million (previous year: € 17.3 million), interest expenses in the amount of € 16.6 million (previous year: € 13.9 million), exchange rate losses in the amount of € 5.3 million (previous year: € 2.5 million) and expenses for the creation of provisions in the amount of € 0.5 million (previous year: € 4.0 million). Interest expenses primarily relate to interest expenses of the financial year from pension provisions in the amount of € 15.5 million (previous year: € 12.9 million).

With respect to phased-in early retirement agreements, income and expenses from discounting and from the assets to be offset in the amount of € 20 thousand (previous year: € 44 thousand) were offset against each other pursuant to Section 246, para. 2, second sentence of the German Commercial Code (HGB).

8. Extraordinary expenses

As a result of the changes made by the German Accounting Law Modernisation Act (BilMoG) effective 1 January 2010, the following amounts are recognised under "Extraordinary expenses":

in € thousands	2014	2013
1/15 addition to the provision for pensions and similar obligations	1,849	1,849
Total	1,849	1,849

10. Income taxes

The tax expense in the amount of € 27.4 million is mainly attributable to current taxes for the financial year.

The carrying amounts for land, land-type rights and buildings, which differ from each other under commercial law and tax law accounting rules, result in deferred tax liabilities, which are offset, i.e. netted, in particular with deferred tax assets from shares, interests or shares in investment assets and other variable-yield securities, the provision for outstanding insurance claims, and provisions for pensions. Since, after netting, deferred tax assets exceeded deferred tax liabilities, in exercise of the option in Section 274, para. 1, second sentence of the German Commercial Code (HGB), the deferred tax assets are not set up as an asset.

Other mandatory disclosures

MANDATES

Memberships on supervisory boards required to be created by statute, as well as in comparable domestic and foreign control bodies (disclosures pursuant to Section 285, no. 10 of the German Commercial Code (HGB)):

a) Group mandates on domestic supervisory boards required to be created by statute
b) Third-party mandates on domestic supervisory boards required to be created by statute
c) Mandates in comparable control bodies

Members of the Supervisory Board of W&W AG

HANS DIETMAR SAUER, CHAIRMAN
Former Chairman of the Executive Board
Landesbank Baden-Württemberg
b) Internationales Bankhaus Bodensee AG, Friedrichshafen (Chairman)
Wüstenrot Holding AG, Ludwigsburg (Chairman)

FRANK WEBER, DEPUTY CHAIRMAN[1]
Chairman of the Works Council
Württembergische Versicherung AG/Württembergische Lebensversicherung AG,
Karlsruhe site
a) Württembergische Lebensversicherung AG, Stuttgart

PETER BUSCHBECK
(since 28 May 2014)
Member of the Executive Board
UniCredit Bank AG
b) Bankhaus Neelmeyer AG, Bremen (Chairman)
PlanetHome AG, Unterföhring (Munich) (Chairman)
WealthCap Kapitalverwaltungsgesellschaft mbH, Munich (Chairman)
c) Wealth Management Capital Holding GmbH, Munich (Chairman)

CHRISTIAN BRAND
Former Chairman of the Executive Board
Landeskreditbank Baden-Württemberg – Förderbank
b) Schwäbische Hüttenwerke Automotive GmbH, Wasseralfingen
Wüstenrot Holding AG, Ludwigsburg
SHW AG, Aalen

WOLFGANG DAHLEN[1]
Chairman of the Central Works Council
Württembergische Versicherung AG/Württembergische Lebensversicherung AG
a) Württembergische Versicherung AG, Stuttgart

THOMAS EICHELMANN
Managing Director
Aton GmbH
b) V-Bank AG, Munich (Deputy Chairman)
EDAG Engineering AG, Wiesbaden (Chairman)
FFT GmbH & Co. KGaA, Fulda
HAEMA AG, Leipzig
c) Bankhaus Ellwanger & Geiger KG, Stuttgart (Chairman)
ATON US, Inc., Scottsdale
OrthoScan, Inc., Scottsdale
J.S. Redpath Holdings, Inc., North Bay

GUNTER ERNST
(until 28 May 2014)
Former Member of the Divisional Board
Bayerische Hypo- und Vereinsbank AG
b) Gütermann SE, Gutach

DR RAINER HÄGELE
Lawyer, Undersecretary (retired)
Baden-Württemberg Ministry of Finance

DR REINER HAGEMANN
Former Chairman of the Executive Board
Allianz Versicherungs-AG
Former Member of the Executive Board
Allianz AG

UTE HOBINKA[1]
Chairwoman of the Works Council
W&W Informatik GmbH
a) W&W Informatik GmbH, Ludwigsburg (Deputy Chairwoman)

JOCHEN HÖPKEN[1]
Department Secretary
Vereinte Dienstleistungsgewerkschaft (ver.di)
b) FIDUCIA IT AG, Karlsruhe

UWE ILZHÖFER[1]
Chairman of the Works Council
Württembergische Versicherung AG/Württembergische Lebensversicherung AG, Stuttgart head office
a) Württembergische Versicherung AG, Stuttgart (Deputy Chairman)

DR WOLFGANG KNAPP M. C. L.
Lawyer
Cleary Gottlieb Steen & Hamilton LLP, Brussels
b) Wüstenrot Holding AG, Ludwigsburg

ANDREAS ROTHBAUER[1]
Chairman of the Works Council
Wüstenrot Bausparkasse AG, Ludwigsburg site
a) Wüstenrot Bausparkasse AG, Ludwigsburg

ULRICH RUETZ
Former Chairman of the Executive Board
BERU AG
b) Eisenwerke Fried. Wilh. Düker GmbH & Co. KGaA, Laufach
Progress-Werk Oberkirch AG, Oberkirch
Wüstenrot Holding AG, Ludwigsburg
c) SUMIDA Corp., Tokyo, Japan

MATTHIAS SCHELL[1]
Head of Group Accounting
Wüstenrot & Württembergische AG

CHRISTOPH SEEGER[1]
Chairman of the Central Works Council
Wüstenrot Bausparkasse AG
a) Wüstenrot Bausparkasse AG, Ludwigsburg (Deputy Chairman)

Members of the Executive Board of W&W AG

DR ALEXANDER ERDLAND, CHAIRMAN

Group Central Office, Communications, Group Legal and Compliance, Group Auditing

a) Württembergische Lebensversicherung AG, Stuttgart (Chairman)
   Württembergische Versicherung AG, Stuttgart (Chairman)
   Wüstenrot Bank AG Pfandbriefbank, Ludwigsburg (Chairman)
   Wüstenrot Bausparkasse AG, Ludwigsburg (Chairman)

c) Wüstenrot Wohnungswirtschaft reg. Gen. m. b. H., Salzburg

DR MICHAEL GUTJAHR

Group HR, Group Accounting, Group Risk Management/Controlling/Strategy, Cost Controlling

a) W&W Informatik GmbH, Ludwigsburg (Chairman)

DR JAN MARTIN WICKE

(until 30 April 2014)

a) Württembergische Versicherung AG, Stuttgart (until 30 April 2014)
   Württembergische Lebensversicherung AG, Stuttgart (Deputy Chairman)
   (until 30 April 2014)
   Wüstenrot Bank AG Pfandbriefbank, Ludwigsburg (Deputy Chairman)
   (until 30 April 2014)
   Wüstenrot Bausparkasse AG, Ludwigsburg (until 30 April 2014)
   W&W Service GmbH, Stuttgart (Chairman) (until 28 April 2014)

b) V-Bank AG, Munich (Chairman) (until 30 June 2014)
   HOCHTIEF AG, Essen

c) Wüstenrot stavební spořitelna a.s., Prague (Chairman) (until 30 April 2014)
   Wüstenrot hypoteční banka a.s., Prague (Chairman) (until 30 April 2014)
   Wüstenrot životní pojišťovna a.s., Prague (Chairman) (until 30 April 2014)
   Wüstenrot pojišťovna a.s., Prague (Chairman) (until 30 April 2014)
   BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart (until 30 April 2014)

JENS WIELAND

IT, Operations, Financial Management, Customer Data Protection and Operational Security

1 Employee representatives.

SUPPLEMENTARY DISCLOSURES

Contingent liabilities and other financial obligations

With regard to capital contribution calls not yet made, there are financial obligations to Württembergische Versicherung AG in the amount of € 53.7 million (previous year: € 53.7 million).

W&W AG has submitted a declaration to the Association of German Banks, pursuant to which it undertakes to indemnify the latter against all losses incurred through measures taken by the deposit protection fund for the benefit of Wüstenrot Bank AG Pfandbriefbank.

As a member of the German Reinsurance Pharma Pool (Pharma-Rückversicherungs-Gemeinschaft), we assumed pro rata liability in the amount of 1.4%. The pool currently has a total volume of € 106.5 million.

By way of a release and hold harmless agreement dated 20 October 1993, Württembergische Versicherung AG assumed the risk under the contract executed by W&W AG via a London broker. Accordingly, Württembergische Versicherung AG recognises provisions for outstanding insurance claims in the amount of € 41.9 million. Vis-à-vis third parties, W&W AG is liable for these obligations. From today's perspective, Württembergische Versicherung AG has sufficient reserves. As a result, liability on the part of W&W AG currently appears unlikely.

In connection with the formation of the "Feuerseepiraten" day care centre at the Stuttgart site, the Stuttgart Regional Council approved subsidies. In return, the Regional Council received a bank guaranty in the amount of € 0.2 million.

To the best of our current knowledge, we also assume going forward that the risk of a claim under the aforementioned contingent liabilities, as in the past, will not lead to any additional expense for the company.

On 19 January 2015, W&W AG made a voluntary public offer to the minority shareholders of Württembergische Lebensversicherung AG to purchase some of their shares. The decision was published by management on 10 December 2014. For further information, please see the section on events after the reporting date in the Management Report.

Expenses for internal Group services are expected to amount to € 40.0 million in 2015.

Authorised capital

Pursuant to Article 5(5) of the Articles of Association of W&W AG, the Executive Board is authorised for a period of five years ending on 30 June 2019 to increase, on one or more occasions, the company's share capital by up to € 100,000,000.00 via issuance of new registered no-par-value shares in exchange for cash or contributions in kind, subject to the approval of the Supervisory Board (Authorised Capital 2014). Shareholders are entitled to a statutory subscription right. Shareholders may also be accorded the statutory subscription right by having one or more credit institutions or companies equivalent thereto pursuant to Section 186, para. 5 of the German Stock Corporation Act (AktG) subscribe to the new shares under an obligation to offer them to shareholders for subscription (indirect subscription right). Subject to approval by the Supervisory Board, the Executive Board is authorised to preclude shareholders from exercising the statutory subscription right in the following cases:

for fractional amounts; or

- with capital increases in exchange for contributions in kind for the purpose of acquiring (including indirectly) companies, parts of companies or participations in companies or for the purpose of acquiring other assets; or
- if, pursuant to Section 186, para. 3, fourth sentence AktG, new shares are issued in exchange for cash at a price that is not significantly below the stock exchange price of the shares that are already listed and the pro rata amount of the new shares does not exceed 10% of the share capital at the time this authorisation is recorded in the commercial register or, if less, at the relevant time the authorisation was exercised. Counting towards the 10% limit are other shares that had been newly issued or, following buyback, resold by the company during the term of this authorisation under preclusion of the subscription right or, in accordance with Section 186, para. 3, fourth sentence AktG, in connection with a cash capital increase. Also counting towards the 10% limit are shares with respect to which a warrant or conversion right, a warrant or conversion obligation, or a right in favour of the company to delivery of shares exists on account of warrant bonds, convertible bonds or profit participation certificates with warrant or conversion rights or obligations, or rights in

favour of the company to delivery of shares that had been issued by the company or its subordinate Group companies during the term of this authorisation under preclusion of the subscription right pursuant to Section 221, para. 4, second sentence in conjunction with Section 186, para. 3, fourth sentence AktG; or insofar as it is necessary in order to grant holders of warrant rights or creditors of convertible bonds or profit participation certificates with conversion rights that are issued by the company or its subordinate Group companies a right to subscribe to new shares to the extent to which they would be entitled after exercising warrant rights, conversion rights or rights to delivery of shares or after satisfying warrant or conversion obligations.

Subject to approval by the Supervisory Board, the Executive Board is authorised to stipulate the further details of the capital increase, its implementation, including the issue price, and the contribution to be paid for the new no-par-value shares. The Supervisory Board is authorised to modify the wording of the Articles of Association after implementation of an increase of the share capital out of Authorised Capital 2014 to conform to the respective increase of the share capital, as well as after expiry of the term of the authorisation.

Contingent capital

By resolution adopted at the Annual General Meeting on 28 May 2014, the Executive Board was authorised to issue warrant bonds, convertible bonds, profit participation certificates, profit participation bonds or a combination of these instruments on or before 27 May 2019. Article 5(6) of the Articles of Association accordingly provides that the share capital of W&W AG is contingently increased by the nominal amount of at most € 240,000,003.46, divided into at most 45,889,102 no-par-value registered shares (Contingent Capital 2014). The contingent capital increase is to be implemented only if holders or creditors of warrant rights or conversion rights or those obligated to exercise the warrant or to convert under warrant bonds, convertible bonds or profit participation certificates that, on the basis of the authorisation granted to the Executive Board by the Annual General Meeting on 28 May 2014, are issued by the company or a subordinate Group company or guaranteed by the company on or before 27 May 2019 make use of their warrant rights or conversion rights; or holders or creditors of warrant bonds, convertible bonds or profit participation certificates that, on the basis of the authorisation granted to the Executive Board by the Annual General Meeting on 28 May 2014, are issued by the company or a subordinate Group company or guaranteed by the company on or before 27 May 2019 are obligated to exercise the warrant or to convert and satisfy such obligation; or the company exercises a right to deliver to holders or creditors of warrant bonds, convertible bonds or profit participation certificates that, on the basis of the authorisation granted to the Executive Board by the Annual General Meeting on 28 May 2014, are issued by the company or a subordinate Group company or guaranteed by the company on or before 27 May 2019 shares of the company in lieu of cash payment, either in whole or in part; and provided that neither cash settlement is granted nor its own shares or those of some other publicly traded company are used to service it. New shares are to be issued at the warrant or conversion price to be stipulated in accordance with the aforementioned authorisation resolution of 28 May 2014 or at the lower issue amount stipulated in accordance with the aforementioned authorisation resolution of 28 May 2014. The new shares participate in profit from the start of the financial year in which they come about. To the extent permitted by law, and subject to approval by the Supervisory Board, the Executive Board is authorised to stipulate that, in the event that a resolution on appropriation of profit has not been adopted for the financial year immediately preceding the year of issue at the time of issue, the new shares are to participate in profit from the start of the financial year immediately preceding the year of issue. Subject to approval by the Supervisory Board, the Executive Board is further authorised to stipulate the further details of the implementation of the contingent capital increase. Use may be made of the authorisation granted by resolution of the Annual General Meeting on 28 May 2014 to issue warrant bonds, convertible bonds and profit participation certificates only if the warrant bonds, convertible bonds or profit participation certificates are structured in such a way that the capital that is paid in for them satisfies the supervisory requirements in effect at the time the authorisation is used for eligibility as own funds at the level of the company and/or the Group and/or the financial conglomerate and does not exceed any intake limits. Furthermore, use may be made of the authorisation granted by resolution of the Annual General Meeting on 28 May 2014 to permit subordinate Group companies to issue warrant bonds, convertible bonds and profit participation certificates and have them guaranteed by the company only if this is permissible under the supervisory provisions applying in each case.

Corporate Governance Code

Pursuant to Section 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board of our company have submitted the Statement of Compliance with the German Corporate Governance Code and have made it permanently accessible to shareholders on the company's website. It can also be found in the corporate governance statement in the Management Report.

Related party disclosures

Transactions with related parties are concluded at arm's length terms and conditions. Where employees are involved, preferential terms customary in the industry are used.

The control and profit transfer agreements concluded with Württembergische Versicherung AG, Wüstenrot Bank AG Pfandbriefbank, W&W Informatik GmbH, W&W Asset Management GmbH, W&W Produktion GmbH and W&W Service GmbH remain in place.

Group affiliation

Wüstenrot Holding AG, Ludwigsburg, maintains a majority holding of 66.31% in W&W AG, Stuttgart, as at the reporting date, and its consolidated financial statements include our company. The consolidated financial statements of Wüstenrot Holding AG and the subgroup financial statements of Wüstenrot & Württembergische AG are published in the German Electronic Federal Gazette.

The company has received the following notifications pursuant to Section 21, para. 1 of the German Securities Trading Act (WpHG):

Company name	Registered office	Exceeds/ Falls below	Reporting threshold	Date	Shareholding	Number of votes	Attribution pursuant to Section 22 WpHG
Swiss Re AG (attribution from Schweizerische Rückversicherungs-Gesellschaft AG)	Zurich, Switzerland	Falls below	3%	10.09.2014	–	–	–
Dr Lutz Helmig (attribution via HORUS Finanzholding GmbH)	Hallbergmoos, Germany	Exceeds	10%	11.12.2013	10.03%	9,228,134	Section 22, para. 1, first sentence, no. 1 WpHG
State of Baden-Württemberg, represented by the Ministry of Finance of Baden-Württemberg (attribution from Landeskreditbank Baden-Württemberg Förderbank)	Stuttgart, Germany	Falls below	5%	14.08.2009	4.99%	4,599,631	Section 22, para. 1, first sentence, no. 1 WpHG

Expenses for the auditor

The disclosures pursuant to Section 285, no. 17 of the German Commercial Code (HGB) are contained in the disclosures for the W&W consolidated financial statements.

Employees

W&W AG had an average of 439 (previous year: 448) employees during the financial year.

Remuneration of the individual members of the Executive Board

The outlines of the remuneration system are depicted in detail in the remuneration report contained in the Management Report. The following remarks contain the disclosures required under Section 285, no. 9 of the German Commercial Code (HGB).

Total remuneration was examined by the Supervisory Board, and it bears a reasonable relationship to the duties and performance of Executive Board members, as well as to the company's condition. In addition to their work for the company, Dr Gutjahr and Mr Wieland serve, and until his departure Mr Frohmüller served, as board members or managers for other W&W Group companies.

Total remuneration paid to Executive Board members during the reporting year for performing their duties at Wüstenrot & Württembergische AG amounted to € 2,156.3 thousand (previous year: € 2,966.2 thousand) and is composed of the following elements:

Remuneration of the individual members of the Executive Board 2014

	Term of office ends	Non-performance-related remuneration		Performance-related remuneration (short-term)		Performance-related remuneration (permanent) from 2011	Performance-related remuneration (permanent) from 2010	Ancillary benefits		Total	
in € thousands											
		2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Active members of the Executive Board											
Dr Alexander Erdland	01/2020	958.4	953.8	134.1	173.2	143.5	179.3	28.6	26.7	1,264.6	1,333.0
Dr Michael Gutjahr	08/2020	223.8	204.0	32.5	37.2	28.3	35.4	7.5	7.5	292.1	284.1
Dr Jan Martin Wicke	04/2014	194.7	584.0	24.3	106.6	88.3	99.7	6.9	18.3	314.2	808.6
Jens Wieland	06/2020	240.0	440.0	33.9	80.3	—	—	11.5	20.2	285.4	540.5
Total		1,616.9	2,181.8	224.8	397.3	260.1	314.4	54.5	72.7	2,156.3	2,966.2

Permanent performance-related remuneration for a prior financial year, i.e. the 2011 financial year, was earned with the close of 2014, since in the years 2012 to 2014 the W&W Group posted average IFRS after-tax income of at least € 100 million p.a. and did not post a loss in any of the three years. This performance-related remuneration will be disbursed in 2015.

In addition to the earned performance-related remuneration shown in the above table, contingent claims to disbursement of performance-related remuneration for the years 2012-2014 were acquired (in each case, the amount of performance-related remuneration not yet disbursed):

MULTI-YEAR VARIABLE REMUNERATION (SUSTAINABILITY COMPONENT)

	FINANCIAL YEAR 2012, PAYABLE IN 2016	FINANCIAL YEAR 2013, PAYABLE IN 2017	FINANCIAL YEAR 2014, PAYABLE IN 2018	TOTAL
in € thousands				
Dr Alexander Erdland	110.9	167.5	134.1	412.5
Dr Michael Gutjahr	23.9	35.9	32.5	92.3
Jens Wieland	25.9	77.6	33.9	137.4
SUBTOTAL	160.7	281.0	200.5	642.2
Klaus Peter Frohmüller (until 12/2013)	22.0	33.2	—	55.2
Dr Jan Martin Wicke (until 04/2014)	68.4	103.1	24.3	195.8
Total	251.1	417.3	224.8	893.2
Three financial years determinative for achievement of targets	2013	2014	2015	
	2014	2015	2016	
	2015	2016	2017	
Remuneration earned with the close of the financial year	2015	2016	2017	

Disbursement is made only if the aforementioned conditions occur or do not occur in the years 2015 to 2017. For 2014, the final amount will not be calculated until the Supervisory Board determines achievement of targets.

Performance-related remuneration for the financial year 2013, which was disbursed after achievement of targets was ascertained, resulted in a release of € 14.5 thousand (previous year 1.0 thousand). The amount consists of releases for Dr Erdland totalling € 5.7 thousand (previous year: € 0.6 thousand), for Mr Frohmüller totalling € 1.2 thousand (previous year: € 0.1 thousand), for Dr Gutjahr totalling € 1.3 thousand (previous year: € 0.1 thousand), for Dr Wicke totalling € 3.5 thousand (previous year: € 0.3 thousand) and for Mr Wieland totalling € 2.8 thousand (previous year: € 0.0 thousand).

In the 2013 financial year, provisions in the amount of € 431.6 thousand (previous year: € 252.1 thousand) were created for acquired contingent claims to disbursement in 2017 of performance-related remuneration for the 2013 financial year. Once achievement of targets was ascertained, a release took place in the amount of € 14.5 thousand (previous year: € 1.0 thousand).

In addition, the company did not grant or pay remuneration that was not disbursed, remuneration converted into claims of another nature, remuneration used to increase other claims, or other remuneration that to date has not been indicated in any annual financial statements.

The present value of pensions attributable to the company amounts to € 3,678.8 thousand (previous year: € 3,381.2 thousand), in each case based on the final age of 61. Attributable to Dr Erdland is the amount of € 2,362.3 thousand (previous year: € 2,233.3 thousand) and to Dr Gutjahr the amount of € 992.9 thousand (previous year: € 798.0 thousand), as well as, based on the final age of 65, to Dr Wicke the amount of € 274.5 thousand (previous year: € 299.7 thousand) and to Mr Wieland the amount of € 49.1 thousand (previous year: € 50.2 thousand). These benefits have to do with long-term post-employment benefits. Additions during the financial year that were attributable to the company amount to € 374.1 thousand (previous year: € 79.4 thousand). Of these additions, attributable to Dr Erdland is the amount of € 137.6 thousand (previous year: release of € 114.4 thousand), to Dr Gutjahr the amount of € 240.5 thousand (previous year: € 100.0 thousand), to Mr Wieland the amount of € 21.3 thousand (previous year: € 31.6 thousand) and to Dr Wicke a release in the amount of € 25.3 thousand (previous year: expense of € 62.2 thousand).

After offsetting the claims against his prior employer, the pension of Dr Erdland amounts to € 128.5 thousand (previous year: € 128.5 thousand). The pension of Dr Gutjahr amounts to € 58.5 thousand (previous year: € 52.7 thousand), whereby the pension is offset by occupational pension benefits against third parties.

Dr Gutjahr will be granted a transitional allowance if his employment agreement is not renewed by the company beyond the pledged term of office without the existence of a material reason that would entitle the company to terminate the employment relationship without notice. In such case, the amount he earns from self-employed and employed work until reaching the age of 61 will be offset to the extent that, together with the transitional allowance, it exceeds the amount most recently earned at the company. If Mr Wieland's employment relationship ends after his first term of office but before he reaches the age of 61, he is to be paid a transitional allowance, unless Mr Wieland rejects an extension of the employment agreement offered to him at the same terms or terms more favourable to him or non-renewal is based on a material reason within the meaning of Section 626 of the German Civil Code (BGB) for which Mr Wieland is responsible.

The share of the annual transitional allowance for Dr Gutjahr that is attributable to the company amounts to € 58.8 thousand (previous year: € 52.7 thousand). The transitional allowance for Mr Wieland amounts to € 100.0 thousand (previous year: € 100.0 thousand) and is to be paid to Mr Wieland beginning with the end of the employment agreement until he reaches the age of 61, but not later than the end of the month in which Mr Wieland first begins to receives benefits under statutory pension insurance or occupational pension benefits from the company. Mr Wieland's claim to payment of the transitional allowance is to be offset by the amount he earns from new employment. However, offsetting is to take place only if and insofar as the other earnings exceed € 165.0 thousand (previous year: € 165.0 thousand).

The company did not grant any loans to members of the Executive Board. No liabilities were entered into in favour of Executive Board members.

Total remuneration paid to former Executive Board members in the financial year amounted to € 1,677.8 thousand (previous year: € 1,714.8 thousand). Of this amount, € 309.0 thousand (previous year: € 422.8 thousand) was attributable to survivor benefits.

A reserve in the amount of € 15,129.9 thousand (previous year: € 15,093.7 thousand) was created for pension obligations to former members of the Executive Board and their survivors.

There were no other encumbrances on the company during the financial year for benefits to former members of the Executive Board or Supervisory Board or their survivors through severance payments, pensions, survivor benefits or other benefits of a related nature.

Remuneration of the Supervisory Board

Supervisory Board remuneration takes the form of fixed remuneration whose amount is determined by the Annual General Meeting. If the Annual General Meeting does not determine an amount, then the amount of the previous year is applicable. Supplementary amounts are stipulated for the Chairman and the Deputy Chairman, as well as for committee activities. In addition, fees are paid for attending Supervisory Board meetings.

Base remuneration, which is payable after the close of the financial year, amounts to € 25.0 thousand (previous year: € 25.0 thousand) per year. Committee remuneration amounts to € 8.0 thousand (previous year: € 8.0 thousand) per year for the Risk and Audit Committee and the Personnel Committee and to € 4.0 thousand (previous year: € 4.0 thousand) per year for the Mediation and Administration Committee. No committee remuneration is paid for the Nomination Committee. An attendance fee of € 0.5 thousand (previous year: € 0.5 thousand) is paid per Supervisory Board meeting. No fees are paid for attending committee meetings.

Base remuneration and committee remuneration are increased by 150% for the Chairman and by 75% for his deputies.

In the 2014 financial year, the company paid the members of the Supervisory Board of Wüstenrot & Württembergische AG total remuneration of € 679.8 thousand (previous year: € 667.3 thousand). In the 2014 financial year, the company paid former members of the Supervisory Board of Wüstenrot & Württembergische AG leaving in the financial year pro rata temporis remuneration of € 11.1 thousand (previous year: € 0.0 thousand).

Members of the Supervisory Board are reimbursed for expenses and the value-added tax due on Supervisory Board remuneration. However, this is not contained in the designated expenses.

W&W AG has no receivables from members of the Supervisory Board as a result of granted advances or loans.

Subscription rights or other share-based remuneration for members of the Supervisory Board do not exist in the W&W Group. No reserves for current pensions or entitlements had to be created for members of the Supervisory Board or their survivors.

The company did not pay any remuneration or grant any benefits to members of the Supervisory Board for personally performed services, such as consulting or brokering services.

Remuneration of the individual members of the Supervisory Board in 2014

in € thousands	Base remuneration 2014	Attendance fees 2014	Committee remuneration 2014	Total 2014	Total 2013
Hans Dietmar Sauer (Chairman)	62.5	3.0	48.0	113.5	112.5
Frank Weber (Deputy Chairman)	43.8	3.0	12.0	58.8	57.8
Christian Brand	25.0	3.0	4.0	32.0	31.0
Peter Buschbeck	14.9	1.5	4.8	21.2	—
Wolfgang Dahlen	25.0	3.0	16.0	44.0	43.0
Thomas Eichelmann	25.0	1.5	15.1	41.6	34.5
Dr Rainer Hägele	25.0	3.0	12.0	40.0	39.0
Dr Reiner Hagemann	25.0	3.0	8.0	36.0	35.0
Ute Hobinka	25.0	3.0	12.0	40.0	38.5
Jochen Höpken	25.0	3.0	4.0	32.0	31.0
Uwe Ilzhöfer	25.0	2.5	8.0	35.5	35.0
Dr Wolfgang Knapp	25.0	2.0	4.0	31.0	31.0
Andreas Rothbauer	25.0	3.0	8.0	36.0	35.0
Ulrich Ruetz	25.0	2.0	12.1	39.1	51.0
Matthias Schell	25.0	3.0	4.0	32.0	31.0
Christoph Seeger	25.0	3.0	8.0	36.0	35.0
Subtotal	446.2	42.5	180.0	668.7	640.3
Gunter Ernst (former)	10.1	1.0	—	11.1	27.0
Total	456.3	43.5	180.0	679.8	667.3

INDIVIDUAL DISCLOSURES CONCERNING ASSETS

in € thousands	Carrying amount 2013	Additions	Disposals	Reclassifications	Write-ups	Write-downs	Carrying amount 2014
A. I. Land, land-type rights and buildings, including buildings on third-party land	73,709	5,295	—	—	—	2,299	76,705
A. II. Capital investments in affiliated companies and participations							
1. Interests in affiliated companies	1,586,120	7,000	20,000	—	14,330	1,363	1,586,087
2. Loans to affiliated companies	190,446	7,000	29,896	—	—	—	167,550
3. Participations	26,181	3,625	649	—	526	32	29,651
4. Total A. II.	1,802,747	17,625	50,545	—	14,856	1,395	1,783,288
A. III. Other capital investments							
1. Shares, interests or shares in investment assets and other variable-yield securities	453,470	88,962	—	—	25	1,012	541,445
2. Bearer bonds and other fixed-income securities	47,401	47,056	10,200	—	1,256	27	85,486
3. Other loans				—			
a) Registered bonds	199,431	10,000	20,000	—	78	116	189,393
b) Promissory notes and loans receivable	195,551	43,006	254	—	—	—	238,303
c) Any other loans	15,000	—	—	—	—	—	15,000
4. Deposits with credit institutions	163,774	—	38,211	—	3,141	—	128,704
5. Other capital investments	87	—	—	—	—	—	87
6. Total A. III.	1,074,714	189,024	68,665	—	4,500	1,155	1,198,418
Total	2,951,170	211,944	119,210	—	19,356	4,849	3,058,411

Write-ups contain exchange rate gains from bearer bonds in the amount of € 0.5 million and from deposits with credit institutions in the amount of € 3.1 million, which are recognised under "Other non-technical net income".

List of shareholdings

Name and registered office of the company	Direct interest in capital, in %	Indirect interest in capital, in %	Currency	Reporting date	Equity[1]	Net income/loss after taxes[1]
Germany						
3B Boden-Bauten-Beteiligungs-GmbH, Ludwigsburg	100.00		€	31.12.2014	104,904,903	963,840
Adveq Europe II GmbH, Frankfurt am Main		16.77	€	31.12.2013	62,743,364	5,618,530
Adveq Opportunity II Zweite GmbH, Frankfurt am Main		29.31	€	31.12.2013	25,457,219	1,851,253
Adveq Technology III GmbH, Frankfurt am Main		18.84	€	31.12.2013	46,150,592	6,303,698
Adveq Technology V GmbH, Frankfurt am Main		16.50	€	31.12.2013	62,740,752	5,525,262
Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart		100.00	€	31.12.2014	39,561,155	1,700,000
Altmark Versicherungsmakler GmbH, Stuttgart		100.00	€	31.12.2013	1,543,226	175,295
Altmark Versicherungsvermittlung GmbH, Stuttgart		100.00	€	31.12.2013	219,165	160,714
Asendorfer Kippe ASK GmbH & Co. KG, Stuttgart		100.00	€	31.12.2013	4,065,353	– 258,207
Auda Ventures GmbH & Co. Beteiligungs-KG, Munich		5.79	€	31.12.2013	26,328,349	7,509,327
Berlin Leipziger Platz Grundbesitz GmbH, Stuttgart		100.00	€	31.12.2014	2,033,162	– 248,386
Beteiligungs-GmbH der Württembergischen, Stuttgart		100.00	€	31.12.2013	2,185,097	249,287
BPE2 Private Equity GmbH & Co. KG, Hamburg		10.00	€	31.12.2013	14,917,740	23,276,332
BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart		35.00	€	31.12.2014	485,265,508	214,769,915
City Immobilien GmbH & Co. KG der Württembergischen, Stuttgart		100.00	€	31.12.2014	130,117,809	5,291,987
City Immobilien II GmbH & Co. KG der Württembergischen, Stuttgart		100.00	€	31.12.2014	– 5,800	– 5,000
Coller German Investors GmbH & Co. KG, Munich		10.00	€	31.12.2013	3,646,207	455,128
Crown Premium Private Equity III GmbH & Co. KG, Munich		6.60	€	31.12.2013	107,351,163	9,589,765
Deutscher Solarfonds „Stabilität 2010“ GmbH & Co. KG, Frankfurt am Main		17.77	€	31.12.2013	116,795,580	4,131,395
DBAG Fund VI Feeder, GmbH & Co. KG, Frankfurt am Main		30.71	€	31.12.2013	5,720,850	– 8,232
Domus Beteiligungsgesellschaft der Privaten Bausparkassen mbH, Berlin		19.82	€	31.12.2013	17,019,138	– 980
EquiVest II GmbH & Co. Zweite Beteiligungs KG Nr. 1 für Vermögensanlagen, Munich		9.97	€	31.12.2013	38,204,571	– 2,309,135
Eschborn Grundstücksgesellschaft mbH & Co. KG, Stuttgart		51.00	€	31.12.2014	31,079,460	– 582,742

European Sustainable Power Fund Nr. 2 GmbH & Co. KG, Grünwald	1.00	11.10	€	30.09.2013	492,474,639	26,620,900
Ganzer GmbH & Co. KG, Harrislee		100.00	€	31.12.2013	– 1,739,214	125,736
Gerber GmbH & Co. KG, Stuttgart		100.00	€	31.12.2014	273,856,904	– 190,614
Gestorf GmbH & Co. KG, Stuttgart		100.00	€	31.12.2013	297,857	– 52,655
GLL GmbH & Co. Messeturm Holding KG, Munich		5.97	€	31.12.2013	– 60,316,000	– 113,757,000
GMA Gesellschaft für Markt- und Absatzforschung mbH, Ludwigsburg		100.00	€	31.12.2013	1,741,761	138,627
High Tech Beteiligungen GmbH & Co. KG, Düsseldorf		6.60	€	31.12.2013	3,682,533	699,859
Hinterbliebenenfürsorge der Deutschen Beamtenbanken GmbH, Karlsruhe		100.00	€	31.12.2013	97,298	942
HVH Immobilien GmbH & Co. New York KG, Munich		9.95	€	30.09.2012	416,353	7,833,085
IVB - Institut für Vorsorgeberatung Risiko- und Finanzanalyse GmbH, Karlsruhe		100.00	€	31.10.2013	61,796	4,137
IVZ Immobilien Verwaltungs GmbH & Co. Finanzanlagen KG, Munich		10.00	€	31.12.2013	29,796,966	1,741,642
IVZ Immobilien Verwaltungs GmbH & Co. Südeuropa KG, Munich		10.00	€	31.12.2013	3,831,684	2,602,858
Kapitalbeteiligungsgesellschaft der Deutschen Versicherungswirtschaft AG i.L., Berlin		6.84	€	31.12.2013	13,151,308	– 524,120
Karlsruher Lebensversicherung AG, Karlsruhe		82.76	€	31.12.2014	10,439,249	1,749,600
Karlsruher Rendite Immobiliengesellschaft mbH i.L., Karlsruhe		100.00	€	30.04.2014	192,215	– 1,441
KLV BAKO Dienstleistungs-GmbH, Karlsruhe		92.80	€	31.12.2013	180,490	8,498
KLV BAKO Vermittlungs-GmbH, Karlsruhe		75.90	€	31.12.2013	188,199	8,995
LP 1 Beteiligungs-GmbH & Co. KG, Stuttgart		100.00	€	31.12.2014	215,418	– 29,649
Miethaus und Wohnheim GmbH i.L., Mannheim		100.00	€	31.12.2014	1,921,900	– 769
Nord-Deutsche AG Versicherungs-Beteiligungsgesellschaft, Stuttgart		100.00	€	31.12.2014	10,387,898	34,549
Odewald & Compagnie GmbH & Co. KG für Vermögensanlagen in Portfoliounternehmen, Berlin		13.52	€	31.12.2013	39,656	1,592,471
Onshore Wind Portfolio 2012 GmbH & Co. KG, Frankfurt am Main	4.41	16.31	€	31.10.2014	122,758,066	2,998,114
PWR Holding GmbH, Munich		33.33	€	31.12.2012	1,871,526	– 26,075
Schulenburg GmbH & Co. KG, Stuttgart		100.00	€	31.12.2013	2,191,691	– 368,946
Stuttgarter Baugesellschaft von 1872 AG, Stuttgart		100.00	€	31.12.2014	427,687	10,955
V-Bank AG, Munich		47.14	€	31.12.2014	28,230,920	3,601,997
VC Fonds Baden-Württemberg GmbH & Co. KG, Stuttgart		25.00	€	New investment 28.08.2014		
VV Immobilien GmbH & Co. United States KG i.L., Munich		9.98	€	31.12.2013	19,621,829	3,781,556

List of shareholdings (continuation)

Name and registered office of the company	Direct interest in capital, in %	Indirect interest in capital, in %	Currency	Reporting date	Equity[1]	Net income/loss after taxes[1]
VV Immobilien GmbH & Co. US City KG i.L., Munich		23.10	€	31.12.2013	27,932,045	5,187,729
W&W Asset Management GmbH, Ludwigsburg[2]	100.00		€	31.12.2014	11,261,185	—
W&W Gesellschaft für Finanzbeteiligungen mbH, Stuttgart	100.00		€	31.12.2014	34,023,598	– 3,539,069
W&W Informatik GmbH, Ludwigsburg[2]	100.00		€	31.12.2014	473,025	—
W&W Produktion GmbH, Berlin[2]	100.00		€	31.12.2014	25,000	—
W&W Service GmbH, Stuttgart[2]	100.00		€	31.12.2014	100,153	—
Windpark Golzow GmbH & Co. KG, Rheine		100.00	€	31.12.2013	– 2,038,361	– 1,641,208
WL Erneuerbare Energien Verwaltungs GmbH, Stuttgart		100.00	€	31.12.2014	52,840	5,227
WL Renewable Energy GmbH & Co. KG, Stuttgart		100.00	€	31.12.2014	52,288,841	1,024,229
WL Sustainable GmbH & Co. KG, Stuttgart		100.00	€	31.12.2014	54,232,710	1,035,608
Wohnimmobilien GmbH & Co. KG der - Württembergischen, Stuttgart		100.00	€	31.12.2014	211,781,737	5,371,719
Württembergische Immobilien AG, Stuttgart		100.00	€	31.12.2014	99,423,101	1,620,940
Württembergische KÖ 43 GmbH, Stuttgart		94.00	€	31.12.2014	23,342,551	1,046,087
Württembergische Krankenversicherung AG, Stuttgart	100.00		€	31.12.2014	25,748,122	3,000,000
Württembergische Lebensversicherung AG, Stuttgart	83.42		€	31.12.2014	323,511,724	15,000,000
Württembergische Logistik I GmbH & Co. KG, Stuttgart		100.00	€	31.12.2014	11,781,019	1,147,731
Württembergische Logistik II GmbH & Co. KG, Stuttgart		94.89	€	31.12.2014	28,656,298	1,437,111
Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart		100.00	€	31.12.2014	100,037	23,343
Württembergische Versicherung AG, Stuttgart[2]	100.00		€	31.12.2014	208,903,024	—
Württembergische Vertriebsservice GmbH für Makler und freie Vermittler, Stuttgart[2]		100.00	€	31.12.2014	74,481	—
Württembergische Verwaltungsgesellschaft mbH, Stuttgart		100.00	€	31.12.2014	31,703	314
Württfeuer Beteiligungs-GmbH, Stuttgart	100.00		€	31.12.2014	3,537,585	– 16,600
WürttLeben Alternative Investments GmbH, Stuttgart		100.00	€	31.12.2014	22,500	– 2,500
WürttVers Alternative Investments GmbH, Stuttgart[2]		100.00	€	31.12.2014	25,000	—

List of shareholdings (continuation)

Name and registered office of the company	Direct interest in capital, in %	Indirect interest in capital, in %	Currency	Reporting date	Equity[1]	Net income/loss after taxes[1]
Wüstenrot Bank AG Pfandbriefbank, Ludwigsburg[2]	100.00		€	31.12.2014	350,348,606	—
Wüstenrot Bausparkasse AG, Ludwigsburg	100.00		€	31.12.2014	703,073,127	4,627,344
Wüstenrot Grundstücksverwertungs-GmbH, Ludwigsburg	100.00		€	31.12.2014	2,124,023	68,151
Wüstenrot Haus- und Städtebau GmbH, Ludwigsburg	100.00		€	31.12.2014	36,414,161	3,643,193
Wüstenrot Immobilien GmbH, Ludwigsburg	100.00		€	31.12.2013	3,664,207	608,228
France						
Württembergische France Immobiliere SARL, Strasbourg		100.00	€	30.09.2014	15,017,818	1,346,440
Württembergische France Strasbourg SARL, Strasbourg		100.00	€	30.09.2014	44,765,806	1,673,652
Ireland						
BlackRock NTR Renewable Power Fund plc, Dublin		89.55	US$	31.12.2013	18,857,000	– 1,501,000
Crown Global Secondaries II plc, Dublin		7.22	€	31.12.2013	969,036,906	148,708,705
W&W Advisory Dublin Ltd., Dublin		100.00	€	31.12.2014	6,381,630	5,603,246
W&W Asset Management Dublin Ltd., Dublin		100.00	€	31.12.2014	6,137,203	5,636,747
W&W Europe Life Limited, Dublin	100.00		€	31.12.2014	18,834,772	– 733,611
Luxembourg						
DB Secondary Opportunities SICAV-SIF - Sub Fund DB SOF II Feeder USD, Luxembourg		16.79	US$	31.12.2013	55,619,847	13,970,538
First State European Diversified Infrastructure Feeder Fund II SCA, SICAV-SIF, Luxembourg		20.00		New investment 17.03.2014		
IKAV SICAV-FIS SCA – ecoprime TK I, Luxembourg		41.28	€	30.09.2013	50,486,695	2,354,392
IKAV SICAV-FIS SCA – Global Energy (Ecoprime III), Luxembourg	15.12	30.24	€	30.09.2013	9,497,582	154,051
IKAV SICAV-FIS SCA - Global PV Investments, Luxembourg		46.25	€	30.09.2013	38,694,209	2,300,606
Secondary Opportunities SICAV-SIF – Sub-fund SOF III Feeder USD, Luxembourg		35.48	€	New investment 30.10.2014		
Slovakia						
Wüstenrot stavebná sporiteľňa a.s., Bratislava	40.00		€	31.12.2014	37,206,137	1,169,853
Czech Republic						

WIT Services s.r.o., Prague		100.00	CZK	31.12.2013	3,715,000	511,000
Wüstenrot hypoteční banka a.s, Prague	99.91	0.09	CZK	31.12.2014	1,635,817,024	218,433,102
üstenrot pojišťovna a.s., Prague	100.00		CZK	31.12.2014	318 054 468	– 49,177,090
Wüstenrot service s.r.o., Prague		100.00	CZK	31.12.2013	3,715,000	511,000
Wüstenrot stavební spořitelna a.s., Prague	55.92		CZK	31.12.2014	3,112,654,233	89,478,598
Wüstenrot životní pojišťovna a.s., Prague	100.00		CZK	31.12.2014	178,663,958	3,525,892
Hungary						
Fundamenta-Lakáskassza-Lakástakarékpénztár Zrt., Budapest	11.47		HUF	31.12.2013	17,515,000	5,374,000
United Kingdom						
BlackRock Private Equity Partners III (Feeder No. 1) L.P., London		100.00	US$	31.12.2013	12,745,088	1,768,382
Brookfield Capital Partners Fund III (NR A) L.P., Grand Cayman		12.20	US$	31.12.2013	469,067,000	99,450
Capital Dynamics Clean Energy and Infrastructure Feeder L.P., Edinburgh		28.24	US$	31.12.2013	82,371,790	292,836
Capital Dynamics US Solar Energy Feeder, L.P., Edinburgh		62.69	US$	31.12.2013	57,577,090	992,303
Carlyle Cardinal Ireland Fund, L.P., Grand Cayman		5.82		New investment 07.07.2014		

List of shareholdings (continuation)

Name and registered office of the company	Direct interest in capital, in %	Indirect interest in capital, in %	Currency	Reporting date	Equity[1]	Net income/loss after taxes[1]
Glennmont Clean Energy Fund Europe 1 'A' L.P., London		11.80	€	31.12.2013	236,894,111	29,547,944
HgCapital Renewable Power Partners 2 LP, London		29.53	€	31.12.2013	37,637,818	– 13,043,009
Kennet III A L.P., St. Peter Port		6.73	€	31.12.2013	293,342,616	– 3,069,762
Kennet IV L.P., St. Peter Port		18.83		New investment 29.07.2014		
Partners Group Emerging Markets 2007, L.P., Edinburgh		12.01	US$	31.12.2013	157,991,000	1,047,000
Project Glow Co-Investment Fund, L.P., Grand Cayman		51.72		New investment 10.10.2014		

1 The figures relate to the annual financial statements most recently available on the reporting date.
2 Profit and loss transfer agreement in place.
3 Pursuant to Section 16, para. 4 AktG, the indirect interest (or: ownership interest; or: ownership share) consists of interests that belong to a dependent company or to another company for the account of the company or a company dependent on it.

Individual disclosures concerning the income statement

in € thousands	Gross premiums written 2014	Gross premiums written 2013	Net technical income/loss for own account (prior to claim equalisation provisions) 2014	Net technical income/loss for own account (prior to claim equalisation provisions) 2013	Net technical income/loss for own account (after claim equalisation provisions) 2014	Net technical income/loss for own account (after claim equalisation provisions) 2013
Fire insurance	47,907	49,354	2,511	– 2,144	548	– 1,663
Other property insurance	69,965	64,129	983	– 9,562	– 3,439	– 8,323
Total fire and other property insurance	117,872	113,483	3,494	– 11,706	– 2,891	– 9,986
Motor insurance	109,486	106,849	– 5,895	– 16,741	– 7,040	– 11,782
General liability insurance	29,805	28,589	860	5,891	1,553	6,109
Accident insurance	19,616	19,276	2,154	3,019	2,154	3,019
Transport and aviation hull insurance	3,193	3,100	813	124	1,190	377
Other insurance	22,200	22,232	– 1,336	– 717	– 617	– 1,700
Total property/ casualty insurance business	302,172	293,529	90	– 20,130	– 5,651	– 13,963
Life insurance	6,595	6,865	2,598	1,150	2,598	1,150
Total	308,767	300,394	2,688	– 18,980	– 3,053	– 12,813

COMMISSIONS AND OTHER REMUNERATION PAID TO INSURANCE REPRESENTATIVES, PERSONNEL EXPENSES

in € thousands	2014	2013
Wages and salaries	35,720	37,699
Social remittances and expenses for support	5,442	5,462
Expenses for pension scheme	6,058	3,071
TOTAL	47,220	46,232

W&W AG does not have its own mobile sales force. As a result, the table required by the German Regulation on the Accounting of Insurance Undertakings (RechVersV) contains only personnel expenses and no commissions or other remuneration paid to insurance representatives.

Appropriation of profit

PROPOSAL FOR THE APPROPRIATION OF UNAPPROPRIATED SURPLUS

The unappropriated surplus amounts to € 56,882,502.14. We propose that it be appropriated as follows:

in €	2014
Dividend of € 0.50 per share	46,874,860.00
Allocation to other reserves	9,000,000.00
Carryfoward to new account	1,007,642.14
TOTAL	56,882,502.14

Responsibility statement

To the best of our knowledge, and in accordance with applicable accounting principles, the annual financial statements present a true and accurate view of the net assets, financial position and financial performance of the company, and the Management Report presents a true and accurate view of the company's performance, results and position, together with a description of the material opportunities and risks associated with the expected development of the company.

Stuttgart, 17 February 2015

Dr Alexander Erdland

Dr Michael Gutjahr

Jens Wieland

Auditor's report

We have audited the annual financial statements of Wüstenrot & Württembergische AG, Stuttgart, comprising the balance sheet, the income statement and the notes to the financial statements, together with the accounting and the report on the situation of the company and the Group for the financial year 1 January to 31 December 2014. Accounting and the preparation of the annual financial statements and the report on the situation of the company and the Group in accordance with the requirements of German commercial laws and the supplementary provisions in the Articles of Association are the responsibility of the company's Executive Board. Our responsibility is to express an opinion on the annual financial statements, together with accounting and the report on the situation of the company and the Group, based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB) and generally accepted German standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that any misstatements and violations materially affecting the presentation of net assets, financial position and financial performance in the annual financial statements in accordance with the principles of proper accounting and in the report on the situation of the company and the Group are detected with reasonable assurance. Knowledge of the business operations and the economic and legal environment of the company and expectations as to possible errors 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 accounting, the annual financial statements and the report on the situation of the company and the Group are examined primarily on the basis of random spot checks within the framework of the audit. The audit includes assessing the accounting principles used and the material estimates made by the Executive Board, as well as evaluating the overall presentation of the annual financial statements and the report on the situation of the company and the Group. 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 annual financial statements comply with statutory rules and the supplementary provisions in the Articles of Association and present a true and accurate view of the net assets, financial position and financial performance of the company in accordance with the principles of proper accounting. The report on the situation of the company and the Group is consistent with the annual financial statements and as a whole presents a true and accurate view of the company's position and the opportunities and risks of future development.

Stuttgart, 11 March 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Ellenbürger	Dr Hasenburg
Wirtschaftsprüfer	Wirtschaftsprüfer
(German public auditor)	(German public auditor)

Report of the Supervisory Board

The Supervisory Board fulfilled its duties in accordance with statutory requirements, the Articles of Association and the bylaws in the 2014 financial year The Supervisory Board monitored the management of business and was directly involved in all matters of fundamental importance for the company.

In accordance with the Articles of Association, the Supervisory Board of Wüstenrot & Württembergische AG is composed of 16 members.

The Supervisory Board has five committees: the Personnel Committee, the Nomination Committee, the Risk and Audit Committee, the Administration Committee and the Mediation Committee. Further details about the composition and working methods of the Supervisory Board committees can be found in the corporate governance statement.

In 2014, the Risk and Audit Committee had two ordinary meetings and one teleconference. The Personnel Committee had three ordinary and three extraordinary meetings, and the Nomination Committee had two meetings. The Administration Committee and the Mediation Committee did not meet. The issues falling within the purview of the respective committees were thoroughly discussed at committee meetings. The committee chairs reported to the Supervisory Board about the work of the committees at ensuing meetings.

In the previous year, the Supervisory Board had five ordinary meetings and one extraordinary meeting, in which it considered at length the development of the company and the Group based on reports of the Executive Board, written presentations and documentation, which were submitted to it in timely fashion. The Executive Board reported regularly to the Supervisory Board in writing and verbally about all issues of relevance to the company and the Group concerning the strategic direction of the Group, planning, business development, risk position and the ratings of Group companies. In addition, the issue of risk management was dealt with at length. To this end, extensive risk reports were prepared and then presented to the Supervisory Board. The business and risk strategy was submitted to and discussed with the Supervisory Board. The Executive Board submitted the report of the Audit department to the Supervisory Board and the report of the Compliance Officer to the Risk and Audit Committee. The Executive Board provided the Chairman of the Supervisory Board with ongoing, prompt information about all material measures involving company policy.

At the forefront of the meetings of the Supervisory Board of Wüstenrot & Württembergische AG as the strategic management holding company during this financial year was the programme "W&W 2015" and an initial perusal of the next strategic step. In this regard, discussions focused on the strategic direction of the W&W Group in order to ensure sustainable earning power in the "new reality" characterised by an environment of low interest rates, increasing regulation and changed customer behaviour.

All measures requiring approval by statute or under the company's rules were submitted to the Supervisory Board. In particular, the Supervisory Board discussed at length the operational planning for 2015 and other medium-term planning with respect to the programme "W&W 2015". In light of growing regulatory capital requirements, one point of focus was capital adequacy planning for Wüstenrot & Württembergische AG. In addition, the Supervisory Board concerned itself with central issues of corporate governance and discussed all relevant legal amendments and their implementation both at Wüstenrot & Württembergische AG and in the W&W Group.

The Supervisory Board also discussed the remuneration system for the Executive Board and took note of the report of the Executive Board on the structuring of the remuneration system for employees. The most recent efficiency review of the work of the Supervisory Board took place in early 2015.

The reporting of the Executive Board continued to cover current personnel issues. Business and earnings performance and in the individual segments were addressed at length, as were the current situation on the capital markets and the expected impact on the Group. In connection with the discussion of long-term equity investment management, special attention was given to Wüstenrot Bank AG Pfandbriefbank.

The Supervisory Board reviewed at length the annual financial statements for the 2014 financial year, as well as the Management Report, the consolidated financial statements and the Group Management Report as at 31 December 2014. The annual financial statements, the Management Report, the consolidated financial statements and the Group Management Report are complete and in conformity with the estimates made by the Executive Board in the reports to be issued pursuant to Section 90 of the German Stock Corporations Act (AktG). The proposal of the Executive Board concerning the appropriation of net income corresponds to consistent accounting policies that take into consideration the company's liquidity position and planned investments. Therefore the Supervisory Board agrees with the proposal of the Executive Board.

KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, which was appointed auditor by the Supervisory Board, duly audited the annual financial statements for the 2014 financial year prepared by the Executive Board, as well as the Management Report, the consolidated financial statements and the Group Management Report, and it gave an unqualified audit certificate.

The auditor reported in writing and verbally to the Supervisory Board about the material results of its audit. The audit report was sent to each member of the Supervisory Board. In addition, the auditor was available to answer questions both at the meeting of the Risk and Audit Committee on 20 March 2015 and at the accounting meeting of the Supervisory Board on 25 March 2015. The submitted audit report meets the statutory requirements of Section 321 of the German Commercial Code (HGB) and was taken into account by the Supervisory Board in connection with its own audit.

The report on relationships with affiliated companies was submitted by the Executive Board to the Supervisory Board and the auditor for review immediately after its completion. The Supervisory Board examined the report on relationships with affiliated companies and the auditor's report. The report meets the statutory requirements and completely and accurately depicts the company's existing relationships with affiliated companies. The result of the auditor's audit of the report on relationships with affiliated companies is consistent with the result of the audit by the Supervisory Board. The auditor gave the following unqualified audit certificate:

"Having audited the report in accordance with our professional duties, we confirm that
1. its factual details are correct,
2. in the case of the transactions detailed in the report, the company's expenditure was not unreasonably high."

Following the definitive result of the audit of the annual financial statements and the Management Report, as well as the consolidated financial statements, the Group Management Report and the report on relationships with affiliated companies, the Supervisory Board raised no objections and, at its meeting on 25 March 2015, approved the annual financial statements prepared by the Executive Board as well as the consolidated financial statements. Accordingly, the annual financial statements are deemed approved pursuant to Section 172, first sentence of the German Stock Corporations Act (AktG).

On 30 April 2014, Dr Jan Martin Wicke stepped down from the Executive Board of Wüstenrot & Württembergische AG.

As a result, the Supervisory Board gave its approval to the modification of the Executive Board's business allocation plan, effective 1 May 2014. The Supervisory Board also gave its approval to the modification of the business allocation plan, along with a shifting of duties within the Executive Board, effective 1 February 2015. At the end of the Annual General Meeting on 28 May 2014, the shareholder representative Gunter Ernst stepped down from the Supervisory Board. Peter Buschbeck was elected to replace him. In December 2014, the Supervisory Board, together with the Executive Board, adopted the updated compliance statement relating to the German Corporate Governance Code. In the course of the audit, the auditor found no evidence that the compliance statement was inaccurate.

The year 2014 placed high demands on management and the workforce. The Supervisory Board would like to thank the members of the Executive Board, senior managers, the members of the Works Council and the employees of all Group companies for their personal commitment and the contributions they made towards achieving the common objectives.

Stuttgart, 25 March 2015

The Supervisory Board

Hans Dietmar Sauer
Chairman

Glossary

Actuarial interest rate
Interest rate that is used by a life insurance company to calculate the provision for future policy benefits as well as, customarily, premiums, and that is guaranteed for the entire maturity. If a higher amount of interest is earned, customers receive most of this as profit participation.

Additional interest reserve
An additional provision for future policy benefits mandated by statute for life insurance contracts in the new portfolio (see also interest reinforcement for the old portfolio) in order to cover interest obligations in an environment of low interest rates. The legal basis is Section 341f (2) of the German Commercial Code (HGB) in conjunction with Section 5 of the German Policy Benefit Provision Regulation (DeckRV).

Affiliated companies
This term refers to the parent company (Group parent company) and all subsidiaries. Subsidiaries are companies over which the parent company can exercise a controlling influence on business policy. This is the case, for example, where the Group parent company directly or indirectly holds the majority of voting rights or has the right to appoint or remove the majority of the members of the Supervisory Board, or where there are contractual rights of control.

Allocation
If a home loan and savings customer has met all of a home loan savings plan's allocation conditions with his savings, the building savings contract is allocated. The home loan and savings customer may then dispose of → building savings contract balances and (after granting sufficient collateral) the → loan under the building savings contract.

Asset liability management
Asset liability management describes the coordination of the maturity structure of assets and liabilities, as well as control of the associated market and liquidity risks.

Associated company
An associated company is a company over which the Group as owner has a decisive influence. It is neither a subsidiary nor a joint venture. Decisive influence typically exists where the Group maintains an ownership of 20-50%.

Black-Scholes Model
Measurement model for ascertaining the fair value of options, which takes into consideration the strike price, the maturity of the option, the current price of the underlying, the risk-free interest rate and the → volatility of the underlying.

Building savings contract volume
This is defined when the contract is concluded and normally determines the volume of the home loan savings resources available for → allocation.

Cancellation (lapse rate)
Contracts that are terminated or made non-contributory by the policyholder before an insured event occurs. The lapse rate is the proportion of cancellations based on the average insurance portfolio.

Cap
A cap is an agreement between the seller of the cap and the buyer that, when a fixed market interest rate rises above an agreed interest rate limit, the seller will refund to the buyer the amount of the difference as relates to an agreed nominal amount.

Capital investments
Premium income from the operations of insurance companies is typically allocated to provisions and reserves. Pursuant to statutory provisions, the assigned amounts must be invested in such a way as to achieve the greatest possible security and profitability while maintaining the insurance company's liquidity at all times. This is done by ensuring an appropriate mix and spread with respect to investment types.

By capital investments, we mean:

- Financial assets at fair value through profit or loss
- Non-current assets held for sale
- Financial assets available for sale
- Loans and advances – senior fixed-income securities
- Loans and advances – subordinated securities and loans and advances
- Loans and advances – first-tier loans and advances to institutional investors
- Loans and advances – other loans and advances to credit institutions
- Financial assets recognised using the equity method
- Investment property

CAPITAL INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDERS

These mainly include capital investments in unit-linked life insurance and additional capital investments designed to cover liabilities under contracts where the benefit is index-linked. Policyholders are entitled to the income earned from these capital investments, but they also have to bear any losses themselves.

CASH RESERVE

The cash reserve consists of cash in hand, deposits with the German Bundesbank and central bank that are payable on demand, balances with foreign postal giro offices, and debt instruments issued by public sector entities.

COMBINED RATIO

Actuarial profitability indicator used by property/ casualty insurance companies, total of the loss ratio and the operating expense ratio.

COMPLIANCE

Compliance refers to all measures that are taken to ensure the legally and ethically correct behaviour of companies, governing bodies and employees. Compliance is designed to protect the company against misconduct, which can lead to pecuniary losses, damage to image and the failure to meet corporate objectives. It is also designed to protect the interests of employees, customers and business partners.

COMPLIANCE STATEMENT

Section 161 of the German Stock Corporations Act (AktG) obligates the executive board and supervisory board of a listed company to declare annually that the recommendations of the German → Corporate Governance Code were complied with or which recommendations of the Code were not applied.

CONTINGENT LIABILITIES

Unrecognised liabilities that are unlikely to occur, for example contingent liabilities arising from guaranty obligations.

CORPORATE GOVERNANCE CODE

The German Corporate Governance Code contains nationally and internationally recognised standards of good and responsible corporate governance. Apart from conditions that have to be observed by companies as applicable statutory law, the Code also contains recommendations and suggestions. Companies can deviate from recommendations, but they are obligated to disclose this annually. Suggestions can be deviated from without disclosure.

D&O INSURANCE

Directors & officers insurance is a type of liability insurance for managers. It covers executive board members, supervisory board members and senior executives against claims that may be brought against them as a result of a professional error.

DEFERRED TAXES

Deferred taxes must be created for temporary differences resulting from the different valuation methods applied to assets and liabilities in the tax and IFRS balance sheets, where the tax effects arise in future periods.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are forward transactions structured as a fixed or option transaction whose value depends on one or more underlying variables. Important examples of derivative financial instruments are options, futures, forwards and swaps.

Direct Credit
The part of the surplus earned by the insurance company that is credited directly to customers during the financial year.

Earnings Per Share
Earnings per share are calculated by dividing the consolidated net profit attributable to the common shareholders of the parent company by the weighted average number of common shares outstanding during the reporting period.

Effective Interest Rate Method
Pursuant to IAS 39, the effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability. It is also used to allocate interest receivable or interest payable over the relevant period. Using the effective interest rate, for example, a discount is spread over the maturity of the financial instrument and reduced to zero.

Equalisation Reserve
Reserve to be created in accordance with officially established, actuarial-based methods in order to compensate for fluctuations in claims development in various years. In years with a relatively low/relatively high number of claims, additions/withdrawals are made.

Equity Method
Units or shares in associated companies and joint ventures are recognised in accordance with this method. In doing so, the valuation corresponds to the Group's share of equity of these companies.

Expenditure for Insurance Business (Administrative Costs)
Commissions, salaries, materials costs and other expenditure for the sale and ongoing management of insurance contracts.

Fair Value
The amount at which an asset is exchanged between knowledgeable, willing and unrelated business partners. The fair value is the current market value, insofar as there is an active market. If an active market does not exist, fair value is determined using recognised valuation methods.

Financial Assets/Liabilities at Fair Value Through Profit or Loss
One of the categories into which financial instruments have to be classified for the purpose of recognition pursuant to IAS 39.9. Financial assets that are measured at market value are allocated to this category. On the assets side, these are →financial assets held for trading and designated financial instruments, and on the liabilities side, these are →financial liabilities held for trading. Changes in the measurement of market value are recognised in profit or loss through the consolidated income statement.

Financial Assets Available for Sale
According to IFRS, the category "Financial assets available for sale" represents the most important category into which financial instruments are to be classified. It includes financial assets that cannot be allocated to financial investments held to maturity, to financial assets at fair value through profit and loss, or to receivables. The financial instruments in this category are recognised at fair value on the reporting date.

Financial Assets Held for Trading
Allocated to this category are fixed-income and variable-yield securities and → derivative financial instruments that were acquired solely for trading purposes. They are recognised at → fair value and are reported in the balance sheet under financial assets at fair value through profit or loss.

Financial Conglomerate
A financial conglomerate offers financial services (banking and insurance services). A financial conglomerate is defined as a group of companies consisting of a parent company, its subsidiaries and those companies in which the parent company or one of its subsidiaries maintains a long-term equity investment. The group must include at least one company in the banking or investment services sector and one company in the insurance sector, and one of these companies must be subject to supervision by the German Federal Financial Supervisory Authority (BaFin).

FINANCIAL LIABILITIES HELD FOR TRADING

This position contains negative market values from derivatives and the short selling of securities. Short selling is undertaken in order to generate profits from short-term price fluctuations. Liabilities held for trading are measured and recognised analogously to financial assets held for trading.

FOR OWN ACCOUNT

In insurance terminology, "for own account" (f.o.a.) means after deduction of the reinsurance component.

FUTURES

Standardised forward transactions under which a commodity available on a cash, capital, precious-metal or foreign exchange market is to be delivered or purchased at the exchange price at a particular time in the future.

GENUINE SECURITIES REPURCHASE TRANSACTION (REPO)

A genuine securities repurchase transaction (repo) is a contract in which the buyer assumes the obligation to retransfer the securities acquired under a repurchase agreement at a predetermined time or at a time determined by the seller.

GERMAN COVERED BONDS

German covered bonds are:

- covered bonds based on acquired mortgages (German covered mortgage bonds)
- covered bonds based on acquired loans and advances due from governmental agencies (public German covered bonds)
- covered bonds based on acquired ship mortgages (German covered ship mortgage bonds)

GROSS/NET

In underwriting, gross/net means the respective position or ratio before or after deducting reinsurance.

GROSS NEW BUSINESS

For home loan and savings banks, gross new business describes new business as the sum of all building savings contracts applied for and accepted during a certain period of time.

GUARANTEE ASSETS

Separate assets to be set aside by insurance companies in order to guarantee the claims of policyholders (→ provision for future policy benefits).

GUARANTEE NEEDS

Guarantee needs have to do with the interest rate obligation under insurance contracts measured by taking into account a current market interest rate, less the provision for future policy benefits. Valuation reserves for fixed-income securities are to be taken into account with regard to the participation of policyholders in valuation reserves only to the extent that they exceed guarantee needs. Net profit may be distributed only to the extent that it exceeds the guarantee needs. The legal basis is Section 56a (2) ff of the Insurance Supervision Act (VAG) in conjunction with Section 8 of the German Regulation on the Minimum Premium Refund in Life Insurance (MindZV).

HEDGE ACCOUNTING

Hedge accounting is an accounting procedure for depicting how the value of a hedge (e.g. an interest rate swap) and the value of an underlying (e.g. a loan) trend in opposite directions. The object of → hedging is to minimise the impact on the income statement that results from the measurement of derivatives and recognition of the results in profit or loss.

HEDGING

Coverage against price risks through an adequate counter-position, particularly through → derivative financial instruments. There are two basic models, depending on the risk to be secured: fair value hedges are used to secure assets or liabilities against risks of changes in value, and cash flow hedges mitigate the risk of fluctuations in future cash flows.

IFRS/IAS

The abbreviation IFRS stands for International Financial Reporting Standards and describes the international principles of financial reporting. Since 2002, the designation IFRS applies to the overall concept of the standards enacted by the International Accounting Standards Board (IASB). Standards already enacted continue to be called International Accounting Standards (IAS).

Interest rate swap
An interest rate swap is a contractual agreement between two parties to exchange interest payments in a currency.

Interest reinforcement
An additional provision for future policy benefits required by BaFin for life insurance contracts in the old portfolio (see also additional interest reserve for the new portfolio) in order to cover interest obligations in an environment of low interest rates. The calculation rule is dealt with in connection with the business plan for the old portfolio.

Interim loan
Loan granted against a building savings contract that has reached the minimum savings balance but has not yet been allocated. It is subsequently replaced with the allocated → building savings contract volume.

IRBA (Internal Ratings Based Approach)
Banks, banking groups and financial holding groups may rely on their own internal estimates of risk components when determining minimum capital requirements and in providing backing for risk-weighted assets for counterparty risks. The approval of BaFin is required in order to use IRBA.

ISDA (International Swaps and Derivatives Association)
The ISDA is an international trading organisation of participants on the derivatives market. The main purpose of the association is to research and mitigate risks in derivatives trading and in risk management in general. The association has published an ISDA Master Agreement, which is used for the standardised settlement of derivative transactions.

Issuer rating
An issuer rating (for banks and insurance companies) represents the current opinion of a rating agency about a debtor's general financial ability to meet its financial obligations. This opinion relates in particular to a debtor's ability and willingness to settle its financial liabilities in full and on time.

Loan under a building savings contract
After allocation of a building savings contract, there is a claim to a loan under a building savings contract, which is granted for housing financing activities. The amount of the loan under a building savings contract is typically determined by the difference between the → building savings contract volume and the building savings contract balance. Special features of this loan are a fixed low interest rate for the entire term, the ability to subordinate collateral and the right to make unscheduled payments at any time.

Loss ratio
Percentage ratio of loss expenses to premiums attributable to the financial year, i.e. those that are "earned".

Mixed funds
Investment funds that invest both in equities and in fixed-income securities.

Monte Carlo simulation
Simulation of random numbers.

Net interest
When calculating the net interest on capital investments, all realised income and expenses associated with the capital investments are taken into account and compared with the average value of the capital investment portfolio (according to carrying amounts). This also includes profits and losses from the disposal of capital investments, as well as write-downs. Net interest can therefore fluctuate considerably from year to year.

Net new business
For home loan and savings banks, net new business describes the sum of all contracts paid in during a certain period of time.

New business (annual portfolio contributions)
Annual portfolio contributions in property/casualty business that are added to the total portfolio over the course of the year on account of new contracts or contract amendments with a new business character (new contract or contract change to a different contract group).

NEW PREMIUM
This contains annual premiums from new life insurance business, including one-off premiums.

NON-CONTROLLING INTERESTS IN EQUITY
Interests in own funds of consolidated subsidiaries that, in the Group's view, are held by outside third parties.

NON-TECHNICAL ACCOUNT
The result from those types of income and expenses that are not allocated to direct insurance business.

OPTIONS
Forward contracts where the buyer is entitled but not obligated to purchase (call option) or sell (put option) the subject of the option within a certain period at a price agreed to in advance. The seller of the option (writer) is obligated to provide or accept the subject of the option and receives a fee for granting the option.

OTC (OVER THE COUNTER) DERIVATIVES
→ Derivative financial instruments that are not standardised and not traded on a stock exchange but instead are individually negotiated between two contractual partners.

PAID IN
A newly concluded building savings contract is deemed paid in after payment in full of the conclusion fee.

PORTFOLIO VALUE FROM ACQUIRED INSURANCE CONTRACTS
The value recognised upon acquisition of an insurance company as the countervalue for the acquired insurance contracts.

PREMIUMS, WRITTEN/EARNED
The premium is the price for the benefit to be provided by the insurer. It can be paid either continually or as a one-off premium. Written premiums are premium revenues received for the respective financial year. Earned premiums are the amounts attributable to the financial year.

PRIMARY INSURANCE
Primary insurance is established through a direct contractual relationship between the insurance company and the policyholder and is described as direct insurance business.

PROVISION FOR FUTURE POLICY BENEFITS
The insurance company creates a provision for future policy benefits in order to be able to guarantee the promised insurance cover at any time.

PROVISION FOR OUTSTANDING INSURANCE CLAIMS
This is a provision for expenses arising from claims that occurred in the respective financial year but have not yet been able to be settled. It also includes provisions for claims that occurred before the reporting date but have not yet been reported.

PROVISION FOR PREMIUM REFUNDS
The provision for premium refunds comes from that part of gross profit that is not credited directly to policyholders. It therefore includes those shares of the profit that are directly credited to customers in subsequent financial years. Consistent profit participation can thus be granted to policyholders from this provision, irrespective of fluctuating annual results. In addition, a deferred provision for premium funds must be created in IFRS financial statements for valuation differences between HGB and IFRS.

PROVISION FOR UNEARNED PREMIUMS
These premium revenues are allocated to income from future financial years. They are calculated individually and to the day for each insurance contract.

PUBLIC FUNDS
Investment funds whose units can be purchased by anyone (see also → special funds). Purchase and sale are possible when stock exchanges are open.

PUBLIC GERMAN COVERED BONDS

Bonds issued by a mortgage bank to public authorities for the purposes of refinancing loans.

QUOTED PRICES

Quoted prices are characterised by the fact that they are readily and regularly available. Quotes are made via a stock exchange, a broker, an industry group, a pricing service or a supervisory authority. Prices must be accessible to the public. Prices quoted on a stock exchange, as well as pricing on OTC markets, are publicly available if the prices are available to the public, for example via Reuters or Bloomberg.

REINSURANCE

An insurance company insures part of its risk with another insurance company (the reinsurer).

RESERVE BUFFER

Includes the valuation reserves and free →provisions for premium refunds, plus the amounts attributable to non-tied final profit participation funds.

RESERVE FOR FINANCIAL ASSETS AVAILABLE FOR SALE

Market value changes to assets belonging to the category "Financial assets available for sale" are recognised directly in equity in the reserve for financial assets available for sale. It is a component of equity.

RESULT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Shares in consolidated net profit that, in the Group's view, are attributable to outside third parties.

RETAINED EARNINGS

Recognised as retained earnings in individual HGB financial statements are only those amounts that were accrued from net income in the financial year or in previous financial years. They strengthen the company's financial matter.

RETROCESSION

Assumption of the risks of reinsurance companies by other reinsurers.

RISK PROVISION

This is where impairments to gross recognised receivables are depicted. Under → IFRS, the risk provision for recognised receivables is openly deducted from receivables and shown on the assets side. For off-balance-sheet transactions (e.g. loan commitments), other risk provisions are created on the liabilities side, where necessary.

RORAC (RETURN ON RISK-ADJUSTED CAPITAL)

Return on risk-adjusted capital is a key performance indicator for measuring income, taking into account the risk capital used.

SOLVENCY RATIO

Term from the insurance industry. The solvency ratio indicates the relationship between an insurance company's own funds and the value of its capital investments as weighted according to investment risk. The higher the ratio, the more risks the insurance company may assume pursuant to European investment regulations.

SPECIAL FUNDS

Investment funds that are open only to a limited group of investors. These are usually institutional investors, such as insurance companies, pension funds, foundations, etc. (See also → public funds.)

STRESS TEST

The stress test simulates the effects that future negative developments on the capital markets – such as a drop in share prices accompanied by a rise in interest rates – can have on the coverage of guaranteed benefits and the solvency of the company.

STRUCTURED ENTITY

With a structured entity, voting and comparable rights are not the definitive factors in determining who controls the company. Voting rights merely cover administrative duties, whereas material activities are performed pursuant to contractual arrangements.

UNDERWRITING RESULT

The result from income and expenses from insurance business primarily comprises premiums, claims expenses, premium refunds and expenses for insurance operations. In addition, in life insurance business, the corresponding capital investment result and the change in the provision for future policy benefits form part of it.

VALUATION RESERVES

Difference between the fair value and the carrying amount of certain asset classes. In HGB financial statements, this includes capital investments. In IFRS financial statements, this includes financial instruments that are not recognised at → fair value and property held as a financial investment.

VALUE AT RISK (VAR)

The VaR is a measure of risk that indicates what value the loss of a certain risk position will not exceed with a stipulated probability of default (confidence level) during a stipulated time interval.

VOLATILITY

The standard deviation, translated to one year, of the logarithmic growth of a risk factor.

ZILLMERISATION

Zillmerisation is the most common method in Germany for offsetting contract and sales costs against the first premiums paid for traditional life and health insurance. It is named after the mathematician August Zillmer (1831-1893). A provision for future policy benefits is calculated only after redemption of the contract and sales costs.

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