Annual Report 2015

Wüstenrot & Württembergische AG

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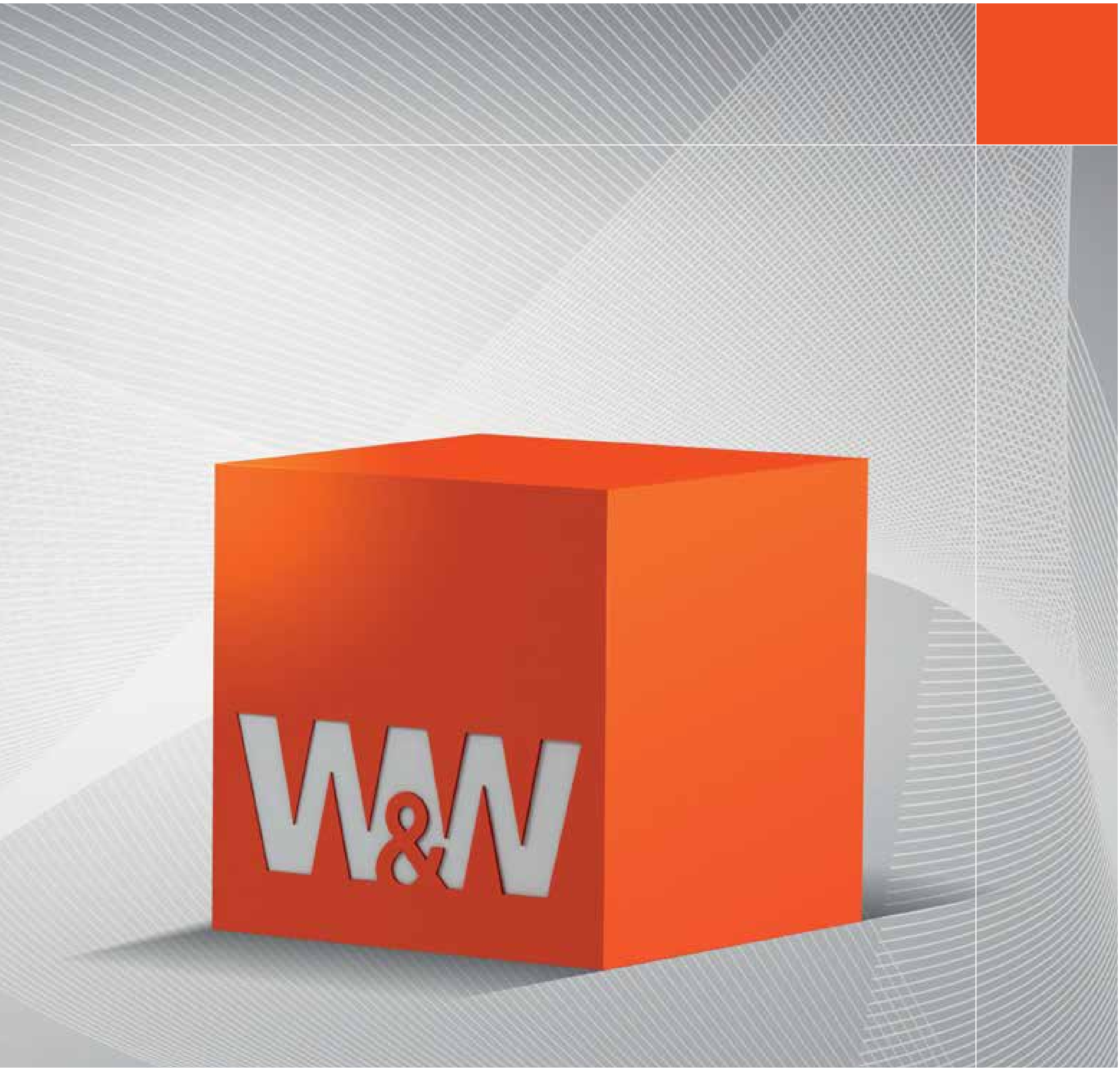


wüstenrot
württembergische

Key figures of W&W Group

W&W Group (according to IFRS)

Consolidated balance sheet		FY 2015	FY 2014
Total assets	€ bn	74.1	78.5
Capital investments	€ bn	47.0	49.7
Financial assets available for sale	€ bn	24.3	25.6
First tier loans and advances to institutional investors	€ bn	15.7	16.5
Building loans	€ bn	24.3	25.1
Liabilities to customers	€ bn	25.3	25.7
Technical provisions	€ bn	32.9	32.9
Equity	€ bn	3.6	3.7
Equity per share	€	38.68	37.98

Consolidated profit and loss statement		FY 2015	FY 2014
Net financial result (after credit risk adjustments)	€ mn	2,031.5	2,241.4
Premiums/contributions earned (net)	€ mn	3,982,9	3,939.4
Insurance benefits (net)	€ mn	–4,284.2	–4,426.9
Earnings before income taxes from continued operations	€ mn	323.6	283.0
Consolidated net profit	€ mn	274.3	242.0
Total comprehensive income	€ mn	89.0	440.2
Earnings per share	€	2.88	2.52

Other information	FY 2015	FY 2014
Employees (domestic)[1]	6,907	7,227
Employees (domestic)[2]	8,763	9,140

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

Key sales figures		FY 2015	FY 2014
Group			
Gross premiums written	€ mn	4,040.5	4 033,3
New construction financing business (including brokering for third parties)	€ mn	5,476.6	4 748,1
Sales of own and third-party investment funds	€ mn	355.2	285.0
Home Loan and Savings Bank			
New home loan savings business (gross)	€ mn	14,082.4	13,736.4
New home loan savings business (net)	€ mn	11 675,5	11,533.3
Life and Health Insurance			
Gross premiums written	€ mn	2,375,3	2,428.9
New premiums	€ mn	679,1	731.5
Property/Casualty Insurance			
Gross premiums written	€ mn	1,638,8	1,580.1
New premiums (measured in terms of annual contributions to the portfolio)	€ mn	209.8	204.8

Key figures of W&W AG

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

		FY 2015	FY 2014
Net income	€ mn	60.5	56.0
Dividend per share[1]	€	0.60	0.50
Share price at year-end	€	19.95	17.81
Market capitalisation at year-end	€ mn	1,870.3	1,669.2

1 Subject to approval by the Annual General Meeting.

Financial calendar

Annual General Meeting

Annual General Meeting	Thursday, 9 June 2016

Financial reports

2015 Annual Report	Wednesday, 30 March 2016
Interim management statement as at 31 March	Friday, 13 May 2016
Half-yearly financial report as at 30 June	Friday, 12 August 2016
Interim management statement as at 30 September	Friday, 11 November 2016

Contents

Creating assets – securing assets

Dr Erdland, it was exactly 10 years ago when the realignment of the W&W Group was initiated. What have you accomplished during this period?

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

Bottom line, we've increased our average net income 12-fold compared with the entire time prior to it, and by our own efforts we've added more than €1 billion to equity. We've been able to do this by realigning the Group's structure, personnel and culture and by sustainably optimising the business model.

At the same time, we've exploited opportunities to open new sales channels. The Wüstenrot Bausparkasse has nearly doubled its annual new business and is now in second place on the German market. Württembergische Versicherung ranks 10th in the industry in terms of premium income. In addition, we've invested in the quality of our sales force. More than 1,500 of our tied agents have already successfully completed their training as financial planning specialists (IHK) or certified financial planning specialists at the University of Passau. In addition, we will shortly be opening the 25th W&W Financial Planning Centre. This will further enhance our visibility as financial planning specialists, resulting in greater customer satisfaction and the ability to exploit potentials.

We've sequentially implemented three strategic programmes: first, restructuring the Group; then, preserving our assets when the crisis arose on the financial markets; and finally, strengthening our ability to add value. Now we're about to adopt the next strategic programme, which aims to increase the ability to exploit potentials in the portfolio of our six million customers and on the market. Being financial planning specialists, we're investing in the sustainable, value-added use of our specific sales and growth opportunities, together with an overhaul of our IT.

W&W once again posted record results. How do you view the financial year just concluded?

Yes, the 2015 financial year was indeed very successful. Net income came in at €274 million and was considerably higher than in 2014, which at €242 million had been the record for us. This result is attributable to years of hard work on our programmes: dedicated focus on value, and pushing through of cost efficiency. It was a painful period, since we were forced to eliminate about 2,500 jobs. Also important was the strengthening of our risk management and the successes we experienced in underwriting in conjunction with favourable claims developments.

I want to emphasize that we were able to achieve this only because of our employees and tied agents and their tireless efforts. I extend my heartfelt thanks to them on behalf of the entire Executive Board.

However, we don't plan to rest on our achievements. Rather, our aim now is to make use of this momentum in order to tackle further challenges. These involve the consequences of the long-term policy of low interest rates, the implementation of further regulations, the seizing of the opportunities afforded by digitalisation and, above all, the meeting of the changed needs of customers. We are being confronted by a more intense selection process in terms of competition, which we plan to exploit strategically with the advantages we've gained and with our willingness to continue to change.

What are your plans for the coming years? How do you intend to keep up the momentum generated in the record year of 2015?

Our advantage is that we don't have to look for a different business model in order to be able to adequately service customers and needs in the future. More than six million customers are already relying on us, providing a consistent demand for all matters related to living, wealth creation and the need for protection and security.

We possess well-established professional expertise and well-known, reputable brands, and we can now show asset strength along with inherently reliable, permanent liquidity. In view of low interest rates and high growth ambitions, we still need to work on the further strengthening of our capital basis, the continuation of our profitability, and the boosting of our marketing power.

Our focus for the coming years is clearly on continuing to strengthen the core of our business model and on pursuing customer-oriented growth using products with low reliance on interest rates and capital. To this end, we will be significantly increasing our budget for investments to €650 million over the next three years. We will be making ambitious investments in digitalisation in order to support our customer relationships, for new products and efficient processes.

Investment and innovation cycles are becoming shorter. We have to take account of this – by increasing our flexibility and decision-making speed, as well as through greater dynamism and willingness to innovate. This means, for example, giving greater latitude to the creative minds at our company in order to quickly turn new ideas into customer-friendly solutions. And one thing is abundantly clear here: the customers are our benchmark.

That‘s quite a strong statement. What exactly do you mean by that?

Many of our customers are increasingly using digital media. They first gather information, then make comparisons. They have different expectations in terms of reachability, speed and transparency. They‘ve become more self-assured and active. Therefore, it‘s important to discern their changed requirements more precisely and to correspondingly modify our communication, our products and services and our processes in order to meet them.

Today, close personal service means the extent to which customers can get in direct touch with their service provider at any time and from any location, and vice versa. Points of contact have to be interconnected in the interest of mutual transparency. This is what we‘re investing in. For us, the digital transformation of our company is at once an incentive and an area to be sculpted.

The issue of digitalisation is currently occupying the entire industry. FinTechs, InsurTechs and other start-ups are ubiquitous. How does W&W plan to set itself apart here?

Some time ago, we began the strategic transition of our bank into a digital bank. With its transactional business, it is now providing impetus for digitalisation in the entire Group.

This internal spearhead of digitalisation is being augmented by our newly formed Digital Customer Office. This new Group unit has been tasked with pressing ahead with our digital transformation in the interest of customers and carrying out the necessary changes in the W&W Group.

Last year, we also formed our own internal start-up, the “digital workshop“, in order to challenge the existing way of doing things and to create and test entirely new ideas. Being set apart from our Group structure, this unit was able to give free rein to creativity. The project was so successful that it is now being continued as a spin-off, W&W Digital GmbH, in Berlin‘s new start-up scene. In addition, we‘ve brought the renowned start-up foundry etventure on board. The aim is development, operation, and investment in new digital business models. We also expect this to generate creative feedback in and for the Group.

That sounds like an exciting venture into a new world. Where exactly will customers see this?

We of course want to make our new ideas visible to customers as quickly as possible. For instance, Württembergische Versicherung introduced Easy Claim, an app that enables vehicle damages to be adjusted more quickly and in a more customer-oriented manner. When they have a small fender bender, customers can send the insurance company a photo of the vehicle registration and the damage. On the same day, a proposal for a reimbursement amount is made via the smartphone app. Another example is the ability of bank customers to open an account without signature using video-based proof of identity. And using our mobile banking apps, our customers can take care of banking business while on the go or check their account balance – simply, conveniently and securely. If they want, even using a fingerprint.

In addition, W&W Digital GmbH has already developed two unique services: With "Wüstenrot-Wunschmieter", property owners can directly take care of leasing and managing their property online and, if desired, also take advantage of valuable services offered by property experts. "Wüstenrot Immowert" is an online platform for the independent appraisal of properties on the market. The service ranges from a benchmark of the purchase price customary on the market to a legally valid appraisal of the desired property.

There are many other examples: from our customer portals mein.wuestenrot.de and meine.wuerttembergische.de to the new online financial check to the online mailbox for our customers in order to encourage mutual correspondence. The number and quality of contacts to customers are decisive for their satisfaction. In this context, it's important to link the possibilities offered by digitalisation with the personal expertise of our local tied agents in order to provide all customers at all times with the exact channel and service that they prefer. Digitalisation thus enables improved customer satisfaction – meaning greater sales potential – and at the same time a boost in productivity. We will be achieving both of these.

How does this affect shareholder value?

The W&W business model is at the core of shareholder value. It addresses sustainable demand potential in all matters concerning property and the need for protection and security. The interconnectedness of information has always been a part of financial planning. In this respect, digitalisation provides us with significant, perhaps still unimagined opportunities for development. In short, this means the potential for adding value with considerable room for imagination. Being involved in this can only bring joy to every shareholder.

Of course, our shareholders should continually benefit from this growing added value. For this reason, the dividend for the 2015 financial year is planned to be increased from €5.0 to €6.0 per share.

At last year‘s Annual General Meeting, you announced that you intended to increase the attractiveness of W&W stock. Did you succeed in doing so?

Many things changed with regard to our stock in the past year. Free float grew from 8% to more than 20%. This meant that the trading volume in W&W stock rose from about €2.0 million per month at the end of 2014 to roughly €30.3 million per month at the end of 2015, i.e. by more than 15-fold. The interest in our stock has risen considerably as a result of improved tradability. This can be seen in the positive trend in its price. Our shareholders saw a growth in value of nearly 15%, including dividends, in 2015.

In December, W&W stock was admitted to the Prime Standard of the Frankfurt Stock Exchange. This is a big advantage for our shareholders, who are benefitting from the heightened transparency rules. As a result of the switch to the Prime Standard, we can appeal to other circles of investors whose specific investment guidelines allow only investments in equities that have the highest level of transparency. On 3 March 2016, Deutsche Börse announced that it will be listing us in the SDAX starting on 21 March. The SDAX listing is a watershed moment in the history of W&W. It opens a new chapter for our stock. Against this background, we will be further expanding our investor relations, including internationally.

Our employees, too, deserve to participate in the Group‘s growth of which they have been so much a part. For this reason, we have set up an employee stock programme in order to enable the W&W Group‘s employees to have a greater share in the success of W&W through price gains and dividends. Tied agents are to follow. We hope that this will cause our employees to identify with our Group to an even greater extent. The stock buyback necessary to accomplish this was successfully carried out this past February.

You have given us an interesting review of the past years and insight into the further strategic alignment of W&W. If you were to sum everything up, what upshot would you draw?

The Group has far from exhausted its creative opportunities. This goes for the development of new customer business and growth as well as for productivity, efficiency, and innovative power. During times of heightened uncertainty and volatility, our combination of flexibility and stability remains the right standard. In this way, in our ever more pluralistic company, we will create assets and secure assets in the interest of our customers, shareholders and the corporate group itself.

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
Risik 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

Division 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. 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

Current at the time of printing March 2016.
1 Employee representatives.

Dr. Wolfgang Knapp, M.C.L.

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

Corinna Linner

LW Linner Wirtschaftsprüfung

Ruth Martin

Former Member of the Executive Boards of
Württembergische Lebensversicherung AG
Württembergische Versicherung AG
Württembergische Krankenversicherung AG

Andreas Rothbauer[1]

Chairman of the Works Council
Wüstenrot Bausparkasse AG, Ludwigsburg site

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 2016.
1 Employee representatives.

Combined Management Report

Combined Management Report

Group Fundamentals

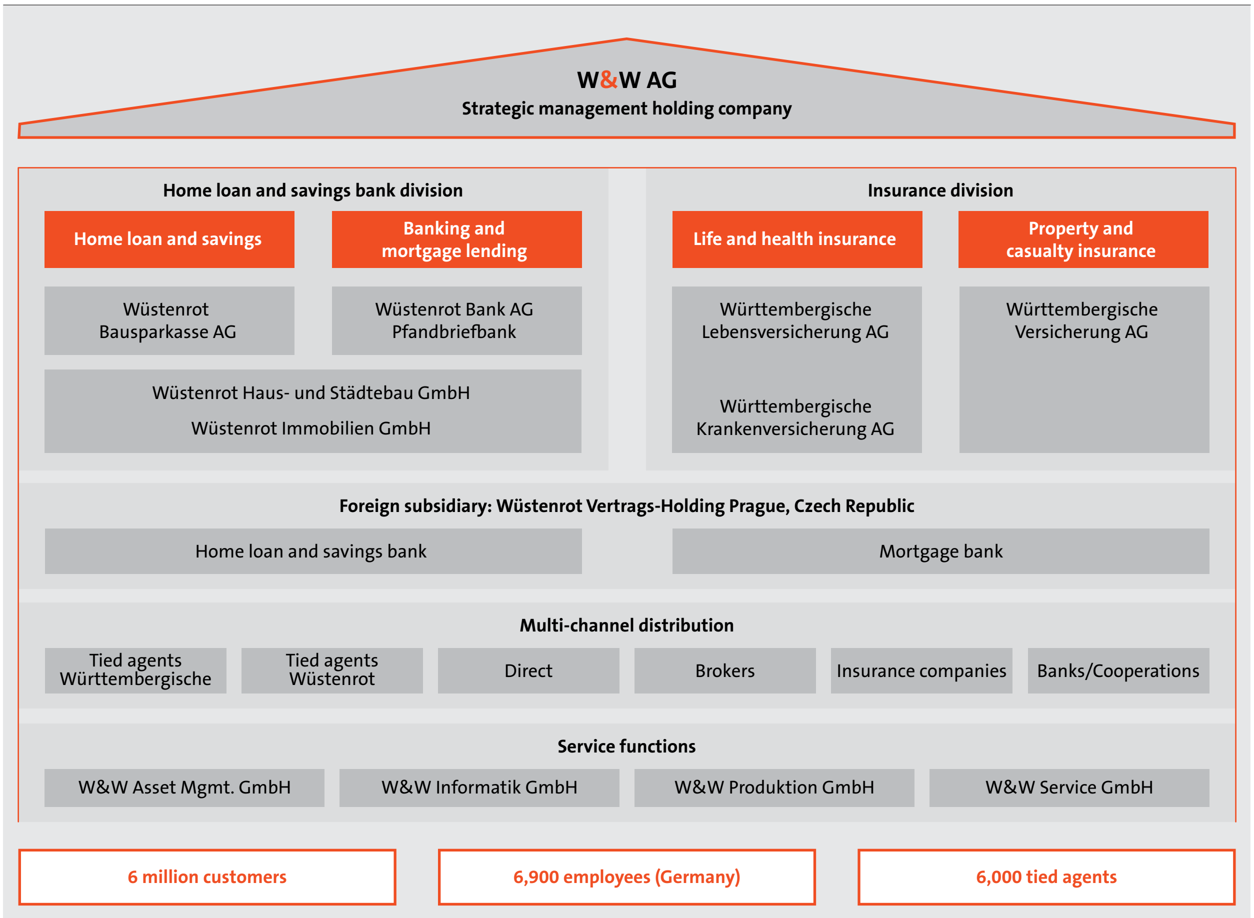
Business model

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.

Germany is W&W AG's core market. In Germany, the W&W Group is represented by major offices in Stuttgart, Ludwigsburg/Kornwestheim, Karlsruhe, Bad Vilbel and Berlin. Outside Germany, W&W AG has focused on the Czech Republic as part of its Eastern European strategy since 2015, and since 2016 has offered exclusively home loan savings and construction financing products.

Wüstenrot & Württembergische AG (W&W AG), headquartered in Stuttgart, Germany, is the Group's strategic management holding company. It coordinates the Group's activities, sets standards and manages capital. As an individual entity, W&W AG's operations are almost exclusively restricted to reinsuring insurance policies written by the Group. It also renders personnel, legal, auditing, cost controlling and communication services for the Group as a whole.



The central governance bodies in the W&W Group are: the Management Board, the Group Board, the division boards and the Group committees. 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. The Management Board and the Group Board are the central coordinating bodies of the W&W Group. The corporate governance section in this Management Report provides details on the boards' composition and how they conduct business. The W&W Group's and W&W AG's business model did not change in the 2015 financial year. Nevertheless, with our growth programme W&W@2020 we are continuously further developing our business model in order to exploit the opportunities of the digital world and changed customer behaviour.

Digital world

Digitalisation is changing the world – and therefore customer behaviour and customer expectations. The need for speed, transparency and convenience is growing. Offers and products must be designed in a more flexible way. Customers are acting more independently and want to be included. This is where great opportunities and potential lie for the W&W Group. The course will be set for this within the growth programme W&W@2020.

The focus of the digitalisation measures is to consistently gear processes and offers to the requirements of our customers. The essential elements are networking, speed and clarity. To achieve these goals, cross-division digital initiatives will be recorded and managed in the "Digital Customer Office" (DCO) launched at the beginning of 2016. The function of the DCO is to act as an innovative pioneer and driving force behind digital transformation, for the benefit of customers and to support the necessary changes within the W&W Group. The DCO will implement cross-Group and innovative digitalisation plans with its own budget. In its role as a customer-based innovator, the DCO will also maintain a think tank and monitor the market to generate innovation impetus for the Group or the divisions.

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 inhouse 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.

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 offers needs-oriented, attractive home loan savings and financing products both for short-term construction projects and refurbishments as well as for long-term plans.

The Wüstenrot Wohn-Riester range, which has won multiple awards (e.g. from Finanztest and Focus Money) in the past, was well positioned in 2015. Since mid October 2015 unscheduled payments can be made directly on the advance loan with the further improved Wüstenrot Flex-Tarif, thereby reducing the overall costs and the interest rate. Wüstenrot came second in a test conducted by the magazine "Finanztest" for the quality of advisory services in the area of building finance and therefore achieved the best result amongst home loan and savings banks operating nationwide. Finanztest judged the level of the advice to be "good" and the quality of the product "very good".

The magazine Capital awarded a prize to the "U" version of the "C" home loan and savings rate as a "top savings rate". In the home loan and savings banks test 2015 of Euro am Sonntag, Wüstenrot claimed the top spot in the individual "consulting" category and was awarded a score of "very good" in the overall ratings. ServiceValue GmbH created the largest German trust ranking on behalf of the magazine WirtschaftsWoche over 973 companies and 62 industries. Wüstenrot achieved the score of "very high customer trust" in the "home loan and savings banks" category.

Wüstenrot Bank AG Pfandbriefbank offers its customers needs-oriented, attractive and simple banking products such as current accounts, deposit accounts, security investments and transparent construction loans.

The bank has underpinned its goal of acquiring new customers for its banking products with a large number of measures and in the past financial year it succeeded in gaining over 60,000 new customers. Hence, attractive special terms for call money accounts and a bonus for opening a current account used to receive regular salary or pension payments were granted to new customers. Wüstenrot Bank AG Pfandbriefbank also exploited its market opportunities in 2015 and further expanded its range of products. In the area of construction financing the range was strengthened due to high demand with total repayment products, forward loans and products with longer fixed-interest rates.

On its road to becoming a digital bank, Wüstenrot Bank has also adapted its website to the latest technical developments and supplemented it with applications focusing on customer benefits, such as the new online retirement review. With this tool customers can independently determine their individual needs in a quick and simple way. The new online retirement review combines the fast procurement of information in the internet with the advantages of personal consulting by our external service partners and is therefore a prime example of the adjustments made by Wüstenrot Bank to digitalisation.

Being a high-service insurer, **Württembergische Versicherung AG** provides retail and corporate customers with a wide range of policies in virtually all lines of non-life and accident insurance.

In 2015, it once again earned plaudits for its high levels of customer satisfaction. MSR Consulting awarded Württembergische a “good” for “overall customer satisfaction” and “value for money” and a “very good” for the “service quality”. Premium car policies continued to have a high share of the motor vehicle segment in 2015. The range was extended in the area of motor cycles to include the new additional services of “luggage and transport protection”. As in the previous financial year, there was an above-average demand for old timer and exotic car models.

In the private customer segment a new legal protection insurance tariff was designed, which includes an extended service range in the PremiumSchutz (“Premium Protection”) category. In addition, online products were introduced for the first time to add new insurance options to the product portfolio. Growth also continued in the corporate customer business segment in 2015. It was mainly supported by the core “company policy” product. Moreover, the company managed to make successful inroads into underwriting wind energy systems, and the target group products were expanded.

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

Occupational disability insurance once again won top accolades from well-known product ratings. To strengthen the fund-linked products, the range of funds was expanded to include ETFs (Exchange-Traded Funds) and speciality funds (e.g. health, ecology, raw materials, technology, food producers). In mid 2015, Württembergische Lebensversicherung AG introduced a new innovative pension plan called Rente Extra that 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.

In January 2016 new, optimised term insurance tariffs were launched with extended benefits and a tariff for funding prearranged funerals. A new inheritance provision policy (VermögensSchutz Premium) is expected to launch in 2016. In addition, a supplemental pension product (index policy) is to offer the possibility of exploiting the opportunities of the capital market through investment in an index alongside the classic guarantee elements.

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 departments at Wüstenrot and Württembergische.

In addition, strong cooperation partners from the banking and insurance sector have played a big part in our success. Partners for home loan and savings products include three large private banking groups, Commerzbank, HypoVereinsbank (Member of UniCredit) and Santander.

Exclusive sales agreements have also been signed with Allianz, Oldenburgische Landesbank and the ERGO Group. The sales force is supplemented by relationships with other banks, brokers, outside insurance sales teams and direct sales platforms, such as the online banking portal operated by Wüstenrot Bank AG Pfandbriefbank.

Commitment to sustainability

In the past 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). The project is 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 the area of environmental protection, for example, W&W lowered the CO2 emissions of the company car fleet. Currently the fleet includes one natural gas vehicle and four electric Smart cars. High ecological standards are also at the forefront when it comes to expanding the Ludwigsburg/Kornwestheim site. Additionally, responsibility towards employees is a key aspect of sustainability. Flexible working arrangements and support for parents and carers can, for example, help to create a better work/life balance. Our Group-wide health management supports our staff in their efforts to stay fit and healthy. The proportion of women in office-based management positions was 24.4 (previous year: 24.3) percent.

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. Hence at the Stuttgart and Ludwigsburg sites we support the associations Association for a Safe and Clean Stuttgart ("Förderverein Sicheres und Sauberes Stuttgart e. V.") and Safe Ludwigsburg – Association to Promote Crime Prevention ("Sicheres Ludwigsburg – Förderverein zur Kriminalprävention e. V.").

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. Therefore, the W&W Group is subject to a variety of regulatory requirements.

Since 1 January 2016 the new risk-oriented solvency regime Solvency II has been in force. The W&W Group is well-equipped for the new regulations for insurance companies. In 2015 it closely analysed all the requirements from Solvency II and implemented them accordingly. The two test runs in the preparatory phase for Solvency II on 31 December 2014 and 30 September 2015 were concluded positively, and the corresponding reports on the risk and solvency situation were sent to the German Federal Financial Supervisory Authority (BaFin) on time.
Wüstenrot Bausparkasse AG and Wüstenrot Bank AG Pfandbriefbank have dealt intensively with the follow-up work from the internal-ratings-based ("IRB") approval inspection. The number of publications of new relevant regulatory requirements and the accompanying revisions (e.g. minimum requirements for the form of restructuring plans, revision of valuation techniques in relation to capital requirements for counterparty risks) was also extremely high in 2015.

Optimisation programme W&W 2015 concluded successfully

The W&W 2015 optimisation programme was a resounding success. The programme has enabled us to gear our corporation to the "new reality" of the low-interest phase early on. Thanks to stringent execution, we were able to complete the programme in the first quarter of 2015. We had already achieved the planned effects on costs and earnings in 2014. The reduction in staff capacities from 800 across the Group as a whole, based on the level at the end of 2012, which was planned for completion by the end of 2015, was achieved ahead of time by the middle of 2015.

Focus on W&W@2020 growth programme

After completing W&W 2015 we are now concentrating on the W&W@2020 growth programme. The focus is on customer orientation, value retention, innovation and growth. We are confronting the increasing influences of digitalisation on customer behaviour and the desire for further developed product offers. Besides the further digitalisation of our business model, the focus is on increasing the exploitation of potential and strengthening sales. We are pursuing an ambitious and profitable growth course. Annual productivity increases, as well as greater dynamism and innovative power, are other key elements of W&W@2020. All intragroup and innovative digitalisation projects will in future be coordinated and implemented by the newly founded Digital Customer Office (DCO). A series of measures for achieving these goals will be defined, designed and implemented in the W&W@2020 programme with its five-year timeframe. Initial successes were already achieved in 2015.

Württembergische Versicherung AG wants to make it even easier for customers to access services and offers. For example, with the Easy Claim App, customers can report motor insurance claims easily and conveniently and settle them quickly. A further highlight of 2015 was the introduction of broker-induced policies, where customers receive their quotes directly online after the consulting has taken place and can sign them online.

Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG have revised their operating models. The market positioning of Württembergische can, for example, be further strengthened by new attractive products, such as PrivatRente Extra.

In 2015 Wüstenrot Bausparkasse introduced digital customer service and successfully expanded the construction financing business as W&W@2020 measures. Improved property valuations and process automation rounded out the action plans.

In 2015, Wüstenrot Bank AG Pfandbriefbank introduced and established innovative banking services for its customers, such as video legitimation, an online account-switching service and video consulting in the investment business. Work to introduce the new core banking system progressed on schedule in 2015. Parallel to this, the bank significantly reduced its personnel.

Last year, we founded the joint venture W&W Digital GmbH with the start-up Schmiede etventure, in order to participate in the technological transformation of the financial services industry. The aim is to identify and validate new kinds of digital business models on the market and launch them successfully. The business models are to be developed in markets and business segments that are relevant to W&W. In particular, this includes models that meet customers’ individual needs throughout all stages in life in areas such as banking and mortgage lending, as well as life, health, property and casualty insurance.

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 plan approved by the Supervisory Board for the following financial year is utilised to establish the main metrics for management to use as quantitative targets. The most important performance indicators are derived on this basis.

We review our operational plan with two extrapolations during the financial year. Management activities are performed throughout the year using a “management cockpit”, which tracks targets monthly. Counteraction is taken where necessary if actual performance deviates from the target.

To properly guide the W&W Group, key performance indicators were defined for the areas profitability and market/customers/sales.

Consolidated net profit (after taxes; IFRS) and general administrative expenses are used globally as performance indicators of profitability. Segments, by contrast, are managed using segment earnings after taxes 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 consolidated financial statements.

In the area of market/customers/sales the management parameter “Group’s new customers”, i.e. the number of new customers in the W&W Group, will replace the Group customer development as a cross-segment performance indicator. Changes in the management’s quantitative corporate objectives are the background to this shift. In this case, the new management parameter replaces all previous customer parameters (Group customer development, customer cross-selling, new Wüstenrot Bank-customers). Customer satisfaction is still a part of management objectives.

From 2016 the segment-specific new business parameters will no longer be part of the performance review goals due to streamlining of the corporate objectives. Therefore, these management parameters will also cease to be key performance indicators.

The redundant key figures are net new business by home loan savings volume and new construction financing business (approvals) in the home loan and savings bank segment, the value-oriented net valuation amount in the life and health insurance segment as well as the value-oriented net sales performance in the property/casualty insurance segment.

As these key figures are important for management, and to do justice to the W&W Group's different business models for home loans and savings, construction financing, life/health insurance and property/casualty insurance, we shall continue to report these key figures in the comparison with the previous year in the business report and in the outlook.

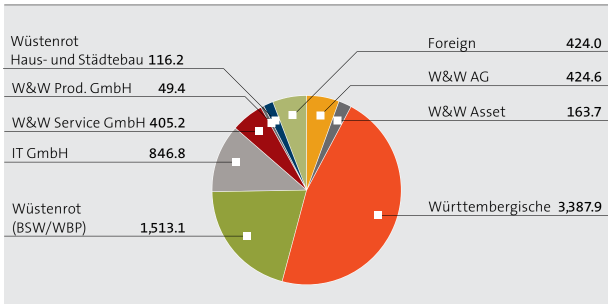
W&W AG manages the W&W Group as a strategic management holding. Its key performance indicator is net income for the year (German Commercial Code (HGB)). This is the basis for the dividend payment to our shareholders and serves to strengthen the equity of the W&W Group. The previously reported key figure general administrative expenses including the service income of W&W AG will no longer be applied in future as a key performance indicator.

Employees

As at 31 December 2015, the W&W Group employed 6,907 employees (previous year: 7,227) in Germany calculated based on full-time equivalents, excluding trainees.

W&W Group employees

as at 31 December2015



In the 2015 financial year we continued to systematically restructure the W&W Group with a view to preparing the company for the future. For us, securing the company's future means actively embracing change and focusing on future-related issues in addition to restructuring. The focal point is digitalisation. It is our guiding principle and will continue to be a crucial factor for us in the future as part of our W&W@2020 growth programme. Parallel to this we have carried out restructuring across the Group and cut staff. In this case, we were on hand to offer support to our employees and have reached constructive agreements with our staff representative committees.

By 2020 we want to raise the digitalisation expertise of our employees and promote the agile capabilities and working practices of individuals and the organisation as a whole. To this end, we offer specific qualification programmes, have developed a new understanding of management and are working on a framework that supports agile working methods.

W&W Wüstenrot & Württembergische is and remains an attractive employer. This is exemplified by the company's repeated success in winning the Total E-Quality Award for equal opportunities and the extensive range of measures for reconciling work and private life. We have helped employees reconcile their personal and career objectives more easily with flexible working hours and workplace models as well as professional childcare and assistance. Last year there was a particular emphasis on the case-by-case further introduction of mobile work in the Group. This will give our employees the opportunity to work flexibly regardless of location. Since 2012 the "Feuerseepiraten" corporate childcare centre in Stuttgart and the "Seepferdchen" childcare centre in Ludwigsburg (since 2014) have also contributed to a better work-life balance.

In addition, we offer life coaching, where solution-based counselling can be used for work and private problems, such as burnout, conflicts in the workplace, life crises and financial emergencies.

We also demonstrate continuity in fair dealings with trainees and university graduates and made this clear with a renewed commitment to the "Fair Company Initiative".

It is particularly important for us to develop our specialists and managers. Therefore, we offer talent programmes such as our Premium Talent Programme, where entrepreneurial, social and specialist skills are further developed. In the mentoring programme, 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.

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)** once again 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. In addition, a review of the risk management of the W&W Group took place in 2015, according to which S&P increased its rating for the W&W Group by one level, placing it in the category "strong".

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

The hybrid capital bonds of Württembergische Lebensversicherung AG placed on the stock market will retain their "BBB" rating.

Standard & Poor's Ratings

	Financial Strength	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

Development of capital market communication

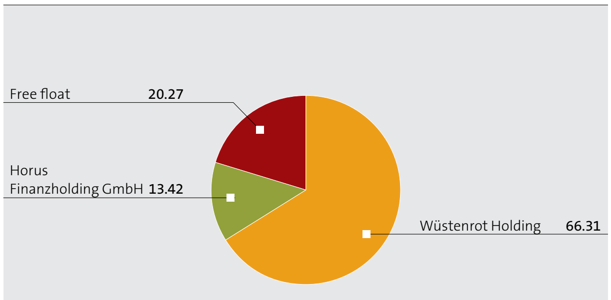
Transparent communication and direct, open dialogue with the capital market players are very important to us. We inform shareholders, analysts and potential investors about current developments in the company and in the W&W Group on a regular basis. In the 2015 financial year we increased our investor relations work considerably. Our responsibility is to increase awareness of W&W AG and its equity story in the capital market, develop new investor contacts and intensify existing contacts. In the year under review the Executive Board and the IR Team travelled to London, Luxembourg, Zurich, Vienna, Düsseldorf, Hamburg, Stuttgart, Munich and Frankfurt to present the business model, strategy and key figures.

Further increase in free float

The number of shares in free float increased significantly in 2015. During the reporting period, L-Bank and UniCredit Bank sold their shares in W&W AG. For both banks, the investment no longer had any strategic relevance. At the same time, however, HypoVereinsbank, a subsidiary of UniCredit Bank, took this opportunity to expressly confirm its sales partnership with Wüstenrot Bausparkasse AG. Both shareholders, UniCredit as well as L-Bank, were able to place their entire shareholdings into free float. This amounts to 20.27%. Our key shareholders are the Wüstenrot Foundation, which holds 66.31% of W&W AG through Wüstenrot Holding, and Horus Finanzholding, with holdings of 13.42%.

Shareholder structure

In % of share capital



In the course of these sales, with rising trading volumes, the W&W share price proved to be highly volatile during the reporting year. In the first half of May, W&W shares reached their provisional high for the year at €18.99. Profit-taking in the third quarter and a general deterioration on the stock markets depressed the W&W share price to an annual low of €15.36. In the course of the announcement of the planned switch from General to Prime Standard and raising of the projected annual result, a price rally set in at the beginning of November. The W&W share price closed 2015 with an annual high of €19.95, which amounts to a gain for the W&W share price of 12% in 2015. Allowing for a dividend payment of €0.50 per share, the overall performance was 14.9%.

Change to Prime Standard – target SDAX

As of 1 December 2015 W&W AG was admitted to the Prime Standard by the Frankfurt Stock Exchange. With the change from General Standard to Prime Standard and fulfilment of the highest transparency requirements in future, W&W AG intends to increase the attractiveness of its shares, strengthen the trust in its shares and achieve an even higher level of attention from private and institutional investors at home and abroad.

As a result of this, the W&W AG will also fulfil the requirements for inclusion in a selective index. The company's concrete goal is to be added to the SDAX in the course of 2016.

Comparison of share price performance (indexed)

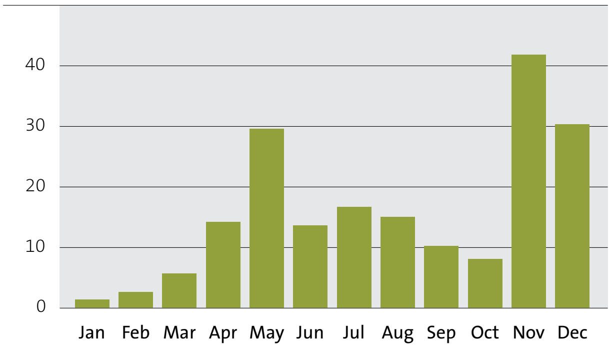
2015

Significant improvement in trading volume

The increase in free float, improved capital market communication and the announcement of the SDAX goal caused trading volume of W&W shares to rise significantly in 2015. While the monthly trading volume was only around €2 million in 2014, the figure reached approximately €30.3 million in December 2015.

Trading volume of the W&W share

2015 in € mn



Employee share ownership programme

At the end of financial year 2015 W&W AG approved an employee share ownership programme, which is set to be implemented in 2016. Employees who satisfy the criteria can purchase up to 40 shares at the preferential price. The procurement of shares took place at the beginning of 2016 by purchase via the stock market within the scope of a share buy-back scheme. The volume of the share buy-back was 358,000 W&W shares. This equates to 0.38% of the company's share capital. The issue of discounted employee shares is intended, in particular, to increase employee loyalty and employee interest in the economic development of the W&W Group.

Dividend increase

A proposal will be put forward at the Annual General Meeting held on 9 June 2016 to pay a cash dividend of €0.60 (increase of €0.10) for the 2015 financial year. Based on the year-end price for 2015 this would equate to a dividend yield of 3.01%. By increasing the dividend, shareholders will be appropriately participating in the business success, and the attractiveness of the security will further increase.

Basic information on W&W shares

Securities identification code		WKN 805100, ISIN DE0008051004	
Exchanges		Stuttgart (Regulated Market), Frankfurt (Regulated Market) Düsseldorf (Open Market), Berlin (Open Market), Xetra	
Stock exchange segments		Prime Standard of the Frankfurt Securities Exchange	
Xetra trading symbol		WUW	
Bloomberg trading symbol		WUW GY	
Reuters trading symbol		WUWGn.DE	
Share class		No-par value registered shares (individual share certificates)	
Number of shares	in units	93 749 720	
Share capital	in €	490 311 036	
		2015	2014
Year-end price[1]	in €	19.95	17.80
Annual high[1]	in €	19.95	19.50
Annual low[1]	in €	15.36	16.30

1 Xetra.

Business report

Business environment

Macroeconomic environment

According to provisional calculations, the German economy continued its moderate, but steady growth in 2015, generating an increase in GDP of 1.5%. The most important support for the economy was the dynamic consumer demand of private households. By contrast, the development of the manufacturing sector stagnated. This was particularly due to exports, which suffered from the decline in demand in key emerging countries (China, Russia, Brazil). The disappointing foreign trade business and continuing geopolitical risks also dented companies' confidence. As a result, they held back on investments in capital equipment. Given the persisting historically very low mortgage interest rates and a continuing high demand for housing in conurbation areas, the construction sector saw continued lively demand for property and a high level of building activity. From the standpoint of the W&W Group, in particular the historically above-average income trends for private households and the dynamics of the housebuilding sector therefore presented a favourable macroeconomic

Capital markets

Returns with significant fluctuations

The German bond market developed in three parts in 2015. From the start of the year until mid April the downward trend of bonds on the European bond markets continued. Hence, in April, the yield on 10-year German government bonds reached a record low of less than 10 basis points. In January the ECB announced that from March it would be buying bonds (primarily European government bonds) for €60 billion each month. This gave further strong momentum to the persistent trend of falling yields on the German bond market. In addition, very low, and in some cases even negative, inflation rates due to the oil price contributed to this decline in the first quarter.

Then in mid April a rapid and pronounced interest rate rise set in. It led to growth in the yield on 10-year German government bonds to an annual high of around 1% by June. Besides temporarily high expectations for inflation and an improvement in EMU economic perspectives, technical reasons, in particular, played a role. International investors had previously purchased copious amounts of European government bonds. The unexpected rise in interest rates therefore triggered sell-offs and stop-loss orders. The investors' knowledge that German government bonds were significantly overvalued as measured by the fundamental economic situation also contributed to this.

In the second half of the year there was a moderate countermovement of yields again. Especially a new slump in the oil price, lower inflationary expectations again, increasing speculation about further relaxation measures by the ECB in December and a long period of a delayed key interest rate turnaround in the USA supported the bond prices. Thus, the yield on 10-year German government bonds mostly ranged from 0.45% to 0.8% during the second half of the year. With an increase of 0.63% as at the year-end, there was ultimately only a small yield increase of nine basis points for long-running German government bonds for the calendar year 2015.

Despite stable benchmark rates, short-term interest rates once again fell slightly during the first months of the year, only to rise again in May/June to the level seen at the start of the year. The ECB then actually cut its deposit rate once more in December, meaning that two-year German government bonds posted a negative return of –0.44% as an annual low. At the end of 2015 the two-year yield stood at –0.35%, 25 basis points lower than at the end of the previous year.

Equity markets

Better economic prospects in Europe and speculation about further expansionary steps by the European Central Bank provided a very satisfactory start to the year on European stock markets. Hence, the DAX, for example, recorded a price plus of over 25% with an all-time high of just under 12,400 points. Then in mid-April, a spike in oil prices, a revaluation of the Euro and higher returns on bond markets led to initial profit-taking, causing prices to decline. Prices weakened further in August, when massive concerns about future trends in the global economy, stemming from bad news from China, hugely dampened investors' risk tolerance and confidence. For instance, within just three weeks, the DAX lost 2,000 index points, falling below the 10,000 mark. Following a price rally in October, the European equities markets shifted to lateral movement, and so the DAX closed the year 2015 at 10,743 points. In the calendar year 2015 the DAX was therefore up 9.6% and noticeably outperformed the Europe-wide equity market index Euro STOXX 50, which only achieved a price gain of 3.8%.

Industry trends

In 2015 the financial services industry was faced with further regulatory stipulations and requirements. Preparations for Solvency II and the implementation of Basel III/CRD IV were a major challenge. In addition, revision of the Credit Risk Standard Approach (KSA), i.e. general evaluation of risk-weighted assets and related equity requirements, is planned. Also the Mortgage Credit Directive was published and the implementation of the requirements for this was started. Over the next few years a large number of central innovations in the regulatory environment can continue to be expected. The German Life Insurance Reform Act (LVRG), which was published in August 2014 and largely came into force on 1 January 2015, necessitated a complete overhaul of the tariffs and commission agreements for all life insurance companies. This led to significant reorganisation of the competitive position based on price, performance and the level of commission for the products offered.

Wüstenrot Bausparkasse AG is no. 2 in the home loan and savings, measured by new business (gross). According to the German Association of Private Bausparkassen, the contract volume from new business (net) in the sector rose by 4% to around €100 billion. This increase is partially based on one-off effects caused by the change in tariffs of some home loan and savings banks. The positive new business is also a testament to the high level of trust that people place in home loans and savings as well as the positive development of the construction financing business. In the year under review, private households took out more housing loans. Around €244 billion was paid out for private home financing, i.e. 22% more than in the previous year. This increase was fuelled by an additional rise in construction activity due to regional surpluses in housing demand and higher transaction volumes for existing properties. Investment in modernisation projects remains high. The improved economic situation of consumers due to the continuing favourable employment situation and rises in real income, as well as a lack of investment alternatives, have also contributed to the rise.

Based on total assets, Wüstenrot Bank AG Pfandbriefbank ranks in the middle of the top 100 in the German banking industry. It has been intently focused on online banking since the last financial year.

The number of credit institutions and bank branches has steadily declined in recent years. Cost savings for real estate and personnel, bank mergers and the associated restructuring are key factors in this development. By contrast, the number of direct bank customers in Germany has increased. The figure is rising annually by around one million. Well over half the over 100 million current accounts are now held as online current accounts. Hence, the proportion of online banking users in Germany has now risen to over 50%.

Württembergische Lebensversicherung AG came in 15th among its benchmark group of German life insurers based on gross premiums written, while the life insurance sector was unable to continue the success of the previous year. It posted a decline in new business in 2015 for both the single-premium business and ongoing new premiums. The unit-linked insurance product group posted growth of 19.7%. The new business of traditional insurance and, above all, that of pension insurance is very heavily influenced by the low interest rate phase. In this product group the life insurance industry recorded a decline of 12.2%. Life insurers‘ premium income did not go up compared with the same period in the previous year because of the fall in the single-premium business.

Württembergische Versicherung AG occupies the 10th spot in the current ranking list for non-life/accident insurers in the German market, based on gross premiums written. In the area of non-life/accident insurance premium income has risen by 2.6% compared with the same period last year, according to provisional calculations by the German Insurance Association (GDV). Given the continuous development of the quantity structure, the premium trend in key segments, in particular, fell slightly short of the strong previous years. The largest rates of growth were posted by private property insurance at 4.5%. Despite somewhat weaker growth than in the previous year, motor insurance once again made a large contribution to premium growth, at 3.5%. However, at the same time, claims burdens increased at a stronger pace, 5.8%. Storm (“Orkan”) Niklas was noticeable here with damage claims of approximately €750 million. This indicates a substantially reduced overall performance for the sector over the year as a whole at €2.1 billion (previous year: €3.3 billion). The combined ratio (combined ratio of claims and expenses) has worsened to approximately 97%.

Development of business and Group position

Development of business

The Wüstenrot & Württembergische Group (W&W) posted a record operating result in 2015. Consolidated income amounted to €274.3 million (previous year: €242.0 million). The strongest profit driver in 2015 was once again property and casualty insurance with a favourable claims history over the whole year. Reduced costs and the positive trend on the equities markets over the course of last year contributed the rest. In new business, construction financing increased most appreciably. The specialist for financial provisions is therefore continuing its growth. Thus, more than one billion euros of additional capital has been built up since the realignment in 2006. The company is working on consolidating this value-oriented growth with the W&W@2020 programme.

New business key figures (Group)

	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	Change
	in € million	in € million	in %
New home loan savings business (gross)	14 471.7	14 314.1	1.1
gross premiums written (insurer)	4 040.5	4 033.3	0.2
Construction financing business (including brokering for third parties)	5 476.6	4 748.1	15.3

New business in construction financing across all the segments in the entire W&W Group stood at €5,476.5 million (previous year: €4,748.1 million). This figure includes mortgage loans of Württembergische Lebensversicherung AG in the amount of €347.6 million (previous year: €287.0 million) and loan disbursements under home loan and savings contracts in the amount of €710.0 million (previous year: €926.6 million). Brokering for third parties, which includes, among other things, brokering via the construction financing portal, amounted to €1,224.5 million (previous year: €831.8 million). The Czech home loan and savings bank and mortgage bank, whose business activities are reported under “All other segments”, contributed €453.7 million (previous year: €327.0 million).

The pleasing performance of the past financial year shows that our business policy measures have paid off. Following the successful conclusion of the W&W 2015 optimisation programme, we are concentrating on customer orientation, value retention, innovation and growth with W&W@2020 to successfully position the entire W&W Group for the future. We are pursuing an ambitious and profitable growth course. Annual productivity increases, as well as greater dynamism and innovative power, are other key elements of the growth programme.

Financial performance

Total comprehensive income

Consolidated profit and loss statement

As at 31 December 2015, consolidated net profit after taxes rose by €32.3 million to €274.3 million (previous year: €242.0 million). Earnings per share stood at €2.88 (previous year: €2.52).

Composition of consolidated net profit

in € million	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Home Loan and Savings Bank	57.0	51.8
Life and Health Insurance	40.3	45.7
Property/Casualty Insurance	114.9	128.2
All other segments	105.7	62.5
Consolidation across all sectors	– 43.6	– 46.2
Consolidated net profit	**274.3**	**242.0**

This includes a net financial result in the amount of €2,031.5 million (previous year: €2,241.4 million). In this regard, the following effects need to be considered:

- Net income from financial assets available for sale increased by €239.9 million to €1,406.6 million (previous year: €1,166.7 million). This significant increase was mainly attributable to disposition gains on fixed-income securities in order to secure obligations to our customers. An increase in net currency income from capital investments not denominated in euros was also notable. Beyond that, the impairments were attributable to equity securities.

- Net income from financial assets accounted for using the equity method amounted to €33.5 million (previous year: €83.8 million). Income from the sale of shareholdings in an associated company was less in the financial year than the unusually high previous year's figure.
- Net income from financial assets at fair value through profit or loss declined to –€410.0 million (previous year: –€72.6 million). This is essentially due to interest rate and currency-related derivatives used as hedges. These effects are largely compensated for in the other categories of the financial results.
- Net income from receivables, liabilities and subordinated capital was €884.9 million, lower than in the year before (previous year: €1,030.8 million). The decline was mainly attributable to lower net income from disposals. This was partially offset by the lower discounting of the interest bonus provision.
- The hedge result rose due to higher partial inefficacies as well as the release of other reserves (OCI) for concluded swaps to €120.9 million (previous year: €74.0 million).
- Net income from risk provision improved by €36.8 million to –€4.5 million (previous year: –€41.3 million). This trend is attributable to a decline in credit defaults as well as the continued development of risk provision parameters within the scope of the IRBA model.

The net income from investment property rose significantly due to a substantial increase in disposal gains and higher rental income by €38.6 million to €99.8 million (previous year: €61.1 million). Rental income increased due to a build-up of the previous years' inventories and, above all, full launch of the "Gerber" shopping centre in Stuttgart. As sales of existing properties were not carried out until the end of the financial year, the rental income from them could still be collected for a large part of the year.

Premiums earned rose as of 31 December 2015 to €3,982.9 million (previous year: €3,939.4 million). Thanks to strong sales, premiums earned increased both in Life and Health Insurance and in Property/Casualty Insurance.

Net insurance benefits fell to €4,284.2 million (previous year: €4,426.9 million). Transfers to the interest rate reserve continued to grow. By contrast, additions to the provision for premium refunds declined. The results from unit-linked life insurance were lower than in the previous year due to the development of the capital market.

General administrative expenses were kept at the previous year's level of €1,108.0 million (previous year: €1,108.1 million). As a result of further stringent cost management and optimisation of the business model personnel expenses could be reduced. Material costs rose due to the higher banking levy, and within the scope of added marketing efforts and investments in digitalisation measures. Depreciations also climbed.

Tax expenses increased from €41.0 million to €49.3 million in the year under review due to the higher result before income taxes. At the same time, tax refunds from the settlement of previous years' taxes lessened the impact.

Consolidated statement of comprehensive income

Total comprehensive income stood at €89.0 million (previous year: €440.2 million) as at 31 December 2015. 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 increased slightly compared to the end of the previous year and now stands at 2.0% (previous year: 1.75%). This resulted in €51.0 million in actuarial losses from defined benefit plans for pension schemes (previous year: –€250.9 million).

The unrealised net income from financial assets available for sale fell to –€192.3 million (previous year: €466.1 million). The decline is due to sales of securities whose reserves were previously recognised without affecting income, thus increasing the Group result. In addition, there was a decline in prices of bearer instruments due to the increased interest rate level since the start of the year.

Losses from cash flow hedges were –€45.1 million (previous year: –€14.3 million). This effect on earnings is largely also due to realisations, whereby these profits that were previously accounted for without affecting income are now also incorporated in the Group result.

Valuation losses 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 would generate gains from underwriting 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 to €57.0 million in 2015 (previous year: €51.8 million). The amount of new business increased. The segment's total assets were €35.1 billion (previous year: €38.6 billion)

New business

In financial year 2015 the gross new business from home loan savings contracts rose by 2.5% to €14.1 billion (previous year: €13.7 billion). The new business (net) (paid-in new business) by contract volume was up slightly on the previous year at €11.7 billion (previous year: €11.5 billion). Overall Wüstenrot consolidated its position as the number two German home loan and savings bank.

New business key figures

	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	Change
	in € million	in € million	in %
New business (gross)	14 082.4	13 736.4	2.5
New business (net) (paid-in new business)	11 675.5	11 533.3	1.2
New construction financing business (approvals)	2 740.7	2 375.7	15.4

New construction financing business (approvals) in the segment increased substantially to €2,740.7 million (previous year: €2,375.7 million). The company succeeded in utilising the positive development of the construction financing market overall, with the focus continuing to be on value retention. This includes €414.4 million in follow-up financing (previous year: €480.9 million), while new lending business reached €2,326.3 million (previous year: €1,894.8 million).

Financial performance

Segment earnings for Home Loan and Savings Bank stood at €57.0 million (previous year: €51.8 million) as at 31 December 2015.

The net financial result in the Home Loan and Savings Bank segment reached €419.4 million (previous year: €431.1 million). It is shaped by the prolonged low interest phase, the strategy-compliant decrease in total assets of the Pfandbriefbank, the abolition of the old tariffs in the home loan and savings segment as well as the improved portfolio due to the development of new tariffs and products. The effects explained below in the net financial result almost completely offset each other.

Interest rate risks are hedged as part of managing the interest book, on the one hand for financial instruments and, on the other, to neutralise the offsetting effect on net income from discounting the provisions for loan savings business (bonus provisions). While interest rates underwent a significant decline in the previous year, they were very volatile in 2015. A slight increase in interest rates was posted for long maturity bands at the year-end, while rates for short and medium-term maturities continued to fall.

- In the reporting year management of the interest book led to profit contributions from capital market transactions. Net income from financial assets available for sale developed positively as a result, increasing by €23.6 million to €204.0 million (previous year: €180.4 million).
- This contrasts with the development of the free-standing derivatives used to manage the interest book, which put a strain on the result from financial assets at fair value through profit or loss, leading to a negative result of –€152.9 million (previous year: €31.7 million).
- Conversely, the hedge result from recycling amounts from other reserves (OCI) improved by €46.9 million to €120.9 million (previous year: €74.0 million) for management-related reasons.
- The lower discounting of the interest bonus provision compared with the previous year provided substantial relief for net income from receivables, liabilities and subordinated capital, meaning that this income item rose to €245.9 million (previous year: €179.6 million).

- Net income from risk provision amounted to €1.5 million (previous year: –€34.6 million). The credit provisioning ratio has had a very positive effect on the net income from risk provision due to the very healthy macroeconomic situation. Combined with the very good quality of the credit portfolio, this contributed to a further reduction in the necessary risk provision. The scheduled review of risk parameters also significantly reduced the burden on risk provision.

In total the net financial result therefore decreased by €11.7 million.

Net commission income fell, due to the higher negative commissions in the home loan and savings segment resulting from the growth in new business, to €4.9 million (previous year: €7.0 million).

General administrative expenses rose to €369.6 million (previous year: €364.8 million). This is largely due to the higher premiums for the bank resolution fund introduced at the European level in the financial year. The reduction of personnel expenses by €9.3 million due to successful implementation of the measures from “W&W 2015” was offset via increased non-personnel expenses of €12.5 million through future investment, such as the increased advertising measures for the stepped up online activities of the Wüstenrot Bank.

Other operating income increased to €18.0 million (previous year: –€1.0 million). This is mainly due to the restructuring expenses of €19.2 million recorded in the previous year within the scope of the strategic restructuring at Wüstenrot Bank AG Pfandbriefbank.

Tax expenses in the segment decreased to €15.7 million (previous year: €20.5 million). The reason for this was adjustments in connection with the submitted tax returns for previous years following the tax audit.

Life and Health Insurance

Net segment income fell as of 31 December 2015 to €40.3 million (previous year: €45.7 million). New premiums in Life and Health Insurance were lower than in the previous year. The segment’s total assets amounted to €33.0 billion (previous year: €33.9 billion).

New business

As at 31 December 2015, new premiums for the Life and Health Insurance segment stood at €679.1 million (previous year: €731.5 million). New regular/continued premiums dropped to €101.9 million (previous year: €116.0 million). Single-premium income fell to €564.6 million (previous year: €604.4 million).

New business key figures

	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	Change
	in € million	in € million	in %
New premium (segment)	679.1	731.5	– 7.2
Single premium, life	564.6	604.4	– 6.6
Regular/continued premium, life	101.9	116.0	– 12.2
Annual new premium, health	12.6	11.1	13.5

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, fell by 13.3% to €2,443.2 million (previous year: €2,814.4 million).

Financial performance

Net financial income in the Life and Health Insurance segment decreased by €137.6 million to €1,477.3 million (previous year: €1,614.9 million). This is mainly due to the following effects:

- Net income from financial assets available for sale increased significantly by €234.3 million to €1,108.1 million (previous year: €873.8 million). The scope of the gains realised on fixed-income securities was significantly larger year on year. This also served to hedge obligations to our customers. In addition, impairment expenses for fund investments were lower. An increase in net currency income was also notable.
- Net income from financial assets accounted for using the equity method went down by –€33.6 million to €9.6 million (previous year: €43.2 million). Income from the sale of shareholdings in an associated company was less in the financial year than the unusually high previous year’s figure.

- Net income from financial assets at fair value fell to –€216.5 million (previous year: –€71.9 million). This is primarily attributable to currency derivatives used to hedge capital investments. On the other hand, the valuation result from structured products worsened due to a slight rise in capital market interest rates. In addition, net income from capital investments used to cover unit-linked insurance policies declined as individual market segments lost some of the previous year's momentum.
- Net income from receivables, liabilities and subordinated capital fell to €577.6 million (previous year: €773.0 million). Net income from disposals declined, owing to fewer sales of securities compared with the previous year. In addition, low interest rates for new investments and reinvestments and a decline in the portfolio had an impact.

The net income from investment property rose due to a substantial increase in disposal gains and higher rental income by €38.3 million to €94.9 million (previous year: €56.6 million). Rental income increased due to a build-up of the previous years' inventories and, above all, full launch of the "Gerber" shopping centre in Stuttgart. As sales of existing properties were not carried out until the end of the financial year, the rental income from them could still be collected for a large part of the year.

Net commission income stood at –€146.2 million (previous year: –€161.6 million). Paid sales commissions decreased in 2015 due to the reduction in new business.

Net premiums earned fell year on year. They stood at €2,395.4 (previous year: €2,411.1 million). Contributing to this was a lower volume of single-premium insurance policies in new business, as well as a decline in the portfolio of regular/continuing premiums.

As at 31 December, insurance benefits stood at €3,409.9 million (previous year: €3,546.6 million). 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. The expenses incurred to strengthen the additional interest reserve and for interest reinforcement amounted to €396.1 million (previous year: €382.4 million), again exceeding the previous year's already very high level. Consequently, these reserves amounted to €1,309.2 million in total. As a result, additions to the provision for premium refunds declined. Beyond that, the addition to the provision for unit-linked life insurance policies dropped due to the negative developments on the capital markets.

General administrative expenses in the Life and Health Insurance segment fell to €277.5 million (previous year: €289.0 million).

This is largely due to lower unscheduled depreciations on an acquired insurance portfolio and to lower material costs.

Other operating income amounted to –€81.8 million (previous year: –€54.6 million). Making itself felt here were, among other things, lower capitalisation of acquisition costs owing to the requirements of the German Life Insurance Reform Act (Lebensversicherungsreformgesetz), as well as the addition to the restructuring provision.

In contrast to the previous year, which was characterised by one-off effects, tax expenses in the segment in the financial year amounted to €12.0 million (previous year: tax income of €14.9 million).

Property/Casualty Insurance

Net segment income in the financial year 2015 reached €114.9 million (previous year: €128.2 million). New business rose slightly. The segment's total assets were €4.2 billion (previous year: €4.1 billion).

New business/premium development

New business increased slightly to €209.8 million (previous year: €204.8 million). The decline in the corporate customers and retail customers business lines was able to be more than offset by growth in the motor business line. This means that new business was higher than expected and higher than the previous year's figure.

Business in force increased not only in the motor business line, but also in the corporate customers and retail customers business lines 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 premiums went up by €58.7 million to €1,638.8 million (previous year: €1,580.1 million).

New business key figures

	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	Change
	in € million	in € million	in %
Annual contributions to the portfolio (segment)	209.8	204.8	2.4
Motor	158.5	152.6	3.9
Corporate customers	25.9	26.2	–1.1
Retail customers	25.4	26.0	–2.3

Value-oriented net sales in new business stood at €26.8 million (previous year: €22.3 million) as at 31 December 2015. 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 fell considerably to €71.2 million (previous year: €140.2 million). It consists of the following components:

- Net income from financial assets available for sale amounted to €80.5 million (previous year: €96.4 million). This decline was mainly attributable to lower net income from disposals. The prior-year figure includes a large amount of income from the sale of Antares Holding Ltd.
- Net income from financial assets accounted for using the equity method went down to €9.6 million (previous year: €37.9 million). Income from the sale of shareholdings in an associated company was less in the financial year than the unusually high previous year's figure.
- The net income from financial assets at fair value fell to –€40.8 million (previous year: –€32.4 million). This trend is largely due to currency losses from foreign exchange forward contracts used as hedges.
- Net income from receivables, liabilities and subordinated capital fell to €23.3 million (previous year: €39.4 million). A supplementary payment to the pension fund to reduce the discount rate due to the low interest phase depressed net interest income by €20 million.

Net commission income stood at –€208.1 million (previous year: –€213.7 million). The rise in new business and renewal commissions contrasted with higher commissions received from reinsurance within the Group.

Net premiums earned continued to perform well. They rose significantly by €47.2 million to €1,325.3 million (previous year: €1,278.1 million). As a result of the pleasing sales performance as well as premium adjustments, earned premiums were significantly above the prior-year figure.

Insurance benefits (net) declined by €6.6 million to €714.9 million (previous year: €721.5 million) despite the larger insurance portfolio. Losses were higher than in the previous year, which had an unusually low number of claims, e.g. due to accumulation events, such as the storm Niklas. A better settlement result, however, led once again to a fall in the overall claims ratio. In the case of the combined ratio (gross) a very good figure of 92.1% (previous year 95.5%) was able to be achieved, which was well below our long-term target of 96%.

General administrative expenses amounted to €349.4 million (previous year: €343.0 million). Personnel expenses could be reduced slightly despite collectively bargained salary increases. On the other hand, material costs rose due to IT investments.

Other operating income increased to €35.7 million (previous year: €12.2 million). This figure includes currency rate gains under technical provisions, which were offset by losses in the net financial result.

The segment recorded tax expenses in the reporting year of €46.7 million (previous year: €25.7 million). Tax expenses returned to normal after extraordinary effects in the previous year.

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. The total assets of other segments amounted to €6.0 billion (previous year: €6.0 billion). All other segments posted net income after taxes of €105.7 million (previous year: €62.5 million). It consists mainly of the following: W&W AG, €56.6 million (previous year: €48.8 million); W&W Asset Management GmbH, €21.0 million (previous year: €15.5 million); Czech subsidiaries, €10.8 million (previous year: €8.8 million); Wüstenrot Haus- und Städtebau GmbH, €6.5 million (previous year: €6.0 million).

The net financial result went up year-on-year to €151.3 million (previous year: €133.1 million). The main reason for the increase was the sale of the associated company Wüstenrot stavebná sporiteľňa a. s., Bratislava, which was accounted for using the equity method. Furthermore, the long-term equity investment income from within the Group received by W&W AG, which is included in net income from financial assets available for sale, was higher. Dividend income from fully consolidated subsidiaries is eliminated in the consolidation/reconciliation column in order to obtain values for the Group.

Net commission income declined to –€46.1 million (previous year; –€36.5 million). This was mainly due to the rise in commission expenses of W&W AG for property and casualty insurance, which were incurred within the scope of the cross-segment reinsurance.

Premiums earned went up by €11.2 million to €274.7 million (previous year: €263.5 million) in the year under review. This was mainly affected by an increase in the volume ceded by Württembergische Versicherung AG to W&W AG for reinsurance. As this relates to quota share insurance, it conversely led to increased insurance benefits of €181.1 million (previous year: €175.4 million).

General administrative expenses grew by €2.3 million to €106.5 million (previous year: €104.2 million). While personnel expenses remained at the previous year's level, material costs were reduced, especially in the areas of consulting, advertising and motor vehicle expenses. This, however, contrasted with increased depreciation of real estate and software.

Other operating income went up year-on-year to €27.5 million (previous year: €16.8 million). Essentially higher restructuring expenses were incurred in the previous year. In addition, currency rate losses from reinsurance were lower than in the previous year.

Year on year tax expenses in the segment fell to €14.3 million (previous year: €34.9 million). Current tax expenses of €39.3 million were offset by tax refunds of €26.7 million (previous year: –€2.0 million) from the settlement of taxes from previous years.

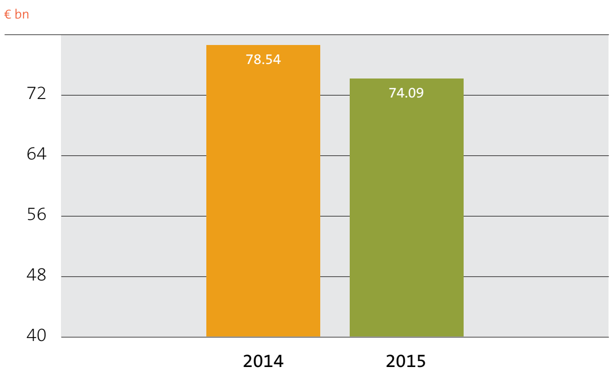
A table summarising all the segments of the W&W Group is provided in the segment reporting chapter in the notes.

Net assets

Asset structure

The consolidated total assets of the W&W Group decreased by €4.4 billion to €74.1 billion (previous year: €78.5 billion) in the past financial year.

Consolidated total assets



Receivables still represented the bulk of assets. Their decline is mainly attributable to having a smaller portfolio of building loans of €24.3 billion (previous year: €25.1 billion.) Fixed-income securities continued to dominate financial assets available for sale. Holdings of these securities decreased year-on-year to €19.6 billion (previous year: €21.3 billion). Owing to the focus on value-retaining new financing business in the case of loans as well as the strategy-compliant decrease in total assets of the Wüstenrot-Bank carried out in light of the tightening of regulatory equity requirements, W&W deliberately recorded the decline in the case of these balance sheet items. In addition, there was a further balance sheet contraction due to the replacement of a quota reinsurance agreement.

Capital investments totalled €47.0 billion (previous year: €49.7 billion) as at 31 December 2015. 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). The valuation reserves are still high because of the continuing low interest rates. The main valuation reserves were for first-tier loans and advances to institutional investors in the amount of €2,745.0 million (previous year: €3,438.1 million), for building loans in the amount of €763.8 million (previous year: €920.9 million) and for investment properties in the amount of €401.6 million (previous year: €383.0 million). Interest rates are still at an extremely low level, historically. 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.

Financial position

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

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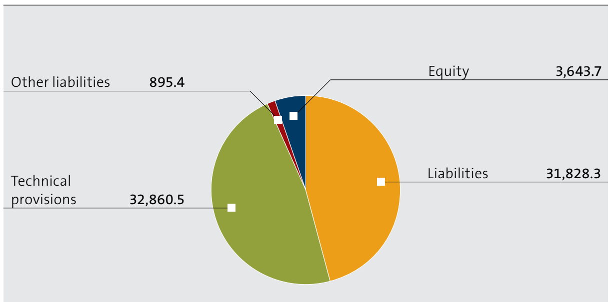


Technical provisions – including those for unit-linked life insurance policies – totalled €32.9 billion (previous year: €32.9 billion). This includes €28.1 billion (previous year: €27.5 billion) for the provision for future policy benefits, €2.0 billion (previous year: €2.6 billion) for the provision 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 €25.3 billion (previous year: €25.7 billion). They largely consist of deposits from the home loan savings business amounting to €18.1 billion (previous year: €18.6 billion) and savings deposits.

Subordinated capital decreased due to the refund of a subordinate security by Württembergische Versicherung AG.

As at 31 December 2015, the W&W Group's equity reached €3,643.7 million, compared to €3,674.2 million as at 31 December 2014. The dividend payout, by contrast, reduced equity by €46.9 million. In addition, the acquisition of the remaining shares of our Czech home loan and savings bank subsidiary, as well as the top-up of our shares in Württembergischen Lebensversicherung AG, reduced the equity capital by a further €72.5 million. This was offset by the consolidated net profit and net income included in equity of €89.0 million.

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 savings business and from financing activities. The risk report contains more information on liquidity management.

The cash flow statement shows outflows of cash amounting to €1,305.2 million (previous year: cash inflows of €1,603.2 million) from operating activities and inflows of cash amounting to €1,717.1 million (previous year: cash outflows of €2,129.0 million) for investing activities, including capital investments. Financing activities resulted in an outflow of cash of €186.0 million (previous year: inflow of cash of €134.3 million). This results in a net change in cash of €226.0 million in the year under review. Further information is provided in the cash flow statement in the notes.

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 an increased involvement in long-term equity investments. In the "Other" segment, most of the capital expenditure relates to hardware and software purchased by our IT subsidiary. In addition, the construction of the new office building in Kornwestheim was started in the fall of 2015.

Customer development in the Group

In total we were able to acquire 350,000 new customers for the W&W Group.

The number of customers decreased slightly by 1.4% to around 6.2 million in the past year. The decline was stronger in the Home Loan and Savings Bank division than the Insurance division, where health insurance saw a significant increase in the number of new customers. The decline in the Home Loan and Savings Bank division was partly due to the scheduled termination of high-yield home loan and savings plans that exceeded the savings limit.

Overall view

The W&W Group's net assets, financial position and financial performance are stable and orderly. We are very pleased with our net income, considering the continuing low interest rates and increasing regulatory tightening.

Comparison of business development with outlook

Comparing the current development of business with the forecasts made in last year's Annual Report shows the W&W Group's positive performance.

Home Loan and Savings Bank segment

The new business (net) based on contract volume of Wüstenrot Bausparkasse AG in 2015 was slightly above the previous year's level, but could not reach the projected figure. This mainly resulted from the strategic shutdown of home loan and savings tariff R and the limitation of home loan and savings tariff U. New construction financing business (approvals) in the home loan and savings bank segment, on the other hand, was well up on the previous year and our forecast.

In 2015 the general administrative expenses in the home loan and savings bank segment were at the previous year's level contrary to the forecast.

In total we were able to raise the home loan and savings bank segment earnings slightly to €57 million year on year, as forecast, despite the continuing low interest rates.

Life and Health Insurance segment

Sales of life insurance products were marked by public policy discussions, especially in relation to the possible abolition of the actuarial interest rate and the German Life Insurance Reform Act (Lebensversicherungsreformgesetz). Therefore, customers are continuing to hold off taking out long-term policies. In line with our forecast, we sold more occupational disability insurance products compared with 2014. Sales of traditional life insurance policies have fallen. We were unable to reach our forecast for new business relating to other life insurance products that are independent of interest rates. The value-oriented net valuation amount was lower than the target figure in 2015.

General administrative expenses developed more positively than expected due to our continuing rigorous cost management and were below the previous year's level.

With net segment income of €40 million, our expectations have been met.

Property/Casualty Insurance

With respect to value-oriented net sales performance, we surpassed our forecast. In addition to solid new business, the strong replacement business contributed to this performance. These sales efforts by Württembergische Versicherung AG led to portfolio growth in 2015 in the areas of corporate customers, private customers and motor insurance.

General administrative expenses were below the previous year's level, in line with our forecast.

Owing to the positive claims history and disposal proceeds in an associated company, the segment earnings were higher than the forecast and only slightly below the previous year's level, which was favourably affected by one-off effects.

All other segments

The business performance of Asset Management GmbH has developed better than expected. Overall a higher result was achieved than in the previous year. The income performance of the Czech companies corresponds to assumptions.

A comparison of business development with the outlook for W&W AG can be found in the chapter headed “Comparison of business development with outlook (German Commercial Code)”.

Group

In financial year 2015 we achieved a record result of €274 million despite the continuing low interest rates and therefore clearly exceeded the original forecast from the last annual report of around €200 million. The main reasons for this income performance were the further optimisation of the business model, which led to a further reduction of costs, and the positive claims history. In addition, non-periodic tax effects and the sale of shareholdings contributed to this result.

Contrary to our expectations, general administrative expenses in 2015 were at the same level as 2014. This is essentially due to non-scheduled depreciation resulting from a reduction in the period of depreciation of the building in Kornwestheim.

We had forecast that the key figure for customer development in the Group would be at the previous year’s level. The key figure is slightly below the level of 2014, especially due to terminations of high-yield home loan and savings contracts and lost customer accounts for conventional life insurance policies. We had customer growth, in particular, at Wüstenrot Bank AG Pfandbriefbank for unit-linked life insurance and supplementary health insurance policies.

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 2015 financial year successfully with net income for the financial year (HGB) of €60.5 million (previous year: €56.0 million). The increase is mainly the result of higher income from profit transfer agreements as well as lower tax expenses.

The many different regulatory requirements and the preparations for Solvency II posed a challenge for W&W AG in 2015. The continuation of low interest rates left their mark as well.

Financial performance

Annual result

W&W AG’s net income for the financial year (HGB) stood at €60.5 million (previous year: €56.0 million) in the 2015 financial year. Based on this result, we can propose to the Annual General Meeting on 9 June 2016 to pay an increased dividend of €0.60 per share for the 2015 financial year and allocate €5.0 million to reserves. The Executive Board and Supervisory Board did not make any advance appropriations to retained earnings this year. After accounting for €1.0 million in profit brought forward from 2014, net retained profits amounted to €61.5 million (previous year: €56.9 million).

Net capital investment income

W&W AG’s capital investment result increased in 2015 to €159.2 million (previous year: €148.6 million). This rise is mainly due to higher income from profit transfers. The profit from the sale of Wüstenrot stavebná sporitel'ňa a.s. in Bratislava and the write-up on the Czech insurance also had a positive effect.

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 –€2.9 million, a decrease of €5,6 million on the prior-year value (previous year: gain of €2.7 million).

Gross premiums written increased by 3.2% to €318.8 million (previous year: €308.8 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 3.9% to €244.6 million (previous year: €235.3 million).

Net claims expenses reached €166.2 million (previous year: €160.1 million). The net loss ratio is unchanged at 68.0% (previous year: 68.0%). Expenses for insurance business for own account increased from €73.1 million in the previous year to €82.3 million mainly due to reinsurance commission for a proportional reinsurance contract within the Group. The net expense ratio increased to 33.6% (previous year: 31.1%). €7.1 million had to be transferred to the claims equalisation provision, as stipulated (previous year: €5.7 million). Overall, the claims equalisation provision still stands at a comfortable €58.4 million (previous year: €51.3 million). This corresponds to 23.9% (previous year: 21.8%) of net premiums earned. After the allocation to the claims equalisation provision, the underwriting loss stood at €10.1 million (previous year: €3.1 million).

Lines

Gross premium/contribution income increased from €117.9 million to €122.6 million in the fire and other property insurance lines. After an allocation to the claims equalisation provision of €1.7 million, the result was an underwriting loss of €6.8 million (previous year: €2.9 million).

Gross premium/contribution income increased to €114.1 million (previous year: €109.5 million) in the motor vehicle lines. After an allocation to the claims equalisation provision of €4.4 million, the loss stood at €10.6 million (previous year: €7.0 million).

Gross premium/contribution income increased slightly to €30.2 million (previous year: €29.8 million) in the liability line. After an allocation to the claims equalisation provision of €1.1 million, the result was a profit of €3.6 million (previous year: €1.6 million).

Gross premium/contribution income grew slightly to €19.9 million (previous year: €19.6 million) in the accident line. The profit after the claims equalisation provision was €2.8 million, higher than in the year before (previous year: €2.2 million).

Premiums/contributions in transport and aviation hull insurance increased marginally from €3.2 million to €3.0 million. The underwriting result after the claims equalisation provision showed a profit of €0.5 million (previous year: €1.2 million).

Gross premium/contribution income rose slightly to €22.5 million (previous year: €22.2 million) in the other insurance lines (mainly legal expenses insurance). The underwriting result after the claims equalisation provision showed a loss of €1.3 million (previous year: €0.6 million).
Gross premium/contribution income in life insurance decreased slightly to €6.4 million (previous year: €6.6 million). The result was positive and amounted to €1.7 million (previous year: €2.6 million).

Taxes

Taxes on income showed expenses of €8.9 million (previous year: €27.4 million) as at 31 December 2015. Current tax expenses for the financial year of €32.2 million (previous year: €27.8 million) were impacted by tax effects from subsidiary companies. These effects were offset in the year under review by the settlement of taxes from previous years.

Net assets

Asset structure

W&W AG's total assets increased by €114.2 million to €3,407.9 million (previous year: €3,293.7 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 €1,910.2 million (previous year: €1,896.5 million) as at 31 December 2015. The net income for the financial year of €60.5 million increased equity. The dividend payout for the 2014 financial year of over €46.9 million, by contrast, decreased equity.

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 €126.1 million to €3,221.4 million (previous year: €3,095.3 million). This figure includes mainly interests in affiliated companies and long-term equity investments of €1,750.5 million (previous year: €1,615.7 million) and fixed-income securities of €438.4 million (previous year: €528.2 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 €1,122.6 million (previous year: €1,202.0 million). This includes €1,012.6 million (previous year: €1,064.2 million) for interests in affiliated companies, €40.5 million (previous year: €57.0 million) for funds and €36.1 million (previous year: €48.7 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 341b (2) to use the provisions for fixed assets when valuing securities classified as current assets.

Pension provisions

Pension provisions of €780.4 million (previous year: €690.1 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 satisfied with our net income, considering the continuing low interest rates and increasing regulatory tightening.

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 forecast of achieving a result after taxes at the level of 2014 was exceeded at €61 million. The main reasons for the income performance were the proceeds from the sale of shareholdings as well as non-periodic tax effects.

General administrative expenses were at the previous year's level in line with our forecast for 2015.

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

Opportunity and risk report

Opportunity report

Recognising and exploiting opportunities is a fundamental requirement for the successful development of our management holding company. Consequently, the operational units and W&W AG pursue the goal across the Group of systematically identifying, analysing and evaluating opportunities and initiating suitable measures to utilise them.

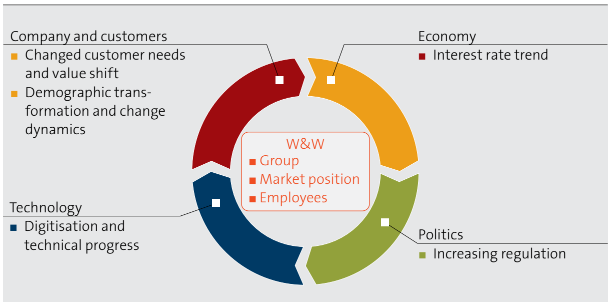
The starting point is our firmly established strategy, planning and control processes. For this purpose, we evaluate market and environment scenarios and examine the internal orientation of our product portfolio, cost drivers and other critical success factors. Market opportunities are derived from this, which are discussed with the management within the framework of closed-door strategy meetings and incorporated into strategic planning.

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).

Below we concentrate on the main opportunities, and distinguish between opportunities arising from developments outside the company's control and opportunities resulting from our specific strengths as the W&W Group.

External and internal influence factors for W&W

Key aspects



Unless indicated otherwise, the 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 2016 and the medium-term prospects. They are shown in the course of this Management Report.

External influencing factors

Company and customers

Opportunities through changed customer needs and changed values

As the W&W Group, we want to bring financial planning from one source to the people.

To ascertain all our customers' 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. Our sales organisations and partners also provide valuable impetus for changes in customer needs and trends.

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. Hence, the growing need for financial security offers huge business opportunities for the W&W Group. The W&W Group strategically adapts to the changed financial planning market with its sustainable, integrated advisory approach along with tailored products and solutions.

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 187 years of financial planning experience in the field of financial services, we are in a good position in this respect. We combine this outstanding foundation with our personal advisory approach and the new digital possibilities.

Digital advances have materially changed the expectations of many existing and potential customers. The communication between customers, sales and companies is increasingly taking place on the basis of digital technology. In the age of the Internet, smart phones 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 contact us regardless of office hours or distance via their preferred medium and manage their affairs independently 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 through demographic change and the dynamics of change

Democratic change and a changed society offer new growth opportunities.

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, changed lifestyles and an active life until old age come at a cost. Society is becoming more mixed as a result of immigration, and generation Y is demanding more flexibility in regard to products, consulting and communication.

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. By continuously developing new products with alternative guarantees or additional flexibility and using all manner of communication media, we are quick to adapt to these changes.

Economy

Opportunities through interest rate trends

The low interest rate policy in Europe continues to pose challenges for financial services providers, but also offers opportunities.

On the one hand, the importance of an effective capital investment is rising. 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.

We can also acquire new customers through products which are adapted to take account of the low interest rates. In addition, the increasing demand for new buildings, energy-related refurbishment and renovation, low interest rates and rising property prices offer the opportunity for sustained growth in construction financing volume.

Politics

Opportunities through increasing regulation

Satisfying the growing regulatory requirements, such as for a consultation meeting, can be used to intensify the customer meeting and the customer relationship. Data protection regulations will strengthen trust in the industry as a whole and therefore in us as a provider.

Government interventions, such as capping charges for card payments, may lead to a boost in the market penetration of individual products, for example, in relation to the acceptance of credit cards.

Technology

Opportunities through digitalisation and technical progress

Digital progress will enable us to develop completely new, faster and more intensive customer interactions, meaning that we can approach customers' needs more directly and digital consulting can be expanded. Moreover, faster service and new kinds of products can be created.

Technical advances will, for example, enable increasing automation of processes and the acquisition of standardised and certified processes. The resultant productivity advances and therefore cost-cutting potential can be used to increase returns, but also to free up capital for investments in topics of relevance for the future.

Internal influencing factors

Opportunities through the Group

The solid base of our business model with its two pillars Home Loan and Savings Bank, and Insurance offers us the best chance of remaining in the market on a long-term basis through its diversification.

In light of demographic trends, our all-round service as a financial planning specialist promises brisk customer demand in the future. The core market of our Group is Germany. The prospects remain positive. Germany's economic performance is above the European average and it has a low unemployment rate. Growing income and a generally optimistic basic sentiment give us strong momentum in our customer business.

Through the combination of the two tradition-rich brands Wüstenrot and Württembergische, we have substantial customer potential within the W&W Group. This gives us good income opportunities through further expansion of cross-selling.

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.

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, 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.

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

Opportunities through market position

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.

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 inhouse 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 is to meet the needs of customers. When designing our products we focus our attention on what they want. Accordingly, our products regularly receive the highest rating.

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.

Opportunities from our employees

As a sound and attractive employer, we can retain highly qualified employees and executives over the long term. By acquiring new employees, we are constantly expanding our know-how.

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. As a financial conglomerate, it offers varied and 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), the German Act to Modernise the Financial Supervision of Insurance Companies and the Financial Conglomerates Directive as well as the German Supervision of Financial Conglomerates Act (FKAG), the Wüstenrot & Württembergische Group (W&W Group) represents a financial conglomerate. It also meets the requirements under the FKAG of a mixed financial holding group. All the specified legal provisions result 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. According to regulatory consolidation, the ultimate parent of the Solvency II group is Wüstenrot Holding AG. However, it has also assigned risk management tasks to W&W AG.

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 under "Disclosures concerning risks under 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 established return targets 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 2014 Annual Report were also applied in 2015 and will generally continue to be applied.

Further developments in 2016 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 impetus 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.

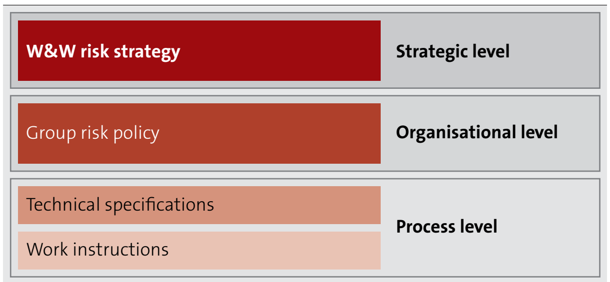
Another duty of risk management is to protect the reputation of the W&W Group as a financial planning specialist. The reputation of the W&W Group as a stable, reliable and trustworthy partner of our customers represents a key factor for our sustainable success.

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.[1]
- Wüstenrot pojišťovna a.s.[1]
- 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.

As a guideline for risk management at Group level and W&W AG (according to Solvency II), our **Group Risk Policy** defines 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.

1 The two Czech insurance companies have not been part of the scope of consolidation of the W&W Group since 2016, as both companies were closed down in January 2016.

Risk governance/risk bodies

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

A brief outline of the importance of the Group Board as well as the Supervisory Board and the Audit Committee can be found in the introductory sections of this chapter. For further information on this, please refer to the section “Declaration on Corporate Management/Corporate Governance”.

The duties and responsibilities of all persons and committees involved in risk management issues are clearly defined. One of the central governance bodies in the W&W Group is the **Group Board.** 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.

In financial year 2015 the **Audit Committee** of W&W AG and the Audit Committees of the large individual companies carried out the annual check to ascertain whether the risk management organisation in the respective areas of responsibility was adequate. Since 2016 this duty of the respective Audit Committees of W&W AG and Wüstenrot Bausparkasse AG for Württembergische Versicherung AG, Württembergische Lebensversicherung AG and Wüstenrot Bank AG Pfandbriefbank has been carried out by the respective full Supervisory Board.

Under the standing agenda item “risk management”, the **Supervisory Board** regularly examines the current risk situation.

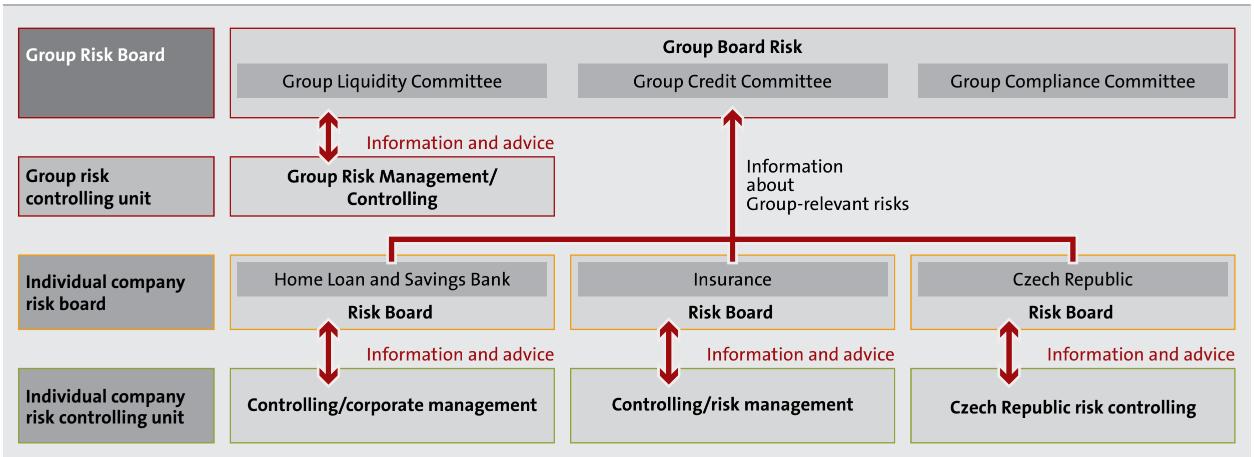
As the central body for the coordination of risk management, the **Group Board Risk** supports the Executive Board of W&W AG and the Group Board in risk issues. Permanent members of the Group Board Risk include the Chief Risk Officer (CRO), who belongs to the Executive Board of W&W AG, the CROs of the Home Loan and Savings Bank, and Insurance segments as well as the management of the Group Risk Management/Controlling department. The group of participants also includes the management of the Controlling/Risk Management departments of the insurance companies, the Controlling department of the Home Loan and Savings Bank and Group Accounting as well as the managing director of Asset Management (back office).

The body meets once a month and, where necessary, on an ad hoc basis. 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.

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 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 Executive 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. 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 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.

Model risk. Risk measurement and governance mostly make use of common models. These models use assumptions in order to reduce the complexity of reality. They map only 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 monitor and limit model risks. The measures mitigate the modelling risk in risk measurement and governance. However, they cannot fully compensate for it.

Human risk factor. In addition, as the intrinsic human judgment in corporate decision-making processes may be faulty despite the implemented control measures (internal control system, dual control principle), the unpredictability of human action represents a risk. Likewise, there is a risk in connection with the uncertainty of the correctness of decisions made (human behaviour risk).

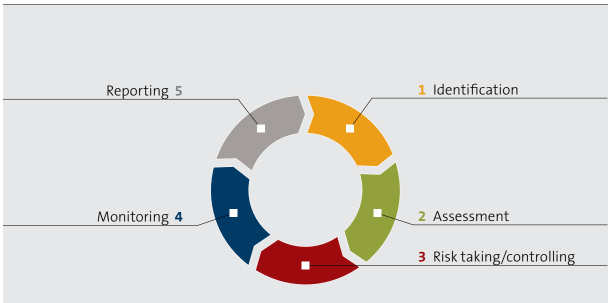
Though our risk management system is basically suitable, it is therefore possible that risks may not be duly identified or reacted to under certain circumstances.

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) standard. Currently, we determine market price and counterparty risks (except for bad debt risks from reinsurance) as well as insurance 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 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 defined 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 our operating companies manage their own risk positions. Thresholds, signal systems, and limit and line systems are used to support risk management.

The IFRS result is a key management parameter for us. In addition, we examine risk parameters such as regulatory and economic risk-bearing capacity, as well as division-specific indicators. 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. The models have been further developed in accordance with Solvency II or CRD IV/CRR and have applied since 1 January 2016.

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 by a procedure for ad hoc risk communication. In this way, the Executive Board of W&W AG and the Group Board learn promptly of new threats or extraordinary changes in the risk situation that exceed our defined internal thresholds.

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 as well as the effectiveness and suitability of the risk management 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. Statutory and supervisory requirements relating to capital resources and risk-bearing capacity apply, respectively, for the financial conglomerate, the Solvency II Group, the mixed financial holding group and W&W AG as an individual institution. 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 Capital Requirements Regulation (CRR) 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 (old version)/CRR		Solvency requirements according to VAG (old version)/CRR		Ratio in %	
in € million	2015	2014	2015	2014	2015	2014
Wüstenrot & Württembergische AG[1]	1 854.2	1 849.7	40.2	40.2	4 610.1	4 598.9
Wüstenrot Bausparkasse AG[2]	810.4	798.0	5 941.5	5 975.9	13.6	13.4
Wüstenrot Bank AG Pfandbriefbank[2]	461.7	493.9	3 393.1	3 785.1	13.6	13.0
Württembergische Versicherung AG[1]	292.5	325.7	211.0	208.0	138.7	156.6
Württembergische Lebensversicherung AG[1]	2 063.9	1 744.6	1 189.4	1 124.4	173.5	155.2
Württembergische Krankenversicherung AG[1]	29.4	25.7	14.6	13.4	201.1	191.5

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

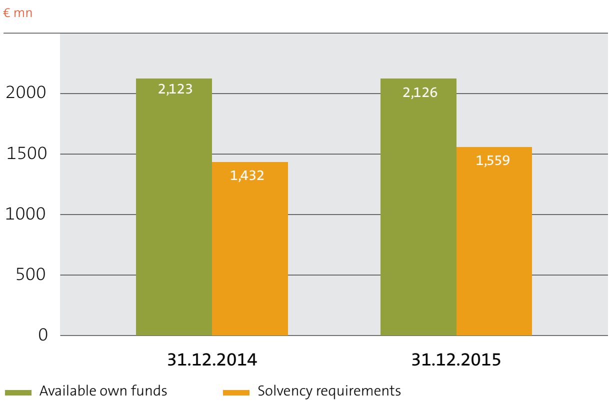
In the 2015 year under review, as in the previous year, all companies of the W&W Group that are subject to supervision fulfilled the regulatory minimum capital requirements.

Apart from the supervision at an individual company level, the insurance companies of the W&W Group within the scope of consolidation of the insurance group are likewise subject to supervision. In the 2015 year under review, as in the previous year, the insurance group fulfilled the regulatory minimum capital requirements. As at the reporting date, the provisional coverage ratio for the insurance group, including all material investments, was 212.7% (previous year: 234.5%). 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 2015, the overall capital ratio of the mixed financial holding group was 17.6% (previous year: 16.5%) and thus satisfied the mandated regulatory minimum capital ratio of 8.0%.

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.

In the financial year 2015, the financial conglomerate the W&W Group fulfilled the regulatory minimum capital requirements. As at 31 December 2015, the available own funds of the financial conglomerate amounted to €2,126 million (previous year: €2,123 million). As at the closing date on 31 December 2015, the financial conglomerate achieved a provisional coverage ratio of 136.4% (previous year: 148.3%).

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 2015 and on the basis of the extrapolation and planning for 2016 and 2017 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.

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. For the domestic credit institutions, as well as for the mixed financial holding group, the internal target for 2016 for the total capital ratio has been set at 12%. The target for the core capital ratio for 2015 is 11% for the domestic credit institutions and for the mixed financial holding group.

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. In regard to risk limitation the company generally aims to reach an average limit utilisation of up to 80%. 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 2015, the total risk capital requirements of the W&W Group after diversification amounted to €3,758.0 million (previous year: €2,625.8 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. Since 31 December 2015 the internal risk-bearing capacity model of Württembergische Lebensversicherung AG has been based on an adjusted standard model according to Solvency II.

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 2015.

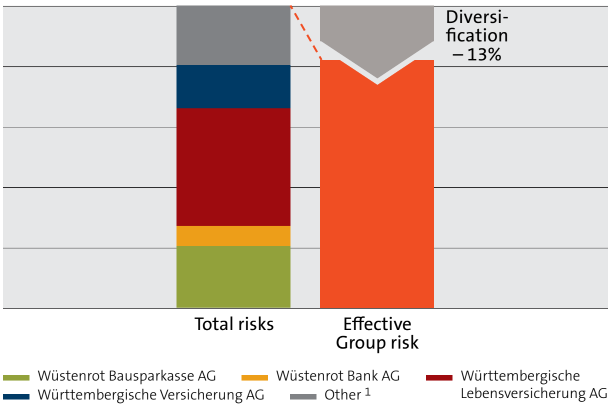
Diversification

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. In regard to security-based modelling, the internal risk-bearing capacity model at the Group level only takes account of diversification effects arising between the individual companies within one risk area. The alleviation of the economic risk capital requirements at Group level was as follows as at 31 December 2015:

Diversification

schematic



[1] W&W AG, Württembergische Krankenversicherung AG, Consolidation.

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 business segments and regions. 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,
- Networked thinking across division boundaries (know-how transfer),
- Joint liquidity management (cash pooling).

Risk profile and material risks of W&W AG

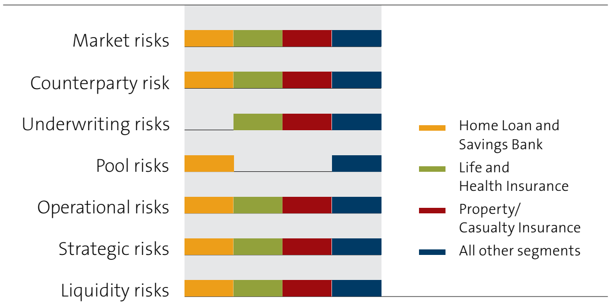
To present our risks transparently, we aggregate similar risks to form so-called risk areas that are standardised throughout the Group. For the W&W Group, we have identified the following standard risk areas as material (see also chart of the risk landscape of the W&W Group):

- Market price risks,
- Counterparty risks,
- Insurance 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 areas

by segment



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 can 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.

Risk landscape of the W&W Group

Overview of risk areas

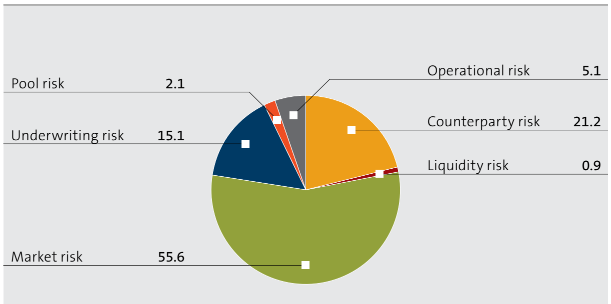
Overall risk profile

Market risks	Counterparty risks	Underwriting risks	Operational risks	Strategic risks	Liquidity risks	Pool risks
Interest rate risk	Counterparty default risk with financial assets	Premium risk	Personnel risk	Cost and earnings risk	Insolvency risk	Changed behaviour by home loan and savings customers
Credit spread risk	Counterparty default risk with customer lending business	Reserve risk	Process risk	Business risk	Funding risk	
Long-term equity investment risk	Receivables default risk in reinsurance	Cost risk	System risk	Reputational risk	Market liquidity risk	
Share price risk		Biometric risk	Legal risk	Political/social risks		
Foreign-exchange risk		Calculation risk	Project risk			
Real estate price risk			External events			

As at 31 December 2015, 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 profile of the W&W Group [1]

in %



[1] Risk areas quantified by internal risk-bearing capacity model.

Market price risks currently account for the largest share of the risk capital requirement at 55.6% (previous year: 34.8%). This increase is mainly due to the shift in credit spread risks from counterparty to market price risks. In addition to credit spread risks, interest rate change risks are also important. Insurance risks account for 15.1% (previous year: 14.9%), operational risks 5.1% (previous year: 2.8%) and pool risks 2.1% (previous year: 3.2%).

Due to the exposures in our capital investment portfolios and our customer credit activities, counterparty risks represent the predominant risk area, accounting for 21.2% (previous year: 44.3%). The significant decrease compared with the previous year is due to a shift in the risk type "Credit Spreads" to market price risks.

We take strategic 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

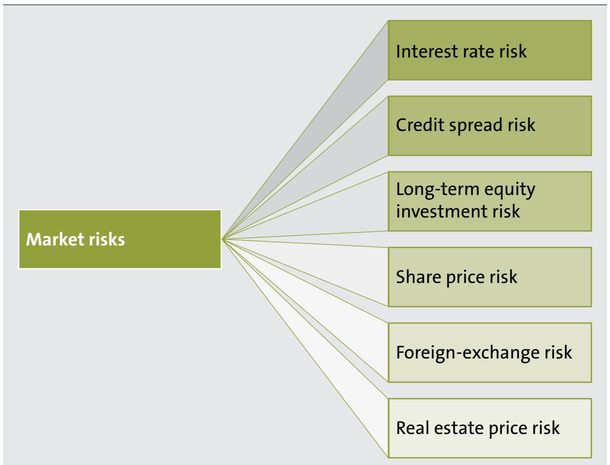
- Intensified risk-minimising measures to manage the interest rate change and interest guarantee risks of the W&W Group due to continually low interest rates
- Retention of the high guarantee level of the share portfolios in 2015

Risk definition

We define market price risks as potential losses resulting from the uncertainty concerning the future development (size, volatility and structure) of market risk factors. Such market risk factors are, for example, interest rates, share prices, exchange rates and commodities prices, real estate prices or corporate values, as well as risk premiums (credit spreads) for a given credit risk.

Market risks

Systemisation



Market environment

Interest rate development. The German bond market developed in three parts in 2015. From the start of the year until mid April the downward trend of yields on the European bond markets continued. The reason for this was the ECB's bond-buying programme as well as very low – in some cases even negative – inflation rates due to the oil price. Then in mid April a rapid and pronounced rise in interest rates set in. Besides temporarily high inflationary expectations and an improvement in EMU economic perspectives, technical reasons, in particular, played a part.

International investors had previously purchased copious amounts of European government bonds. The unexpected rise in interest rates therefore triggered sell-offs and stop-loss orders. The investors' knowledge that German government bonds were significantly overvalued as measured by the fundamental economic situation also contributed to this. In the second half of the year there was a moderate countermovement of yields again. Especially a new slump in the oil price, renewed lower inflation expectations, increasing speculation about further relaxation measures by the ECB in December and a long-delayed key interest rate turnaround in the USA supported the bond prices. Thus, the yield on 10-year German government bonds mostly ranged from 0.45% to 0.8% during the second half of the year. With 0.63% as at the year-end, there was only a small yield increase of nine basis points for long-running German government bonds in 2015.

Despite stable benchmark rates, short-term interest rates once again fell slightly during the first months of the year, only to rise again in May/June to the level seen at the start of the year. In the second half of 2015 a basic trend of falling interest rates then dominated again due to the inflation-lowering effect of the renewed oil price slump and increasing speculation about further expansionary measures by the ECB. The ECB then actually cut its deposit rate once more in December, meaning that two-year German government bonds posted a negative return of –0.44% as an annual low. At the end of 2015 the two-year yield stood at –0.35%, 25 basis points lower than at the end of the previous year.

This interest rate trend had a similar effect on swap rates. Compared to the end of 2014, the 30-year swap rate dropped by 10.4% to a level of 1.6%. By the end of 2015, the yield of the two-year swap rate declined by 116.6% to –0.03%.

Share performance. Better economic prospects in Europe and speculation about further expansionary steps by the European Central Bank provided a very satisfactory start to the year on European stock markets. Hence, the DAX, for example, recorded an increase of over 25% with an all-time high of just under 12,400 points. But in mid-April, a spike in oil prices, a revaluation of the euro and higher returns on bond markets led to profit-taking, causing prices to decline. Prices weakened further in August, when massive concerns about future trends in the global economy, stemming from bad news from China, hugely dampened investors' risk tolerance and confidence. For instance, within just three weeks, the DAX lost 2,000 index points, falling below the 10,000 mark. Following a price rally in October, the European equities markets shifted to a sideways movement, and so the DAX closed 2015 at 10,743 points. In the calendar year 2015 the DAX was therefore up 9.6% and noticeably outperformed the Europe-wide equity market index Euro STOXX 50, which only achieved a price gain of 3.8%.

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:

- Extending duration of bond investments,
- Use of derivatives to hedge interest rate risks,
- Examination and use of alternative investment strategies and instruments,
- Reserves: additional interest reserve for new portfolio and reinforcement for old annuity portfolio,

- Profit sharing for 2016 was reduced for all the individual companies in the WürttLeben Group,
- Product development: transformation strategy (products with alternative guarantee forms)

Through the amendment to Section 5 of the German Policy Benefit Provision Regulation (DeckRV), the legislature 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 by the reference interest rate, which is calculated as the average of Euro interest swap rates over 10 years. In 2015, the reference interest rate dropped to 2.88% (previous year: 3.15%).

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 stands at 2.65% (previous year: 2.95%) for Württembergische Lebensversicherung AG. For 2016, 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.

In the reporting year 2015 the additional interest reserve was increased for the new portfolio and in tandem to this the interest rate reinforcement was increased in the old portfolio. By fixing the reference interest rate for interest rate reinforcement in the old portfolio below the reference interest rate, the advance reserve reinforcement took place as in previous years. Though this measure contributes to the protection of the long-term risk-bearing capacity, it has a negative impact on the solvency ratio.

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

The continuing low interest rates are viewed critically, and therefore Wüstenrot Bausparkasse AG continued its risk-minimising measures:

- Duration-controlling measures in the case of interest-bearing assets to reduce interest rate sensitivity,
- Diversification in proprietary business,
- Use of derivative financial instruments (swaps, swaptions, forward purchases/forward sales) to stabilise the interest rate result,
- Portfolio optimisation in customer business.

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

Credit spread risk. The credit spread risk comprises the risk of a change in the value of receivable items due to a change in the applicable credit spreads for the respective issuer or counterparty – despite an unchanged credit rating in the course of time. The credit spread refers to the risk premium in the form of a higher rate of interest for a security exposed to credit risk in relation to a comparable non-risk security. Consequently, a clear distinction is made in this case between credit spread risk, migration risk and default risk. This means that in the case of securities only credit spread changes that do not lead to a change (migration including default) in the rating are considered.

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 depreciations 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, depending on the size and significance of the long-term equity investments. The functions are usually assumed by Executive Board members.

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

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 depreciations 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 €925.4 million, the market value changes in the case of an index fluctuation of the EURO STOXX 50 were as follows as at 31 December 2015:

MARKET VALUE CHANGES OF MATERIAL SHARE PORTFOLIOS

in € million	Market value	Change in market value: Increase by 10%	Increase by 20%	Decrease by 10%	Decrease by 20%
WL[1]	806.4	48.9	90.9	–55.0	–102.2
WV[1]	57.0	2.6	4.1	–4.6	–6.0
W&W AG[1]	37.5	2.7	5.1	–3.4	–5.7
WBP	24.5	2.5	4.9	–2.5	–4.9
Total	**925.4**	**56.7**	**105.0**	**–65.5**	**–118.8**

1 Market value of shares = physical market value of shares + market value of options + market value equivalent of futures.

The high guarantee level of our insurance companies in this asset category was retained in 2015.

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 on Danish krones and US dollars. 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 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 place emphasis on an appropriate mix and spread of asset classes as well as on broad diversification by industries, regions and investment styles. The individual W&W companies that fall under Solvency II adhere strictly to internal guidelines in terms of quantity and quality. 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.

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 (see chart below):

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

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
Credit spread risk	Wüstenrot Bausparkasse AG Württembergische Lebensversicherung AG Wüstenrot & Württembergische AG Württembergische Versicherung AG Wüstenrot Bank AG Pfandbriefbank	■ Credit management ■ Risk lines
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

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.

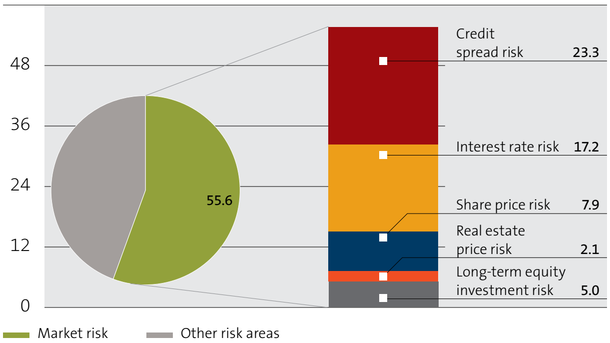
Foreign exchange risks are taken into consideration in the asset classes in which they are incurred. In the case of annuities/cash flows, exchange rate fluctuations that are closely attached to the development of the foreign exchange interest rates are examined simultaneously along with the interest 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 price 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 2015, 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 credit spread risk, which accounts for 23.3%, is the most important among the market price risks. Measured against the total internal risk capital, the proportion of the risk of changes in interest rates amounts to 17.2% (previous year: 18.5%). This is followed by the share price risk, with a weighting of 7.9% (previous year: 5.5%) and the long-term equity investment risk at 5.0% (previous year: 9.2%). The property risk accounts for approximately 2.1% (previous year: 1.6%).

In 2015, the market price risks were in accordance with the risk strategy. The risk limit was consistently complied with at the Group level.

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 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 derivative financial instruments in 2015.

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 42.

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 risk

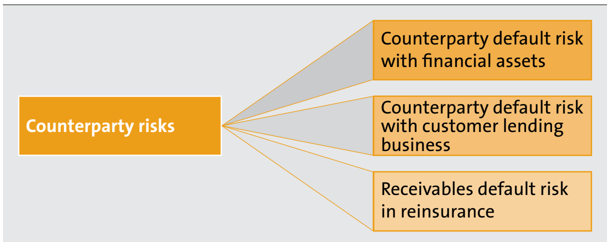
- Annuity portfolio: Focus on high rating and good collateral structure.
- European financial crisis continues to necessitate stringent risk management.
- Risk profile customer credit exposure constant at a very good level.

Risk definition

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

Counterparty risk

Systemisation



Counterparty risks can result from the default or changed credit rating 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

All in all, the risk premiums for European financial securities and corporate bonds demonstrated a stable, in some cases slightly rising sideways trend. In 2015, 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 increased, such as for European corporate bonds with good credit ratings (iTraxx Europe), from about 96 basis points to approximately 104 basis points by year-end. The premiums for senior covered bonds of financial institutions remained almost constant, while subordinated covered bonds of financial institutions (iTraxx Senior Financials and iTraxx Sub Financials) rose slightly.

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 96.9% (previous year: 97.5%) of the investments in the investment grade range.

Rating (Moody's scale)

	2015		2014	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	in € million	in %	in € million	in %
Aaa	17 956.7	46.1	18 655.3	44.9
Aa1	4 669.2	12.0	5 269.6	12.7
Aa2	3 691.1	9.5	4 022.8	9.7
Aa3	667.4	1.7	1 252.8	3.0
A1	1 924.9	4.9	2 115.5	5.1
A2	1 665.4	4.3	2 025.2	4.9
A3	1 948.9	5.0	2 081.3	5.0
Baa1	2 359.2	6.1	1 055.2	2.5
Baa2	1 944.9	5.0	3 223.9	7.8
Baa3	933.7	2.4	795.5	1.9
Non-investment-grade/non-rated	1 206.6	3.1	1 018.3	2.5
Total	**38 968.0**	**100.0**	**41 515.4**	**100.0**

The scope of consolidation of the balance sheet serves as the basis for the following 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

	Portfolio carrying amount				Share in overall exposure in %
in € million	Aaa - Aa	A - Baa	NIG/NR	Total	
	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2015
Home Loan and Savings Bank	9 478.4	3 217.2	261.1	12 956.7	33.2
Life and Health Insurance	15 876.0	6 402.8	832.7	23 111.5	59.3
Property/Casualty Insurance	979.0	456.8	101.1	1 536.9	3.9
All other segments	650.8	700.2	11.8	1 362.8	3.5
Total	**26 984.2**	**10 777.0**	**1 206.7**	**38 967.9**	**100.0**
Rating cluster share in %	69.2	27.7	3.1	100.0	

Note 51 in the notes to the consolidated financial statements presents all our assets 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 capital investments with financial institutions are secured by government liability or lien.

Seniority

	2015		2014	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	in € million	in %	in € million	in %
Public	11 864.8	30.4	13 090.5	31.5
German covered bond	11 748.3	30.1	12 945.2	31.2
With guarantor's liability	—	—	433.4	1.0
Deposit guarantee or government liability	6 764.2	17.4	7 208.4	17.4
Uncovered	8 590.7	22.0	7 837.9	18.9
Total	**38 968.0**	**100.0**	**41 515.4**	**100.0**

The scope of consolidation of the balance sheet serves as the basis for the following 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	Deposit guarantee or government liability	Uncovered	Total
in € million	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2015
Home Loan and Savings Bank	4 132.9	4 202.2	2 068.2	2 553.6	12 956.9
Life and Health Insurance	7 083.9	6 649.9	4 357.3	5 020.5	23 111.6
Property/Casualty insurance	516.5	437.4	203.1	379.8	1 536.8
All other segments	131.5	458.8	135.6	636.9	1 362.8
Total	**11 864.8**	**11 748.3**	**6 764.2**	**8 590.8**	**38 968.1**
Collateralisation structure share in %	30.4	30.1	17.4	22.0	100.0

Country risks. As at 31 December 2015, the total volume of bonds of the peripheral EMU countries (Portugal, Italy, Ireland and Spain) amounted to €1,259.9 million (previous year: €1,620.60 million). Of this amount, Spain accounted for €533.2 million (previous year: €699.4 million) and Italy accounted for €459.9 million (previous year: €748.8 million). As at 31 December 2015, the W&W Group did not hold any direct investments in Greece.

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 period under review.

In the year under review, no depreciation was applied to the bonds of the peripheral EMU countries.

The exposure in government bonds of the peripheral countries is subject to limitations and ongoing surveillance.

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

Government bonds by regions 2015

in € million	Domestic	Europe	Central/South America	North America	Asia	Africa	Other	Portfolio carrying amount Total	Share in total exposure in %
Home Loan and Savings Bank	1 344.5	2 620.9	–	–	–	–	–	3 965.4	34.0
Life and Health Insurance	2 765.0	3 101.9	178.0	249.3	141.5	93.2	530.5	7 059.4	60.5
Property/Casualty insurance	327.3	40.3	32.4	8.7	15.7	14.4	77.6	516.4	4.4
All other segments	112.4	5.4	–	–	–	–	13.7	131.5	1.1
Total	**4 549.2**	**5 768.5**	**210.4**	**258.0**	**157.2**	**107.6**	**621.8**	**11 672.7**	**100.0**
Share in %	39.0	49.4	1.8	2.2	1.3	0.9	5.3	100.0	

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

Subordinate exposure. Our subordinate exposures (participation rights, silent long-term equity investments and other subordinate receivables) increased to €1,645.4 million (previous year: approximately €1,218 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 subordinate exposures, especially for capital investments in the financial industry. Further loss of interest and reductions of the nominal value (haircuts) cannot currently be excluded.

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			
	2015		2014		2015		2014	
	in € million	in %	in € million	in %	in € million	in %	in € million	in %
Non-critical	10 673.3	95.8	10 747.9	95.2	6 827.4	95.8	7 346.6	94.9
Dunned	387.0	3.5	445.0	3.9	219.2	3.1	287.7	3.7
Terminated	83.2	0.7	101.4	0.9	82.2	1.2	107.6	1.4
Total	**11 143.5**	**100.0**	**11 294.3**	**100.0**	**7 128.8**	**100.0**	**7 741.9**	**100.0**

At the end of the year, the credit risk provision rate of Wüstenrot Bank AG Pfandbriefbank pursuant to the German Commercial Code (HGB) (credit risk provision in relation to the credit portfolio) amounted to –0.01% (previous year: 0.18%), and the credit default rate according to the German Commercial Code (HGB) (credit default in relation to the credit portfolio) to 0.15% (previous year: 0.15%). As at the closing date, the expected probability of default of the credit portfolio was 1.96% (previous year: 2.16%). The average loss given default (LGD) amounted to 11.26% (previous year: 10.80%).

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 0.00% (previous year: 0.14%), and the credit default rate according to the German Commercial Code (HGB) (credit default in relation to the credit portfolio) to 0.07% (previous year: 0.10%). As at the closing date, the expected probability of default of the credit portfolio was 2.51% (previous year: 2.69%). The average loss given default (LGD) amounted to 10.21% (previous year: 9.81%).

Our receivables portfolio mainly comprises loans, most of which are secured by mortgage deeds 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 good risk situation as well as the positive development of the portfolio due to the very good economic situation are reflected in the low credit risk provision rates and credit default rates. Currently, no signs of significant risks are evident in our customer credit portfolios.

Bad-debt risk reinsurance. Bad-debt 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 bad-debt risks in the reinsurance business, which have been determined on the basis of the capital to be provided 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 review 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 develops 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 types of risks, we mainly apply the following risk controlling methods and procedures (see chart Risk Management – Method Depiction).

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 as well as the probability of migrations between different credit rating classes 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.

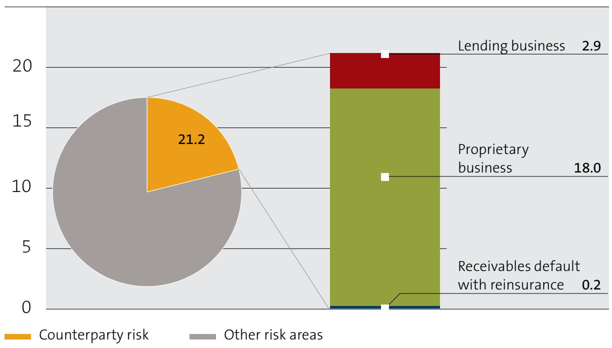
As a governance toolkit, our continually developed credit portfolio model enables us to dynamically adapt credit lines to rating changes.

The customer credit portfolios in the Home Loan and Savings Bank division are also measured with a standard credit-value-at-risk model. An analytical approach is used for this purpose.

As at 31 December 2015, 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:

Risk profile for counterparty risks

in %



Risks from our proprietary transactions constitute the greatest share in the risk capital requirements for counterparty risks. Measured against the total internal risk capital, the proportion amounts to 18.0% (previous year: 39.4%).

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

Counterparty risks from the customer credit business account for 2.9% (previous year: 4.6%). Bad-debt risks in the reinsurance business only account for a share of 0.2% (previous year: 0.3%). In 2015, the counterparty risks were in accordance with the risk strategy. The risk limit was consistently complied with at Group level.

Sensitivity and scenario analyses. In the risk area counterparty risks, we regularly examine stress scenarios at the 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. Monitoring of the counterparty default 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 comprehensively 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 grant credit. Our credit controlling units apply strict standards for the quality of the accepted collateral. Property collateral is mainly furnished in the form of mortgage deeds. 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 foundation 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.

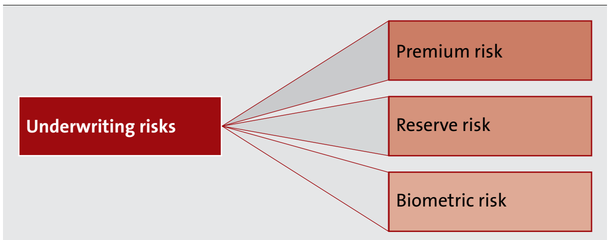
Risk provisions. Impending defaults from customer transactions, capital investments or the reinsurance business are taken into account by means of suitable allowances. The methodology for the recognition of risk provisions and allowances and their development in 2015 are presented in the Impairment and reversal of impairment losses 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 receivables that do not default. All changes of the customer credit portfolio with respect to the credit rating or collateral structure thus directly result in a change of the risk provisions.

Insurance risks

Insurance 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

Compared to the previous year with its low number of claims, more claims were recorded in the financial year 2015. This was due to accumulation events such as the storm “Niklas”. Year on year, 2015 saw increased expenses of €54.7 million (previous year: €39.4 million) for natural disaster claims.

Risk situation

The interest rate guarantee risk of life insurance must be regarded both as an insurance 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 actuarial practice 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 “Insurance 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 insurance 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 underwriting 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. This overview shows that adequate claims reserves have always been set up thus far.

In the Life and Health Insurance segment (mainly Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG), insurance 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 market Germany. The discontinuation of new underwriting in the UK subsidiary of Württembergische Versicherung AG as of the end of 2007 and the sale of the Czech insurance companies in January 2016 have 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 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 with 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.

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 insurance risks.

Risk management methods and risk controlling

Internal risk-bearing capacity model. To measure insurance 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 insurance 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 insurance risk capital requirements for W&W AG are derived from the insurance risk of Württembergische Versicherung AG. For Württembergische Lebensversicherung AG, the quantification of the insurance 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 chapter “Internal capital adequacy” (section “Internal risk capital”) demonstrates the weighting of the risk capital required for insurance risks. In total, insurance risks account for 15.1% (previous year: 14.9%) 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.

Risk management

Method depiction

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

Underwriting risk area	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

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.

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

Reinsurance. Adequate reinsurance protection for individual risks and for accumulation risks reduces the insurance 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 solvency of the reinsurers.

Controlling. As a matter of principle, the actuarial development is continually analysed and monitored by way of stringent controlling of premiums, costs, losses and benefits. The operational run-off risks of the 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 loss reserves.

Reserves. For claims that occur, the W&W insurers recognise due provisions in good time in the form of specific and general provisions. The technical provisions as well as the structure of our provisions for future policy benefits are explained in note 20 in the notes.

Further information on the insurance risks (non-life insurance and accident 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 home loan and savings pool risks refer to possible deviations from the expected result that arise from changed customer behaviour concerning the exercise of options from home loan 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 in 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 the 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 as-sets 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 strategic management of the pool risks is taken care of by the responsible members of the Executive Board. 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 stavební 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 chapter "Internal capital requirements" (section "Internal risk capital") demonstrates the weighting of the risk capital reserved for pool risks. In total, pool risks account for 2.1% (previous year: 3.2%) of the overall risk capital requirements of the W&W Group. The main risk carrier is Wüstenrot Bausparkasse AG. In 2015, all pool risks were in accordance with the risk strategy. The limits were observed.

Sensitivity and scenario analyses. The results of the simulation calculations are incorporated in the pricing and product development and enable us to identify and manage 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

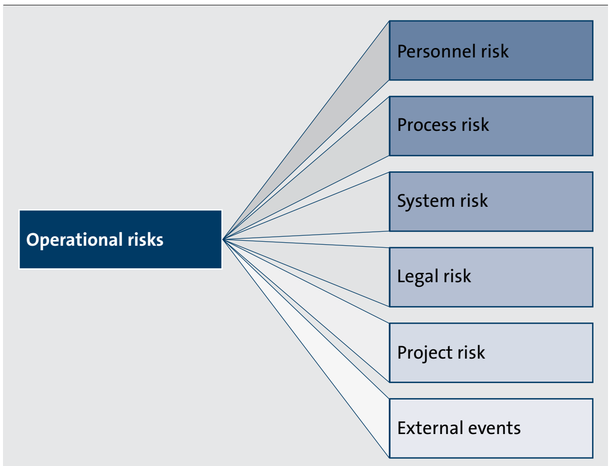
- Legal and compliance risks resulting from court rulings, consumer protection and data protection
- Information security risks from complex data and system structures
- Process risks resulting from large projects (including the implementation of regulatory requirements) and process harmonisation throughout the Group

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 regularly within the scope of the risk inventory.

Personnel risk. 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 workload. We rely on effective personnel management in order to support our employees.

Process risk. 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. We minimise the model risk by means of careful model governance that applies to all risk types. Within the scope of a Model Change Policy, the model development is subject to standardised, transparent documentation. The model risk is reduced and monitored through the employed validation and backtesting procedures.

Project risk. Due to internal and external requirements, numerous projects are currently being worked on concurrently in the W&W Group, resulting in high demands on resources. Resource bottlenecks cannot be eliminated entirely, which could result in delays and deferral of milestones, as well as quality defects in the project results. To counteract such problems, a Group-wide project management process is in place. Through uniform standards, this process is to ensure professional, efficient project work and make project risks that arise manageable.

Systemic risk. 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. As a financial services provider, the W&W Group greatly depends on IT systems; this is associated with information security risks with respect to the goals of protecting the availability of applications and confidentiality, integrity and authenticity of data and cyber risks. Analyses are conducted regularly in order to determine the protection needs of data and the establishment of appropriate protective measures. Although some success has already been achieved in terms of system consolidation in the W&W Group, the diversity of the IT landscape, which has been marked by mergers, makes it difficult to collate and analyse data and to automate processes. We attach high priority to counter-measures designed to address cost inefficiencies and to compensate for information deficits when making observations across departments and companies.

Legal risk. In terms of legal and supervisory requirements, we are witnessing a growing level of European harmonisation and expansion of creditor and consumer rights and disclosure obligations. Legal proceedings pending in the financial sector may lead to subsequent financial recovery claims. Legal risks can impair future financial performance. Inadequate compliance (especially through fraud) or implementation of internal and external provisions, regulations and policies can result in a compliance risk. The W&W Group has a compliance function that is responsible for the monitoring and governance.

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 managing legal risks. The Group Compliance Committee is the central body for compliance-relevant matters. The Group Tax department identifies, assesses and manages tax risks (see chart below).

Faced with increased challenges with respect to the confidentiality, authenticity, availability and integrity of our databases, we responded by consolidating responsibilities. 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. A framework for operational risks associated with IT security has been established in collaboration with the central and decentralised risk control units.

Internal risk-bearing capacity model. Our internal risk-bearing capacity model takes into account the risk capital requirements for operational risks. For our German banks, the determination takes place on the basis of a mathematical-statistical model (value at risk), which is based both on loss event data and on scenarios. For insurance companies, the standard approach pursuant to Solvency II is used.

The chart (section "Risk profile and material risks") depicts the weighting of the risk capital reserved for operational risks. In total, operational risks in the Group accounted for 5.1% (previous year: 2.8%) of the total risk capital requirements.

In 2015, operational risks were in accordance with the risk strategy. The risk limit was consistently complied with at Group level.

Risk assessment. 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 with respect to their probability of occurrence and potential for damage. 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 compiled and evaluate operational loss events. Through the rollout in other companies, the Group-wide process is to take place in a more integrated and tool-supported manner in the future, like the risk inventory.

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 process modelling and control documentation are technically supported by a software application. Control documentation located in other systems is gradually being migrated to the new application. By linking process and risks and by identifying key controls, operational risks become transparent.

Risk management

Method depiction

Operational risk area	Company (Group-wide)	Risk controlling (specific)
	Risk controlling (Group-wide) ■ Risk Assessments ■ Internal risk-bearing capacity model ■ Limit systems ■ Sensitivity and scenario analyses ■ Reporting ■ Internal control system ■ Claim database ■ Organisational guidelines	
Process risk		■ Business continuity management ■ Internal control system ■ Process management procedures
Legal risk		■ Fraud prevention ■ Legal monitoring
System risk	In principle, all companies in the W&W Group are exposed to operational risks	■ Information security management system ■ Identity management ■ Business continuity management ■ IT risk management
Personnel risk		■ Human resource management
Project risk		■ Project controlling ■ Steering committees

Personnel management. 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 the fluctuation within the W&W Group. For further information, please see the "Employees" section in the "Group fundamentals" chapter.

Business continuity management. In order to ensure continued business operations in the event of process or system outages, critical processes were identified Group-wide in an impact analysis. The contingency plans associated with the processes are subject to regular 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 backup procedures for application and computing systems form the basis for the effective management of systemic risks and information security risk with respect to ensuring the goals for protection of availability, confidentiality and integrity. This emergency management minimises the risk of system failures. The optimal use of our IT systems helps to reduce the complexity of our IT infrastructure. The system and application expertise that is gained over and beyond this also aids in avoiding IT bottle-necks.

Monitoring and collaboration. Legal and tax risks are addressed through the ongoing monitoring and analysis of court rulings and fiscal governance. In close collaboration with associations, various departments monitor relevant draft laws, developments in case law and new requirements imposed by the regulatory authorities.

Strategic risks

- Increased regulatory costs and rising equity 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.

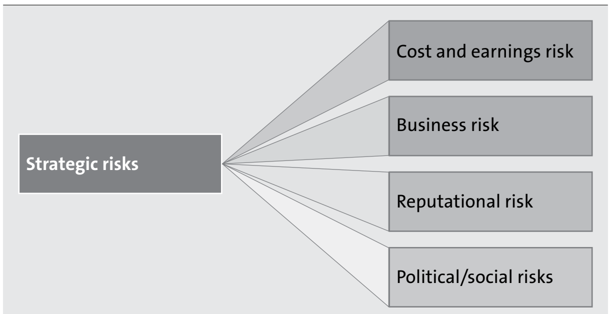
Risk situation

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.

We regularly analyse all strategic risks 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 the 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 resources of banks and insurance companies. Current regulatory developments are leading to increasing capital requirements and comprehensive reporting and controlling obligations.

The W&W Group has launched a number of projects to prepare for the expanded statutory and regulatory requirements for banks and insurance companies. In the Insurance division, a key aspect is the early implementation of parts of Solvency II in connection with the established preparatory phase. The focus here is on the fulfilent of the requirements relating to the forward-looking assessment of own risks (FLAOR) and the implementation of 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 experts for financial provisions, we greatly depend on our reputation among customers and business partners as a sound, secure group of companies. We permanently monitor the W&W Group's public image, and we strive to maintain our reputation by means of a transparent communication policy when faced with critical situations.

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 in order to ensure that data is available to company management and supervisory authorities. The rules apply to globally and nationally system-relevant banks from January 2016. Following the determination of national system relevance by the regulatory authorities, an implementation period of three years applies.

Financial Conglomerates Directive 1 (FICOD 1). The revised Financial Conglomerates Directive 1 (FICOD 1) is to be adopted into German law by statute, and a separate Financial Conglomerate Supervisory Act (FKAG) is to be enacted. In particular, the supervision of groups is to be intensified in order to enable better monitoring of specific group risks.

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

German Investment Regulation (AnlV). Instead of the German Investment Regulation (AnlV), which is no longer applicable as of 1 January 2016, and regulatory requirements, the individual W&W companies that are subject to Solvency II have established their own sets of rules in the form of internal policies, which, in particular, comprise a company-specific investment universe with quality and quantity determinations, replacing the statutory and regulatory regulations as well as the previous internal policies.

Strategy and organisation

Priority of protecting the going concern. As a matter of principle, no individual risks are to be taken that could threaten the going concern.

Focus on core business. The W&W Group concentrates on the German and Czech market in the private customer business. Additionally, the German insurance companies also serve the commercial customer segment. Through a comprehensive product policy tailored to target groups, we strive to achieve greater market penetration, better exploit available customer potential and increase customer loyalty. Through this approach we want to generate long-term, low-risk profitable growth above the market average.

Growth programme "W&W@2020". The strategic approaches form the starting point for the strategic goals targeted within a period of about three to five years in order to ensure holistic strategic alignment. The following themes have been defined as action fields:

- Profitability
- Market, customer, sales
- Digitisation
- Efficiency
- Skills

Finally, the Group's strategic goals are operationalised and moved forward by means of strategic measures. These are bundled and stringently managed in the growth programme "W&W@2020". The measures defined for the action fields are taken into consideration in the yearly operational planning.

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 managing 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 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 at an early stage in order to be able to develop and introduce suitable risk governance measures.

Internal risk-bearing capacity model. We assess strategic risks using event-based scenario calculations and expert appraisals. 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. The risk inventories of all material Group companies are systematically compiled and assessed using a software application. Our experts regularly evaluate all strategic risks 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 options for 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

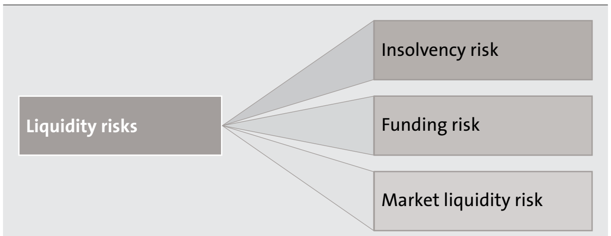
- Competitive advantage of financial conglomerate: diversification of funding sources
- Solid liquidity basis: funding assured for W&W companies

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

In March 2015, the ECB carried on with its expanded bond purchase programme, which will continue at least until March 2017. The main refinancing operations rate was left at the low level of 0.05%, and the rate on the marginal lending facility at 0.30%. The monetary policy of negative interest rates was maintained. In December, the rate on the deposit facility dropped to –0.30%. Due to the persistently high liquidity supply and a potential further reduction of the rate on the deposit facility, the market expectations concerning the future development of interest rates are reserved. Against the backdrop of the raises of the federal funds rate by the Federal Reserve in December and the ongoing easy monetary policy of the ECB, the Euro remains under pressure.

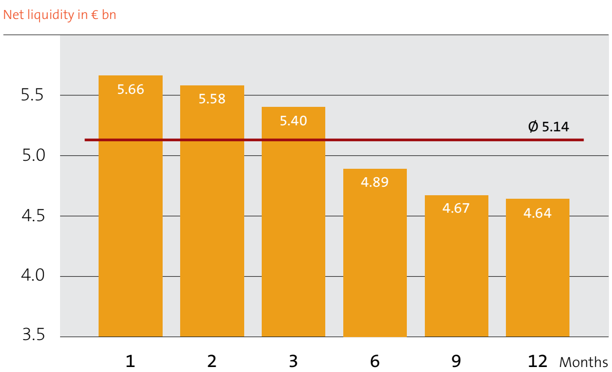
Risk situation

Insolvency risk. In their capacity as financial services companies, a number of W&W companies are subject to specific statutory and supervisory 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 manage 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 2015, the 12-month plan showed average financial resources of €5.14 billion (previous year: €4.50 billion).

Consolidated liquidity planning



Liquidity coverage ratio. The fulfilment of the regulatory minimum capital ratio to be determined for the banks and the mixed financial holding group is to ensure the availability of a buffer of highly liquid assets in the event of stress to cover a potential net cash withdrawal for 30 days. The minimum ratio to be fulfilled amounted to 60% in 2015 and will be gradually raised to 100% by 2018. As at 31 December 2015, the mixed financial holding group had a ratio of 232.24%.

The 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 (e.g. securities issues, borrowing from central banks).

Funding risk. The sudden drying up of institutional sources of funding constitutes a challenge, particularly for banks.

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

The funding volume of our banks 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.

Under stressed assumptions, the funding risk from the Group perspective amounted to –€52.1 million (previous year: –€75 million). A 15% haircut was applied to the funding potential of Wüstenrot Bausparkasse AG and Wüstenrot Bank AG Pfandbriefbank. The carrying amount for the funding risk assumes funding costs of 5.5% (maximum Euribor interest rate during the crisis on the financial markets) 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 crisis 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 assumptions amounted to –€68 million (previous year: –€68 million). A 22.5% haircut was applied to the additionally available liquidity cushion.

Looking forward, the W&W banks 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 presentation of the valuation 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, supervisory 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 banks 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. The maturity structure of our financial instruments is shown in note 44 in 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/Controlling department monitors and consolidates liquidity plans on a continuous basis. The Group Liquidity Committee is responsible for the Group-wide controlling of liquidity risks, as well as for liquidity management. The liquidity situation is regularly discussed in the meetings of the Group Board Risk. Governance 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. In addition, the liquidity coverage ratio (LCR) is determined and controlled on a monthly basis for the banks and the mixed financial holding group.

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 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, anticipated cash inflows and outflows are compared. This is done on the basis of a standardised 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-coverage or under-coverage.

Contingency measures. Through contingency plans and the monitoring of liquidity cushions, 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

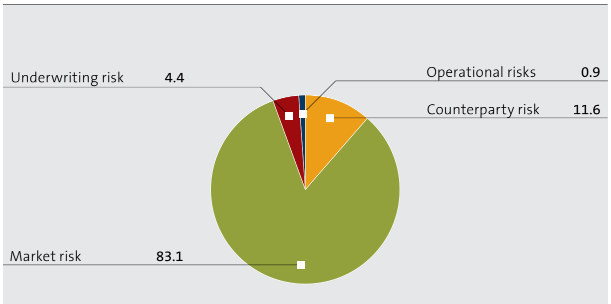
As the parent financial conglomerate undertaking of the W&W Group and the mixed financial holding group, Wüstenrot & Württembergische AG (W&W AG) is responsible for defining and enhancing risk management standards, as well as for controlling compliance with these standards. Accordingly, the risk management and risk controlling system of W&W AG is closely interlocked with the monitoring system at the 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. To present our risks transparently, we aggregate similar risks to form so-called risk areas that are standardised throughout the Group.

For W&W AG, we have identified the following material uniform risk areas (see graphic "Risk landscape of W&W AG").

As at 31 December 2015, 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 in accordance with the following chart.

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, accounting for 83.1% (previous year: 88.2%). The shift of the credit spread risk from the counterparty risks to market price risks also strengthens the weighting of the risk area.

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

Risk landscape of the W&W Group

Overview of risk areas

Overall risk profile

Market risks	Counterparty risks	Underwriting risks	Operational risks	Strategic risks	Liquidity risks
Interest rate risk	Counterparty default risk with financial assets	Premium risk	Personnel risk	Cost and earnings risk	Insolvency risk
Credit spread risk	Counterparty default risk with customer lending business	Reserve risk	Process risk	Business risk	Funding risk
Foreign-exchange risk	Receivables default risk in reinsurance	Cost risk	System risk	Reputational risk	Market liquidity risk
Share price risk		Calculation risk	Project risk	Political/social risks	
Real estate price risk			External events		
Long-term equity investment risk			Legal risk		

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 2015, 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 €1,369.7 million (previous year: €1,381.1 million) experienced the following changes in market value:

Interest rate change

in € million	Market value change 31.12.2015	Market value change 31.12.2014
Increase by 100 basis points	–67.4	–59.2
Increase by 200 basis points	–135.6	–111.6
Decrease by 100 basis points	68.3	68.4
Decrease by 200 basis points	137.1	107.1

Long-term equity investment risk. Changes in the value of long-term equity investments (depreciations), 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 2015, capital investments in affiliated companies and long-term equity investments as well as in equities, units or equities in investment funds and other non-fixed-income securities totalled €2,584 million (previous year: €2,324 million). Of this, interests in affiliated companies accounted for €1,710 million (previous year: €1,586 million). When long-term equity investment risks materialise, valuation losses can lead to changes in value of long-term equity investments being recognised as a loss (depreciations), 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 holds a share of about 14% (previous year: 15%) of interests in affiliated companies.

Credit spread risk. The credit spread risk comprises the risk of value changes of the receivables through change of the applicable credit spread for the respective issuer or counterparty – despite unchanged credit rating over time. The credit spread refers to the risk premium in the form of a higher interest on a security subject to credit risk in relation to a comparable security without risk. Thus, clear distinction is made between the credit spread risk, migration risk and default risk. Accordingly, only credit spread changes that do not result in a change (migration including default) of the rating are considered for securities.

Share 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 depreciations being recognised as a loss. W&W AG does not maintain any appreciable share portfolios.

For our portfolios with a market value of €37.5 million (previous year: €53.9 million), the market value changes in the case of an index fluctuation in the EURO STOXX 50 were as follows as at 31 December 2015:

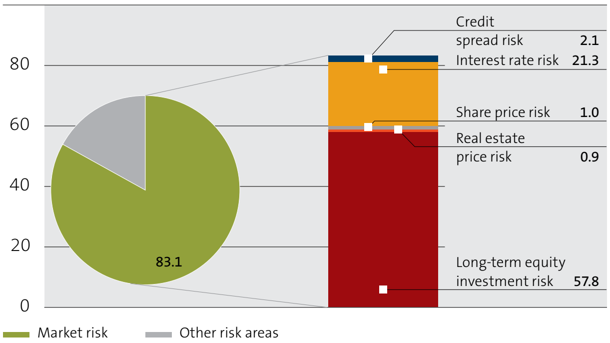
Index change

in € million	Market value change 31.12.2015	Market value change 31.12.2014
Increase by 20%	5.1	5.4
Increase by 10%	2.7	2.8
Decrease by 10%	–3.4	–3.8
Decrease by 20%	–5.7	–6.7

Risk capital requirements. Since W&W AG's capital investments mainly consist of 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 57.8% (previous year: 72.2%).

Risk profile for market risks

in %



This is followed by interest rate risks with a weighting of 21.3%. Credit spread risks account for 2.1%. About 1.0% of the total internal risk capital relates to the share price risk, and 0.9% to the real estate risk.

In 2015, market price risks were consistently in conformity with the risk strategy. The limits were observed.

Counterparty risks

W&W AG is exposed to risk of receivables default under capital investments (proprietary business), as well as to risk of receivables default by contract partners in reinsurance.

Proprietary business. Pursuant to our strategic orientation, the credit rating structure of our bond portfolio is conservative, with over 97.1% (previous year: 98.0%) of investments being in the investment grade area.

Rating (Moody's scale)

	2015		2014	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	in € million	in %	in € million	in %
Aaa	492.9	37.3	491.9	37.0
Aa1	82.2	6.2	136.5	10.3
Aa2	43.5	3.3	52.5	4.0
Aa3	20.5	1.6	61.4	4.6
A1	64.1	4.9	55.0	4.1
A2	35.3	2.7	36.9	2.8
A3	139.0	10.5	214.4	16.1
Baa1	148.3	11.2	137.3	10.3
Baa2	237.6	18.0	82.1	6.2
Baa3	18.8	1.4	34.0	2.6
Non-investment-grade/non-rated	38.0	2.9	26.4	2.0
Total	**1 320.2**	**100.0**	**1 328.4**	**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.

Seniority

	2015		2014	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	in € million	in %	in € million	in %
Public	196.8	14.9	240.0	18.1
German covered bond	442.0	33.5	435.7	32.8
Deposit guarantee or government liability	105.7	8.0	116.0	8.7
Uncovered	575.7	43.6	536.7	40.4
Total	1 320.2	100.0	1 328.4	100.0
Summe	**1 328,4**	**100,0**	**1 194,6**	**100,0**

Subordinate exposure. Our subordinate exposures (participation rights, silent long-term equity investments and other subordinate receivables) amounted to €221.9 million (previous year: approx. €21.9 million).

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

Credit ratings. As at the end of the reporting period, of the recognised receivables from reinsurance business in the amount of €169.1 million (previous year: €192.5 million), 97% (previous year: 97%) were due from companies with a rating of A or better.

Standard & Poor's

	2015		2014	
	Bestand Buchwerte[1]	Anteil in %	Bestand Buchwerte	Anteil in %
	in € million	in %	in € million	in %
AAA	—	—	—	—
AA	125.8	74.4	111.7	58.0
A	38.1	22.5	75.0	39.0
BBB	—	—	—	—
BB	0.9	0.5	0.7	0.4
B	—	—	—	—
CCC and lower	—	—	—	—
Without rating	4.3	2.5	5.1	2.6
Total	**169.1**	**100.0**	**192.5**	**100.0**

1 Accounts receivable + deposit + shares in technical provisions less collateral

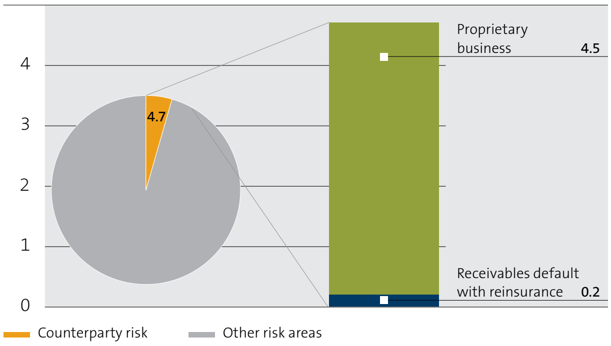
As at the reporting date, €1.0 million (previous year: €1.0 million) of the recognised receivables due from reinsurers had been outstanding for more than 90 days. However, it is expected that they will be settled in 2016.

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 4.7% (previous year: 5.9%), counterparty risks constitute only a small share of the total risk capital requirements of W&W AG.

Risk profile for counterparty risks

in %



Among the counterparty risks, the risks from our proprietary business make up the major share of 4.5% (previous year: 5.2%), whereas risks of receivables default in reinsurance business only account for a negligible share of the total internal risk capital.

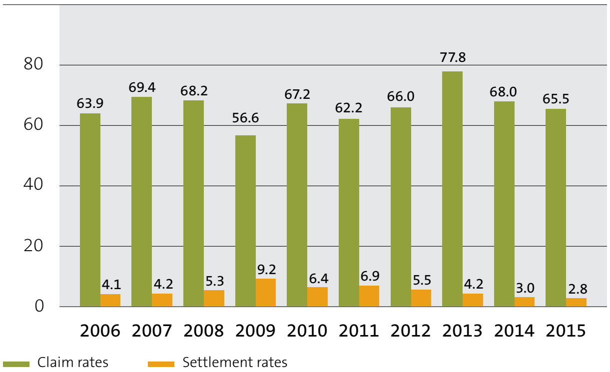
In 2015, counterparty risks were consistently in conformity with the risk strategy. The limits were observed.

Insurance 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 insurance risks. All in all, insurance risks account for less than 4.4% (previous year: 4.8%) of the total risk capital requirements of W&W AG.

In 2015, insurance risks were consistently in conformity with the risk strategy. The limits were observed.

Operational risks

Risk capital requirements. The risk capital requirements for operational risks proceed relatively consistently 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 accounted for 0.9% (previous year: 1.1%) of the total risk capital requirements.

In 2015, the recorded operational risks were consistent with the risk strategy. The limits were observed.

Strategic risks

As the parent 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 an individual company in terms of their risk profile. The uncertainty with respect to the potential for damage and the probability of occurrence is usually 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 at an early stage, duly 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, the company for market and sales research) support the early identification of emerging risks.

According to the current assessment, demographic trends as well as growing digitisation and technical progress represent some of the greatest challenges for our companies. Other important external influences include changed customer needs, the change in values, increasing regulation and low interest rates. Meeting these challenges adequately is part of the core competence 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 types, such as counterparty risks, market price risks, insurance risks or liquidity risks. Noteworthy here are liquidity risks that may arise in conjunction with natural disasters.

In managing our risk profile, we 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, 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 risks are also duly monitored in terms of risk concentration aspects. 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.

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, controlling 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 2015, the W&W Group and W&W AG at all times had sufficient internal and supervisory 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 supervisory requirements concerning solvency.

As a consequence of the persistent uncertainty surrounding the EMU debt crisis, which has not been permanently resolved, the entire financial industry 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 earnings 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 manage 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 home loan and 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 economic robustness. This is manifested not only in earnings strength 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 2015, we optimised and further developed the entire risk management process, both at Group level and in the individual companies. Apart from the achievement of internal goals, we are also focusing intensively on the implementation and introduction of the extensive new and 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.

Within the scope of the company rating, rating agency S&P also rates the W&W Group's risk management in the form of enterprise risk management (ERM). S&P currently rates the W&W Group's ERM as "strong", an improvement compared to the prior-year rating "adequate with strong risk controls". In this respect, S&P underscores the great importance of ERM for the W&W Group.

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 2016 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:

- Implementation and further development of the models in the internal company and regulatory context (Solvency II, Basel III/CRD IV)
- Enhancing of capital and own funds planning, especially within the framework of the Own Risk and Solvency Assessment (ORSA)
- Further networking of risk governance processes and methods
- Enhancing of the risk inventory method, optimisation of an integrated approach for risk governance and controlling processes of non-financial risks
- Enhancing of cross-company risk management competence centres
- Expansion and optimisation of the governance circles and monitoring of regulatory (Group) duties
- Optimisation of the system architecture in the financial area, establishment of an integrated financial architecture
- Enhancing of 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 (5) and 315 (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, procedures 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 delegated responsibility for the internal control and risk management system in the W&W Group to the Group Risk Management and Group Accounting departments, in particular, 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 commissioned 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.

The companies are integrated by means of 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 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 managed 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
- Principle of dual control 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 with additional information to form standardised reporting packages at the level of the relevant fully consolidated company and subsequently checked for plausibility manually and in an automated manner.

The respective 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 subjected to a validation process.

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

The macroeconomic developments and relevant framework conditions are based on estimates of the company, which are derived from relevant analyses and publications of various well-respected business research institutes, Germany's federal government, the Bundesbank, Bloomberg consensus and industry and business associations.

Macroeconomic outlook

The economic outlook for Germany remains basically positive. We expect the steady economic growth to continue in 2016. Consumer demand will again make the greatest contribution in this respect. Above-average income growth, an above-average pension raise and a continuing low inflation rate will support the consumer demand. The construction industry will benefit from the persistently low interest levels, a high need for residential space and, as a result, a high demand for real estate. Despite the weakness of the emerging markets, the weaker Euro, the expected robust US demand and a growing interest of the EU partner countries in German goods suggest that the export business will again deliver satisfactory performance in 2016. These generally positive economic prospects and the increasing capacity utilisation are likely to gradually let companies' investments in equipment – which have been rather restrained so far – gradually pick up. In 2016, the German economy is expected to achieve GDP growth of 1.3% to 1.8%. This means that the macroeconomic environment will remain favourable for the W&W Group. However, there are a number of factors that could impair this positive economic outlook. For example, this includes disappointing economic news from key emerging countries (especially from China), the possible reintroduction of border checks within the EU, severe capital market turbulence at the beginning of the year and, last but not least, the uncertainty resulting from the referendum on whether the UK will stay in the EU, which will take place in June 2016.

Capital markets

Despite the generally favourable economic outlook for Europe and Germany, we do not expect a fundamental turnaround on European bond markets in 2016 and an end to the phase of low interest rates. Impulses for a rise in interest rates may emanate from the USA, where the economic recovery has now reached the point that the Federal Reserve has cautiously raised the federal funds rate. Moreover, it cannot be ruled out that the inflation rate will rise in Germany as a consequence of higher wage levels in the coming quarters (particularly if oil prices rebound at the same time). Nevertheless, an increase of the yields on the bond markets is likely to be very limited due to the still extremely expansive monetary policy of the European Central bank and high investment needs of investors.

European equities markets will likely be subject to the influence of countervailing price factors in the coming months. On the one hand, the stable economic growth in industrialised countries is indicative of a positive business environment and thus of an increase in company profits. Fundamental conditions thus point to a favourable environment on the exchanges. In addition, the extremely expansive monetary policies will remain in place, particularly in the EMU. The environment of low interest rates resulting from this should continue to keep investors highly interested in equities. On the other hand, individual markets in Europe, e.g. the DAX in Germany, are still at a high level despite the price corrections in the second half of 2015. This suggests that most of the positive outlook is already reflected in stock prices. There is also the danger that re-emerging geopolitical tension (e.g. in the Middle East), concerns about the global economy that originate from the emerging markets or political risks in the EU (possible Brexit, strengthening of parties that are critical of the EU, lack of willingness on the part of newly elected governments to implement reforms and austerity measures) could at least temporarily reduce the risk tolerance of investors and result in price declines.

Industry outlook

Home Loan and Savings Bank division

According to our evaluation, the new building loan and savings business in 2016 will most likely remain at the high level reached in 2015. The high demand for modernisation measures and energy-related building renovations will likely remain a factor that promotes residential construction investments. This will be accompanied by the projected growth in completion numbers. In addition, mortgage rates, which have declined to a historically low level, will again benefit new construction financing business. These positive factors are contrasted by the high number of investors who usually finance with greater amounts of equity than owner-occupiers. As a whole, we believe that it can be assumed that the use of residential construction loans will again rise moderately.

Insurance division

The persistently low interest rates and the associated public debate about the actuarial interest in life insurance will continue to pose a great challenge for the life insurance industry in 2016. The German Insurance Association (GDV) again expects both new business as well as premium income to decline in 2016, though only slightly. Footnote WV

On the non-life and accident insurance market, expectations for business performance in 2016 are cautiously optimistic. In the coming financial year, the continually positive economic situation and real gains in the purchasing power of private households will have a positive impact on demand. For 2016, the German Insurance Association (GDV) anticipates an overall increase of 2.5% in the premium volume.

Company outlooks

The following outlooks relate to the coming financial year and are based on estimates made in the chapter "Macroeconomic outlook". In our planning premises for the company forecasts, we assumed moderately increasing interest rates and share prices, though these have dropped temporarily in the meantime. Nevertheless, we continue to stick to our income forecasts.

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 and savings products continue to benefit from the great attractiveness of residential property. To establish the financial basis for homeownership, home loan and savings are especially suitable due to the certainty of the interest charged on the loan. Wüstenrot Bausparkasse AG and Wüstenrot Bank AG Pfandbriefbank offer needs-oriented, attractive home loan and savings and financing products both for short-term construction projects and refurbishments as well as for long-term plans. This is supported by the introduction of the new home loan and savings plan "Wohnsparen" in 2016. For this reason, we expect that in 2016, the net new home loan and savings business and new construction financing business (approvals) in the Home Loan and Savings Bank segment will be clearly above the level of 2015.

In 2016, we expect growing new business and stable development of administrative expenses. The segment earnings after tax for 2016 are expected to reach the prior-year level.

A growing modernisation market, our strategic alignment as financial planning specialists, the associated cross-selling potential and the expansion of sales via collaboration partners and direct sales of the bank represent opportunities for our new business and earnings performance. Additional earnings and growth potential could result from the amended Building Society Act (BauSparkG), which was adopted in December 2015, and from higher interest levels and a steeper yield curve.

High interest rate volatility, a flat yield curve and a prolonged phase of low interest rates could have a negative impact on earnings performance. Economic deterioration would impair the income of our customers, causing higher counterparty defaults and less new business. Increasing regulatory and statutory requirements for the industry could also jeopardise the segment's earnings. Delays in implementing strategic measures would like-wise constitute risks for financial performance.

Life and Health Insurance segment

Yields, which are considered to be low, and the public debate about life insurance affect conventional life insurance sales. Products without a guaranteed interest rate and unit-linked products are gaining in importance in an environment marked by continually low interest rates.

Against this background, we continue to strive to boost the sale of interest rate-independent, high-yield products from our innovative product family Genius and from our range of term life insurance and occupational disability insurance products. In 2016, we intend to significantly increase the value-oriented net valuation amount in the Life and Health Insurance segment.

The administrative expenses and the segment earnings in 2016 will be at the level of 2015.

Opportunities would result from interest rates above expectations. In addition, better economic development could enhance the willingness of customers to increase pension provisions and thus the business performance in the segment.

A very quick rise in interest rates would encumber the life insurance earnings on a short-term basis. In the medium term, severe interest-rate fluctuations or the continuation of the low interest rates and, in this connection, a further lowering of the actuarial interest rate would pose risks for the life insurance. A substantial decline on the share market would also impair earnings. If the debt crisis in Europe re-intensifies, this could result in counterparty defaults. Moreover, additional regulatory requirements could impair the segment earnings.

Property/Casualty Insurance segment

In the 2016 financial year, we are again striving for portfolio growth in property and casualty insurance. This growth is reflected in positive net sales performance. We expected the value-oriented net sales performance in 2016 to reach the good prior-year level.

Administrative expenses are expected to develop at a stable pace in 2016. Segment earnings after tax will remain at a high level, though significantly below the figure reported in the consolidated financial statements for 2015. The financial year 2015 was marked by sales proceeds for an associated company and a positive claims trend. We expect the claims trend to return to normal in 2016.

In making our outlooks, we assume that average loss adjustment costs will be stable and that there will be no extraordinary events on the capital markets. Positive claims and capital market development would deliver opportunities for the segment earnings.

On the other hand, claims significantly exceeding our assumption would encumber the segment earnings. In addition, there are risks from interest rate and share price trends, as well as counterparty risks.

All other segments

The item “All other segments” comprises various companies and thus depends on various heterogeneous factors, which could result in opportunities and risks for the financial performance. A description of the income performance of our strategic management holding can be found in the chapter “Future business performance of W&W AG (HGB)”.

Overall financial position of the W&W Group

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.

Our growth programme “W&W@2020” represents an ambitious growth strategy. Above all, we intend to invest in new techniques and improved market alignment. In the coming years, the focus will be on the strengthening of sales in connection with a revised product offer, as well as on the systematic introduction of digital customer access. Further central elements include investments in modern infrastructure and increased productivity, in digital orientation and in employee skills. In this connection, the main focus of our Group is always on the satisfaction of our customers.

In the financial year 2016, we intend to slightly increase the number of new customers for the W&W Group.

In 2016, significant growth in new business will be accompanied by stable development of the administrative expenses of the W&W Group.

We assume that in the current year, we will not be able to reach the record income achieved in the financial year 2015. Depending on the development of the interest rates and of the capital market, we intend to generate consolidated earnings of at least €220 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 2016 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, capital market fluctuation or other changes in the political environment would negatively impact our Group. Delays in implementing strategic measures could likewise constitute risks for financial performance. 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)

Due to its structure as a holding company, the earnings after tax of W&W AG are determined by the dividends and profit transfers from its subsidiaries and investments. We expect the earnings performance in 2016 to be slightly positive. From the HGB earnings of our strategic management holding, we plan to distribute a dividend at the same level as in the previous year.

Opportunities for the earnings of W&W AG would arise from improved income from our subsidiaries and 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. The underwriting result could turn out to be better than expected due to trends in reinsurance business.

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 carrying amounts of subsidiaries in the individual financial statements. In particular, 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 insurance risks with respect to the number and amount of claims would likewise have a negative impact on the annual 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 disclosures

Events after the reporting date

After the reporting date, the Czech insurance subsidiaries Wüstenrot stavebni sporitelna a.s. and Wüstenrot zivotni pojist'ovna a.s. were sold, as of 4 January 2016.
In the period from 12 January 2016 to 9 February 2016, 358,000 registered shares of Wüstenrot & Württembergische AG were purchased under a share buyback programme. This represents a calculated share of 0.38% of the share capital of Wüstenrot & Württembergische AG. It total, shares were bought back at a total purchase price of €6,872,054.42 (without acquisition costs).

Disclosures pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (HGB)

Pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (HGB), the following statements must be made as at 31 December 2015, 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 German Stock Corporation Act (AktG)), holders of registered shares are considered shareholders only if they are registered in the share ledger. This is important, among other things, in relation to attending the Annual General Meeting and exercising voting rights. A total of 102,359 shares are covered by the exclusion of voting rights within the meaning of Section 136 (1) of the German Stock Corporation Act (AktG), since they are owned by members of the Supervisory Board or the Executive Board. The total number of shares purchased by Wüstenrot & Württembergische AG within the scope of the share buyback programme during the period from 12 January 2016 to 9 February 2016 thus amounts to 358,000 registered shares. Pursuant to Section 71b of the German Stock Corporation Act (AktG), Wüstenrot & Württembergische AG does not have any rights from treasury shares. 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 of the German Stock Corporation Act (AktG)). If the share capital is increased, the participation of new shares in profit may be determined in deviation from Section 60 (2) of the German Stock Corporation Act (AktG).

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

Wüstenrot Holding AG is the majority shareholder of Wüstenrot & Württembergische AG, with 66.31% of the shares. 13.42% of the shares are held by Horus Finanzholding GmbH. The free float amounts to 20.27%. Since the completion of the share buyback programme as of the end of 9 February 2016, W&W AG has held 0.38% of the shares.

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, Sections 84 and 85 of the German Stock Corporation Act (AktG) in conjunction with Section 31 of the German Co-determination Act (MitbestG) as well as Sections 24 and 47 of the German Insurance Supervision Act (VAG) 2016. Amendments to the Articles of Association take place in accordance with Sections 124 (2) sentence 2, 133 (1) and 179 ff of the German Stock Corporation Act (AktG). However, pursuant to Article 18 (2) of the Articles of Association in conjunction with Section 179 (2) sentence 2 of the German Stock Corporation Act (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 (1) sentence 2 of the German Stock Corporation Act (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 banks 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 (3) sentence 4 of the German Stock Corporation Act (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 (3) sentence 4 of the German Stock Corporation Act (AktG), in connection with a cash capital in-crease. 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 (4) sentence 2 in conjunction with Section 186 (3) sentence 4 of the German Stock Corporation Act (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 2014/Authorisation to issue warrant bonds, convertible bonds, profit participation certificates, 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 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 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 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 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 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 Assembly 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.

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 with respect to 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 of the German Stock Corporation Act (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 at 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 success-dependent measurement of the variable remuneration component geared towards operational targets and thus performance-based remuneration to a reasonable degree.

The targets for the 2015 target agreements consist of short, medium and long-term targets that are geared towards indicators like the annual consolidated earnings, administrative expenses, net new home loan and savings business, value-oriented net sales performance, value-oriented net valuation amount, customer development cross-selling, customer development group, new customers WBP, net promoter score and individual targets. The 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 a year 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 a year, 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.

The employment agreements are concluded for the period of the appointment. The employment agreement for Dr Alexander Erdland and Dr Michael 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 taken out insurance for all Executive Board members 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.

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 Alexander Erdland and Dr Michael Gutjahr consist of the once customary defined-benefit pension plan in the form of a fixed amount. The pension for Mr Jens Wieland takes the form of a defined-contribution pension plan.

The pension for Mr Jens Wieland takes the form of a defined-contribution pension plan. 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 Alexander Erdland and Dr Michael 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 Michael 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 Alexander 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 (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 Jens Wieland, this applies under the condition that he does not leave the company at his own request prior to reaching the statutory vesting period. Detailed disclosures are contained in the full remuneration report in the notes.

Main features of the Supervisory Board remuneration system

The Supervisory Board remuneration is paid in the form of a 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. 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.

The annual base remuneration payable after the close of the financial year amounted to €25.0 thousand (previous year: €25.0 thousand). The annual committee remuneration amounted to €8.0 thousand (previous year: €8.0 thousand) for the Risk and Audit Committee and the Personnel Committee and to €4.0 thousand (previous year: €4.0 thousand) for the Mediation and Administration Committee. For the purposes of streamlining the work of the Supervisory Board, the Administration Committee was abolished, effective 10 June 2015. The committee remuneration was paid until this date. 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.

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

Detailed disclosures are 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 customers, 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 (Germany's Federal Financial Supervisory Authority) 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.

The Executive Board of W&W AG currently has three members. Starting 1 April 2016, Jürgen Junker will join the Executive Board as a fourth member.

Members of the Executive Board
Dr Alexander Erdland (Chair)
Dr Michael Gutjahr
Jürgen Junker (starting 1 April 2016)
Jens Wieland

The Supervisory Board has resolved to have women make up at least 15% of the members of the Executive Board. In this regard, the Supervisory Board will strive to place at least one woman on the Executive Board. The Executive Board of W&W AG has determined that women are to make up 25% of the first senior management level below the Executive Board and 30% of the second senior management level.

The main tasks of the Executive Board 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 Group Board, the division boards and the Group committees. 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. The Group Board is composed of the Executive Board of W&W AG and the members of the Executive Boards of Wüstenrot Bausparkasse AG, Wüstenrot Bank AG Pfandbriefbank, Württembergische Lebensversicherung AG and Württembergische Versicherung AG. The Management Board and the Group Board are the central coordinating bodies of the W&W Group. The Management Board concerns itself with, among other things, Group control and, together with the Group Board, 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 committees 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 Group Board, consisting of the Management Board and the other members of the division boards, meets on a monthly basis. These meetings are simultaneously considered to be meetings of the W&W AG Executive Board and the individual companies.

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 performance 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 with the Supervisory Board on the strategic alignment of the W&W Group. In addition, the Executive Board regularly reports to the Supervisory Board in a timely and comprehensive manner about all issues of relevance to the W&W Group concerning strategy, planning, business performance, risk position, risk management and compliance. Details are addressed in bylaws for the Executive Board.

The Supervisory Board of W&W AG is composed of 16 members, of whom eight are shareholder representatives and eight are employee representatives.

Members of the Supervisory Board
Shareholder representatives
Hans Dietmar Sauer (Chair)
Christian Brand
Peter Buschbeck
Thomas Eichelmann
Dr Reiner Hagemann (independent financial expert)
Dr Wolfgang Knapp
Corinna Linner
Ruth Martin
Employee representatives
Wolfgang Dahlen
Ute Hobinka
Jochen Höpken
Uwe Ilzhöfer
Andreas Rothbauer
Matthias Schell
Christoph Seeger
Frank Weber (Deputy Chair)

Bylaws likewise address in detail how the activities of the Supervisory Board are structured.

The role and composition of supervisory boards is the subject of greater public attention as a result of the increased statutory requirement. In accordance with the Articles of Association, the Supervisory Board of Wüstenrot & Württembergische AG is composed of 16 members. In this regard, central issues in the discussion of social policy are the qualification, independence and diversity of supervisory boards, as well as the representation of women on them. The Supervisory Board of W&W AG took up these issues and by resolution of 22 March 2013 derived from them specific targets for the appropriate number of independent Supervisory Board members. The company is required by law to have women make up at least 30% of the Supervisory Board. However, both the shareholder representatives and the employee representatives made use of a statutory right and objected to so-called "Gesamterfüllung", i.e. the meeting of the quota on the Supervisory Board as a whole. In such case, the quota is considered as having been met in conformity with the law if the shareholders and the employees are each represented by at least two women.

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, having sufficient time to carry out duties 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.

In the estimation of the Supervisory Board, all shareholder representatives on the Supervisory Board are 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. 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. The Supervisory Board does not consider it necessary to specify a maximum length of service on the Supervisory Board. Because of W&W AG's position as a financial conglomerate, it is difficult to recruit qualified Supervisory Board members who meet the requirements of supervisory law. On 28 May 2014, the Annual General Meeting reelected 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 at the end of the 2014 financial year and start of the 2015 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 2015 financial year, the Supervisory Board of W&W AG established four standing committees, i.e. the Personnel, Mediation, Nomination and Risk and Audit Committees. The Administration Committee was abolished by resolution of the Supervisory Board on 10 June 2015.

Risk and Audit Committee

The Risk and Audit Committee meets twice a year to prepare for Supervisory Board meetings dealing with financial statements and planning. In addition, it discusses half-yearly financial reports with the Executive Board in teleconferences. It also meets when necessary. The committee met three times during the 2015 financial year, including once by teleconference.

The Risk and Audit Committee concerns itself with accounting issues and the monitoring of the accounting process. It prepares the decisions of the Supervisory Board regarding the approval of the annual financial statements and 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, it advises the Supervisory Board on current and future overall risk tolerance and business and risk strategies at the company and Group level and supports it in monitoring the implementation of these strategies. The Executive Board reports to the committee on business and risk strategies, as well as on the risk situation of the company and the W&W Group. In addition, reports are made to it about the work of the Internal Audit department, including the audit plan, as well as about especially serious findings and their handling. In consultation with the Executive Board, the chair of the 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 committee requests proposals from 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 timing 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 decides on the agreement with the auditor (in particular, the audit mandate, the specification 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 statutory audits of accounts.

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 whom four are shareholder representatives and four are employee representatives.

Members of the Risk and Audit Committee
Thomas Eichelmann (Chair)
Peter Buschbeck
Wolfgang Dahlen
Dr Reiner Hagemann
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 committee met three times during the 2015 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 aligning the remuneration systems with the company‘s overall risk tolerance and strategy and with its capital base. The committee also handles the duties of the remuneration committee pursuant to Section 25d (12) of the German Banking Act (KWG) and some of the duties of the nomination committee pursuant to Section 25d (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 decides in place of the Supervisory Board, in particular, on the conclusion, amendment and termination of the employment and pension agreements of Executive Board members. This does not apply to the setting of remuneration or to decisions pursuant to Section 87 (2) sentence 1 and 2 of the German Stock Corporation Act (AktG). The Supervisory Board makes these decisions following preparation by the Personnel Committee, whereby, in the resolution it proposes to the Supervisory Board, the committee takes into account, in particular, the impact of the resolution on the company‘s risks 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 who have a material impact on the company's overall risk profile and that of the W&W Group. It supports the Supervisory Board in monitoring the adequate structure of remuneration systems for the employees of the company. It also assesses the impact of the remuneration systems on the management of risk, capital and liquidity.
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 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 do, it takes into account the company's senior-management planning.

The Personnel Committee consists of the Chairman of the Supervisory Board, his deputy by virtue of his office, one shareholder representative and one employee representative. The Chairman of the Supervisory Board is the committee chair.

Members of the Personnel Committee
Hans Dietmar Sauer (Chair)
Ruth Martin
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 committee met one time during the 2015 financial year.

The Nomination Committee supports the Supervisory Board in connection with recommendations to the Annual General Meeting for the election of Supervisory Board members representing shareholders, as well as in connection with developing targets to promote the representation of women on the Supervisory Board and a strategy for achieving them.

Members of the Nomination Committee
Hans Dietmar Sauer (Chair)
Dr Rainer Hagemann
Corinna Linner

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. The committee met one time during the 2015 financial year.

The Administration Committee was abolished by resolution of the Supervisory Board on 10 June 2015.

Members of the Administration Committee

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 Codetermination Act (MitbestG). The 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 did not meet during the 2015 financial year.

The Mediation Committee consists of the Chairman of the Supervisory Board, his deputy by virtue of his office, one member elected by the shareholder representatives on the Supervisory Board and one member elected by the employee representatives on the Supervisory Board. The Chairman of the Supervisory Board is the committee chair.

Members of the Mediation Committee

Hans Dietmar Sauer (Chair)
Wolfgang Dahlen
Dr Wolfgang Knapp
Frank Weber

Statement of compliance

(Version: 30 September 2015)

The recommendations of the Government Commission for the German Corporate Governance Code, as amended on 5 May 2015, which were made public by the German Federal Ministry of Justice and Consumer Protection in the official part of the German Federal Gazette on 12 June 2015, 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 loss 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 stipulation of an age limit 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 Rainer Hägele, all of whom are age 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.
- According to No. 5.4.1, the Supervisory Board is to specify concrete targets regarding its composition, including stipulation of a maximum length of service on the Supervisory Board. Wüstenrot & Württembergische AG deviates from this. It is difficult to recruit qualified

> Supervisory Board members who meet the requirements of supervisory law, including with respect to professional aptitude and maximum number of mandates. The increased requirements of supervisory law have to do with, inter alia, the fact that because of its position in the W&W financial conglomerate, Wüstenrot & Württembergische AG is subject to both banking supervision and insurance supervision.

For the period between the submission of the last statement of compliance in December 2014 and 11 June 2015, the recommendations of the German Corporate Governance Code, in the version of 24 June 2014, were complied with, other than in the case of the first two deviations mentioned above concerning No. 3.8, paragraphs 2 and 3, and No. 5.4.1.

Information about corporate governance practices

Compliance

W&W AG works to ensure compliance with statutory requirements and internal company guidelines by means of a Groupwide 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 tiedagents 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 Group-wide, 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 events in the company that are harmful to it or are criminally significant.

Managers and all employees are notified about insider-trading legislation, cartel legislation, money laundering 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. In April 2015, the auditor successfully completed the audit prescribed in the Code of Conduct. W&W AG and its insurance subsidiaries were the only insurance companies in Germany that successfully passed both an adequacy audit and an effectiveness audit.

In the past 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). The project is coordinated by a central Group Sustainability Committee (GSC) that oversees the Group's sustainability programmes.

Consolidated Financial Statements of W&W Group (IFRS)

Consolidated balance sheet

Assets

in € thousands	cf. Note no.[1]	31.12.2015	31.12.2014
Cash reserves	1	299 454	339 053
A. Non-current assets classified as held for sale and discontinued operations	2	96 022	14 090
B. Financial assets at fair value through profit or loss	3	3 243 271	3 463 943
C. Financial assets available for sale	4	24 259 671	25 613 428
thereof sold under repurchase agreements or lent under securities lending transactions	46	1 338 472	2 304 793
E. Receivables	5	42 698 563	44 316 001
I. Subordinated securities and receivables		127 641	96 354
II. First-rank receivables from institutional investors		15 688 698	16 520 286
III. Building loans		24 293 438	25 127 273
IV. Other loans and receivables		2 588 786	2 572 088
F. Risk provision	6	–199 845	–214 566
G. Positive market values from hedges	7	57 972	51 104
H. Financial assets accounted for using the equity method	8	122 144	184 192
I. Investment property	9	1 722 678	1 769 358
J. Reinsurers' portion of technical provisions	10	332 745	1 353 969
K. Other assets		1 453 906	1 645 487
I. Intangible assets	11	89 580	116 633
II. Property, plant and equipment	12	219 914	238 048
III. Inventories	13	76 789	67 815
IV. Current tax assets	14	59 136	72 835
V. Deferred tax assets	15	916 732	1 042 313
VI. Other assets	16	91 755	107 843
Total assets		**74 086 581**	**78 536 059**

1 See numbered explanations in the notes to the consolidated financial statements, starting on page 116.

Further information that concerns several balance sheet items was summarised under notes

- 42-48 "Notes concerning financial instruments and fair value",
- 49-53 "Disclosures concerning risks under financial instruments and insurance contracts" and
- 57 et seq. "Other disclosures".

Liabilities

in € thousands	cf. Note no.	31.12.2015	31.12.2014
A. Liabilities under non-current assets classified as held for sale and discontinued operations	2	79 735	—
B. Financial liabilities at fair value through profit or loss	17	**752 411**	**1 012 030**
C. Liabilities	18	**31 828 304**	**35 647 143**
I. Liabilities evidenced by certificates		1 056 854	1 165 708
II. Liabilities to credit institutions		4 122 614	6 401 409
III. Liabilities to customers		25 335 037	25 710 869
IV. Finance lease liabilities		28 413	32 433
V. Miscellaneous liabilities		1 285 386	2 336 724
D. Negative market values from hedges	19	**544 643**	**608 751**
E. Technical provisions	20	**32 860 538**	**32 908 709**
F. Other provisions	21	**2 911 578**	**2 944 398**
G. Other liabilities		**895 429**	**1 124 310**
I. Current tax liabilities	22	201 737	199 245
II. Deferred tax liabilities	23	687 108	916 040
III. Other liabilities	24	6 584	9 025
H. Subordinated capital	25	**570 201**	**616 498**
I. Equity	26	**3 643 742**	**3 674 220**
I. Interests of W&W shareholders in paid-in capital		1 487 576	1 487 576
II. Interests of W&W shareholders in earned capital		2 138 356	2 072 948
Retained earnings		2 169 652	1 940 540
Other reserves (other comprehensive income)		–31 296	132 408
III. Non-controlling interests in equity		17 810	113 696
Total liabilities		**74 086 581**	**78 536 059**

Further information that concerns several balance sheet items was summarised under notes

- 42-48 “Notes concerning financial instruments and fair value”
- 49-53 “Disclosures concerning risks under financial instruments and insurance contracts” and
- 57 et seq. “Other disclosures”.

Consolidated income statement

in € thousands	cf. Note no.	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Income from financial assets available for sale		1 665 597	1 332 254
Expenses from financial assets available for sale		–258 951	–165 524
1. Net income from financial assets available for sale	27	**1 406 646**	**1 166 730**
Income from financial assets accounted for using the equity method		33 543	83 923
Expenses from financial assets accounted for using the equity method		—	–163
2. Net income from financial assets accounted for using the equity method	28	**33 543**	**83 760**
Income from financial assets/liabilities at fair value through profit or loss		1 437 532	1 695 195
Expenses from financial assets/liabilities at fair value through profit or loss		–1 847 516	–1 767 840
3. Net expense from financial assets/liabilities at fair value through profit or loss	29	**–409 984**	**–72 645**
Income from hedges		264 787	352 344
Expense from hedges		–143 895	–278 359
4. Net income from hedges	30	**120 892**	**73 985**
Income from receivables, liabilities and subordinated capital		1 770 235	2 039 923
Expense from receivables, liabilities and subordinated capital		–885 379	–1 009 095
5. Net income from receivables, liabilities and subordinated capital	31	**884 856**	**1 030 828**
Income from risk provision		107 285	100 548
Expense from risk provision		–111 786	–141 849
6. Net expense from risk provision	32	**–4 501**	**–41 301**
7. Net financial result		**2 031 452**	**2 241 357**
Income from investment property		175 885	125 260
Expense from investment property		–76 111	–64 114
8. Net income from investment property	33	**99 774**	**61 146**
Commission income		239 719	221 333
Commission expense		–631 650	–624 817
9. Net commission expense	34	**–391 931**	**–403 484**
Earned premiums (gross)		4 099 026	4 091 060
Premiums ceded to reinsurers		–116 162	–151 694
10. Earned premiums (net)	35	**3 982 864**	**3 939 366**
Insurance benefits (gross)		–4 386 948	–4 586 957
Received reinsurance premiums		102 769	160 053
11. Insurance benefits (net)	36	**–4 284 179**	**–4 426 904**
Carryover		**1 437 980**	**1 411 481**

in € thousands	cf. Note no.	1.1.2014 bis 31.12.2014	1.1.2013 bis 31.12.2013
Carryover		**1 437 980**	**1 411 481**
Personnel expenses		–608 687	–615 726
Materials costs		–407 313	–403 032
Depreciation/amortisation		–91 986	–89 327
12. General administrative expenses	37	**–1 107 986**	**–1 108 085**
Other operating income		221 104	204 834
Other operating expense		–227 474	–225 226
13. Net other operating expense	38	**–6 370**	**–20 392**
14. Consolidated earnings before income taxes from continued operations		**323 624**	**283 004**
15. Income taxes	39	**–49 341**	**–41 038**
16. Consolidated net profit		**274 283**	**241 966**
Result attributable to shareholders of W&W AG		270 351	233 378
Result attributable to non-controlling interests		3 932	8 588
17. Basic (= diluted) earnings per share, in €	40	**2.88**	**2.52**
Thereof from continued operations, in €		2.88	2.52

Further information that concerns several balance sheet items was summarised under notes

- 42-48 “Notes concerning financial instruments and fair value”,
- 49-53 “Disclosures concerning risks under financial instruments and insurance contracts” and
- 57 et seq. “Other disclosures”.

Consolidated statement of comprehensive income

in € thousands	cf. Note no.	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Consolidated net profit		274 283	241 966
Other comprehensive income			
Elements not reclassified to the consolidated income statement:			
Actuarial gains/losses (–) from defined-benefit plans (gross)	21	80 114	– 387 741
Provision for deferred premium refunds		– 6 660	22 812
Deferred taxes		– 22 460	113 985
Actuarial gains/losses (–) from defined-benefit plans (net)		50 994	– 250 944
Elements subsequently reclassified to the consolidated income statement:			
Unrealised gains/losses (–) from financial assets available for sale (gross)	41	– 915 414	1 659 305
Provision for deferred premium refunds		634 240	– 985 781
Deferred taxes		88 836	– 207 450
Unrealised gains/losses (–) from financial assets available for sale (net)		– 192 338	466 074
Unrealised gains/losses (–) from financial assets accounted for using the equity method (gross)	8, 41	– 565	– 133
Provision for deferred premium refunds		122	– 121
Deferred taxes		12	– 2
Unrealised gains/losses (–) from financial assets accounted for using the equity method (net)		– 431	– 256

in € thousands	cf. Note no.	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Unrealised gains/losses (–) from cash flow hedges (gross)	41	– 64 934	– 16 853
Provision for deferred premium refunds		—	—
Deferred taxes		19 855	2 553
Unrealised gains/losses (–) from cash flow hedges (net)		**– 45 079**	**– 14 300**
Currency translation differences of economically independent foreign units		**1 572**	**– 2 320**
Total other comprehensive income, gross		– 899 227	1 252 258
Total provision for deferred premium refunds		627 702	– 963 090
Total deferred taxes		86 243	– 90 914
Total other comprehensive income, net		**– 185 282**	**198 254**
Total comprehensive income for the period		**89 001**	**440 220**
Attributable to shareholders of W&W AG		85 945	411 231
Attributable to non-controlling interests		3 056	28 989

Further information that concerns several balance sheet items was summarised under notes

- 42-48 “Notes concerning financial instruments and fair value”,
- 49-53 “Disclosures concerning risks under financial instruments and insurance contracts” and
- 57 et seq. “Other disclosures”.

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 2015		490 311	997 265
Total comprehensive income 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 comprehensive income for the period		**–**	**–**
Dividends to shareholders	26	–	–
Changes in ownership interests without loss of control		–	–
Other		–	–
Equity as at 31 December 2015		490 311	997 265

	Interests of W&W shareholders in earned capital						Equity attributable to W&W shareholders	Non-controlling interests in equity	Total equity
	Retained earnings	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			
	1 940 540	–539 149	592 552	6 877	69 998	2 130	3 560 524	113 696	3 674 220
	270 351	—	—	—	—	—	270 351	3 932	274 283
	—	50 430	—	—	—	—	50 430	564	50 994
	—	—	–189 672	—	—	—	–189 672	–2 666	–192 338
	—	—	—	–368	—	—	–368	–63	–431
	—	—	—	—	–45 079	—	–45 079	—	–45 079
	—	—	—	—	—	283	283	1 289	1 572
	—	50 430	–189 672	–368	–45 079	283	–184 406	–876	–185 282
	270 351	**50 430**	**–189 672**	**–368**	**–45 079**	**283**	**85 945**	**3 056**	**89 001**
	–46 875	—	—	—	—	—	–46 875	—	–46 875
	5 718	—	19 433	—	—	1 270	26 421	–98 942	–72 521
	–83	—	—	—	—	—	–83	—	–83
	2 169 651	–488 719	422 313	6 509	24 919	3 683	3 625 932	17 810	3 643 742

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 2014		481 121	979 127
Changes to the scope of consolidation		–	–
Total comprehensive income 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 comprehensive income for the period		**–**	**–**
Dividends to shareholders	26	–	–
Capital injections		9 190	18 138
Other		–	–
Equity as at 31 December 2014		**490 311**	**997 265**

Interests of W&W shareholders in earned capital						Equity attributable to W&W shareholders	Non-controlling interests in equity	Total equity
Retained earnings	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			
1 750 081	−288 625	150 725	7 133	84 298	4 185	3 168 045	84 973	3 253 018
3 161	—	−3 161	—	—	—	—	—	—
233 378	—	—	—	—	—	233 378	8 588	241 966
—	−250 524	—	—	—	—	−250 524	−420	−250 944
—	—	444 988	—	—	—	444 988	21 086	466 074
—	—	—	−256	—	—	−256	—	−256
—	—	—	—	−14 300	—	−14 300	—	−14 300
—	—	—	—	—	−2 055	−2 055	−265	−2 320
—	−250 524	444 988	−256	−14 300	−2 055	177 853	20 401	198 254
233 378	**−250 524**	**444 988**	**−256**	**−14 300**	**−2 055**	**411 231**	**28 989**	**440 220**
−45 996	—	—	—	—	—	−45 996	−266	−46 262
—	—	—	—	—	—	27 328	—	27 328
−84	—	—	—	—	—	−84	—	−84
1 940 540	**−539 149**	**592 552**	**6 877**	**69 998**	**2 130**	**3 560 524**	**113 696**	**3 674 220**

Consolidated cash flow statement

Consolidated cash flow statement

in € thousands	cf. Note no.	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Consolidated net profit		274 283	241 966
Non-cash items contained in consolidated net profit and reconciliation of cash flow from operating activities			
Net income from financial assets accounted for using the equity method	8, 28	−33 543	−83 760
Amortisation, depreciation, impairment losses (+)/reversals of impairment losses (–) on intangible assets and property, plant and equipment	37	91 224	89 327
Amortisation, depreciation, impairment losses (+)/reversals of impairment losses (–) on financial assets	27, 29-33	115 630	177 430[1]
Increase (+)/decrease (–) in technical provisions	20	649 073	743 840
Increase (+)/decrease (–) in other provisions	21	109 234	204 626
Changes in deferred tax assets and liabilities	39	−16 409	21 259
Net gain (–)/loss (+) from the sale of intangible assets and property, plant and equipment	38	−144	440
Net gain (–)/loss (+) from the sale of financial investments (not including participations)	27, 33	−576 057	−285 1461
Other non-cash expenses (+)/income (–)	27, 29-33	−150 511	−286 530[1]
Other adjustments		−1 568 320	−1 505 521
Subtotal		**−1 105 540**	**−682 069[1]**
Change in assets and liabilities from operating activities			
Increase (–)/decrease (+) in building loans	5, 6	751 635	1 062 012[1]
Increase (–)/decrease (+) in other assets	5, 6, 7, 10, 13, 14, 16	1 387 038	148 790
Increase (–)/decrease (+) in financial assets/liabilities held for trading	3	105 234	−112 845[1]
Increase (–)/decrease (+) in liabilities evidenced by certificates	18	−108 854	−101 149
Increase (–)/decrease (+) in liabilities to credit institutions	18	−2 278 795	390 191
Increase (–)/decrease (+) in liabilities from reinsurance business	18	−1 009 086	−2 847
Increase (–)/decrease (+) in liabilities to customers	18	−375 832	−542 074
Increase (–)/decrease (+) in other liabilities	18, 19, 21-24	−316 406	−102 163[1]
Interest received		2 342 164	2 404 130
Dividends received		218 338	124 666
Interest paid		−878 337	−971 076
Income taxes paid (–)/received (+)		−36 719	−12 346
Subtotal		**−199 620**	**2 285 289[1]**
I. Cash flow from operating activities		−1 305 160	1 603 220[1]

Consolidated cash flow statement (continued)

in € thousands	cf. Note no.	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Cash receipts from the disposal of intangible assets and property, plant and equipment	11, 12	10 505	691
Cash payments for investments in intangible assets and property, plant and equipment	11, 12	–58 426	–50 270
Cash receipts from the disposal of financial assets	3, 4, 5, 9	15 890 598	14 258 615[1]
Cash payments for investments in financial assets	3, 4, 5, 9	–14 134 907	–16 364 839[1]
Cash receipts from the disposal of interests in financial assets accounted for using the equity method	8	11 582	26 846
Cash payments for investments in financial assets accounted for using the equity method	8	–2 263	–
II. Cash flow from investing activities		1 717 089	–2 128 957[1]
Dividend payments to shareholders	26	–46 875	–18 322
Dividend payments to minority interests		–	–266
Transactions between shareholders		–61 734	–
Change in funds resulting from subordinated capital	25	–43 572	188 115
Interest payments on subordinated capital	31	–31 851	–30 979
Cash payments towards finance lease liabilities	18	–1 930	–3 933
Other cash payments		–	–346
III. Cash flow from financing activities		–185 962	134 269
Cash and cash equivalents as at 1 January		715 053	1 093 098
Net change in cash and cash equivalents (I.+II.+III.)		225 967	–391 468
Change in cash and cash equivalents attributable to the effects of exchange rates and the scope of consolidation		2 311	13 423
Cash and cash equivalents as at 31 December		943 331	715 053
Components of cash and cash equivalents			
Cash reserves	1	299 454	339 053
Balances with credit institutions payable on demand	5	**643 877**	**376 000**
Cash and cash equivalents at the end of the financial year		**943 331**	**715 053**

1 Previous year's figure adjusted.

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 registered office in Stuttgart, Germany (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, Germany, which is wholly owned by the non-profit Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e.V., Ludwigsburg, Germany.

The W&W Group is "The financial planning specialist" for modern financial planning, offering custom-ised, 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 25 February 2016. They were presented to the Supervisory Board for approval on 22 March 2016.

The consolidated financial statements will be presented to shareholders at the ordinary Annual General Meeting on 9 June 2016.

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 (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. 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 IFRSs 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.

In the financial year, for the purpose of improved depiction in the income statement, income was shown with a positive (+) sign, and expenses were shown with a negative (–) sign.

Comparative information

Unless indicated otherwise, comparative information about items in the consolidated income statement relates to the period 1 January 2014 to 31 December 2014, whereas comparative information about items in the consolidated balance sheet relates to 31 December 2014.

Accounting policies

Changes in accounting policies

International Financial Reporting Standards (IFRSs) to be applied for the first time in the reporting period

Starting with the 2015 financial year, the W&W Group for the first time applied the following new or changed standards whose application is mandatory:

Accounting rules to be applied for the first time in the financial year

	Issuance by IASB/IFRIC	Mandatory for financial years beginning on or after	EU endorsement
IFRIC 21 “Levies”	May 2013	17 June 2014	June 2014
Annual Improvements to IFRSs 2011-2013 Cycle	December 2013	1 January 2015	December 2014

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.

For the W&W Group, this did not result in any changes in the presentation of net assets, financial position and financial performance.

Annual Improvements to IFRSs 2011-2013 Cycle

In connection with the Annual Improvements project, amendments were made to four IFRSs. The wording of IAS 40, IFRS 1, IFRS 3 and IFRS 13 was modified in order to clarify existing rules.

For the W&W Group, this did not result in any changes in the presentation of net assets, financial position and financial performance.

Issued accounting rules whose application is not yet mandatory

The following new and amended standards and interpretations have been issued but are not yet in effect. 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

	Issuance by IASB/IFRIC	Mandatory for financial years beginning on or after	EU endorsement
IFRS 9 "Financial Instruments"	July 2014	1 January 2018	open
IFRS 15 "Revenue from Contracts with Customers"	May 2014	1 January 2018[2]	open
IFRS 16 "Leases"	January 2016	1 January 2019	open
Amendments to IAS 1 – Disclosure Initiative	December 2014	1 January 2016	December 2015
Amendments to IAS 7 "Statement of Cash Flows" – clarification and improvement of information concerning financing activities	January 2016	1 January 2017	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	December 2015
Amendments to IAS 19 "Employee Benefits"	November 2013	1 February 2015[2]	December 2014
Amendments to IAS 27 "Separate Financial Statements" – clarification concerning use of the equity method to account for investments in subsidiaries, joint ventures and associates[1]	August 2014	1 January 2016	December 2015
Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"	September 2014	open2	open
Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations[1]	May 2014	1 January 2016	November 2015
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception[1]	December 2014	1 January 2016	open
Amendments to IAS 12 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses	January 2016	1 January 2017	open
Annual Improvements to IFRSs 2012-2014 Cycle	September 2014	1 January 2016	December 2015
Annual Improvements to IFRSs 2010-2012 Cycle	December 2013	1 February 2015[2]	December 2014

1 For the W&W Group, this does not result in any changes in the presentation of net assets, financial position and financial performance (see the 2014 Annual Report).
2 Updated date of initial application.

IFRS 9 "Financial Instruments"

On 24 July 2014, the IASB issued the standard IFRS 9, which will replace IAS 39.

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.

Another key aspect of the new standard is the measurement of financial assets at amortised cost or fair value. Classification is to be based on the entity's business model for managing the financial assets and on the contractual cash flow characteristics of the financial asset.

With respect to the classification and measurement of financial instruments and the accounting depiction of hedges, 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 pending.

IFRS 15 "Revenue from Contracts with Customers"

Once in effect, IFRS 15 will establish a framework for determining when a company is to recognise revenue and how much revenue it is 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.

IFRS 16 "Leases"

On 13 January 2016, the IASB issued the standard IFRS 16, which will replace IAS 17.

The core concept underlying the new standard is that generally all of a lessee's leases and the associated contractual rights and obligations are to be recognised in the balance sheet. Thus, in future, the lessee will no longer be required, as under IAS 17, to distinguish between finance leases and operating leases.

A lessor will continue to classify its leases as operating leases or finance leases and to account for those two types of leases differently. The accounting model under IFRS 16 does not materially differ from that under IAS 17 "Leases".

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 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 measured at equity are to be presented in the statement of comprehensive income. Finally, the amendments clarify that entities have flexibility as to the order in which they present the notes to financial statements and depict aspects of entity-specific relevance.

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 7 “Statement of Cash Flows”

On 29 January 2016, the IASB issued amendments to IAS 7 “Statement of Cash Flows”. The objective of the amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Accordingly, an entity must disclose changes in those financial liabilities whose cash inflows and cash outflows are shown in the cash flow statement as cash flow from financing activities.

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 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 a practical expedient 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 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 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 IAS 12 “Income Taxes”

On 19 January 2016, the IASB issued amendments to IAS 12 “Income Taxes” entitled “Recognition of Deferred Tax Assets for Unrealised Losses”.

The IASB has clarified that a deductible temporary difference arises if the fair value of a debt instrument has decreased as a result of an increase in market interest rates.

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 IFRSs 2012–2014 Cycle

In connection with the Annual Improvements project, amendments were made to four IFRSs. 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 IFRSs 2010–2012 Cycle

In connection with the Annual Improvements project, amendments were made to seven IFRSs. 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 and the consolidated subsidiaries, including structured entities (public and special funds) and associates, 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, the consolidated subsidiaries and associates were prepared as at 31 December 2015.

Subsidiaries

All subsidiaries are investment entities that are directly or indirectly controlled by W&W AG. Control exists where W&W AG has the power to direct 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 direction of the relevant activities.

Subsidiaries, including public and special funds, are included in the scope of consolidation unless they are of minor significance for 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 at 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 profits 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 profits 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 significance 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".

Associates

Associates 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.

Associates that are of more than minor significance 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 associates 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 associate. 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”.

Associates of minor significance 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).

Translation 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 translation differences are recognised in the consolidated income statement.

Pursuant to IAS 21, assets and debts 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. Translation 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. 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 through profit or loss	Financial assets available for sale	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-rank receivables from institutional investors		Fair value		Amortised cost
Other loans and advances				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 commitments1				

1 The measurement basis for off-balance-sheet business is the nominal value.

	Positive market values from hedges	Financial liabilities at fair value through profit or loss	Liabilities	Negative market values from hedges	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 measurement 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 hedges.

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 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, 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 provision for future policy benefits 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 measurement gains and losses are recognised in the income statement under “Net income 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-yield 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 as-sets 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 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

The 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, debenture bonds and registered bonds.

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 hedge recognised in accordance with 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 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 hedge recognised in accordance with 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 participation 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 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 impairment provisioning.

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 an orderly 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 measurement.

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. currency 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 2015.

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 equity options) that correspond to each option’s type and the generally accepted underlying assumptions on which they are based. The value of options is determined, in particular, by the value of the underlying base object 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.

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 hedge, 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 hedge, and the rhythm and form of initial and subsequent measurement of effectiveness.

The prospective measurement of a hedge’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 match. If a hedge does not meet this prerequisite, 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 hedge 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 hedges 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. When the hedge is terminated, the adjustment made to the carrying amount of the hedged item is amortised over the residual 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 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 is terminated prematurely, these reserves are recognised in the consolidated income statement on a pro rata basis over the residual 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 doing so are no longer met.

Structured products

Structured products are financial assets that have special features with respect to their interest rate, term 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 relation-ships 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 to take an impairment loss 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 are 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, 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 provisions are created either individually or collectively 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.

Impairment provisions serve to cover acute counterparty default 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. 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 impairment provision is created.
With regard to financial assets for which individual or collective impairment provisions have been created, the interest income that is recognised or accrued is not the actual interest payments 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 default 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 collateral into account. 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 bonds, registered profit-sharing 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 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.

Translation 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 impairment provisioning.

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 (its fair value less costs of disposal or its value in use, whichever is higher) 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 term 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 the portfolio impairment provision.

Loan commitments for which the evaluation of creditworthiness, 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 assessment of creditworthiness 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, an individual or collective 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 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 carrying amount or at fair value less costs of disposal, whichever is lower. If the carrying amount is higher than 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.

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 useful 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 useful 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 useful 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 method for investment property was allocated to Level 3 in the measurement hierarchy for determining fair value.

In connection with determining fair value, expected future cash inflows (rents, other revenues) and cash 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, real 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:

- 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 225 basis points (previous year: 175 basis points) for, for example, residential properties in top locations to 625 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 4.00% (previous year: 4.25%) and 8.00% (previous year: 8.00%). In exceptional cases, deviations from the range are possible (e.g. special sites, projects).
- An inflation rate of 1.75% 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 96% 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 method.

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 future profits from the assumed portfolio without taking into consideration new business and tax effects. The present value was fully impaired in the financial year.

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 (fair value less costs of disposal or value in use, whichever is higher). 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 acquisition or production cost or at net realisable value, whichever is lower.

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 under which 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.

With 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 fluctuation reserves to be created in property and casualty insurance according to national rules or for reserves similar to fluctuation reserves.

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. 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 provision for future policy benefits 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 provision for future policy benefits in life insurance. It is currently deemed to be sufficiently high.

With unit-linked life and annuity insurance, only contingent guarantee components are recognised in the provision for future policy benefits.

One-off acquisition costs for life insurance are recognised using Zillmerisation. To the extent permitted by Section 15 of the German Ordinance on Accounting by Insurance Companies (RechVersV), they form 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. Interest rates ranged from 1.25% (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 provision for future policy benefits 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.

In order to take increased life expectancy into account with regard to annuity insurance, an additional provision for future policy benefits was created. Current mortality studies of annuity insurance have shown that the safety margins built into the original actuarial bases no longer meet the actuarial safety requirements. In order to maintain an appropriate safety level going forward, the safety margin was bolstered in the 2015 financial year in accordance with DAV recommendations as part of the ongoing review of trend assumptions, and the provision for future policy benefits for pensions was increased. This was based on the DAV-developed mortality tables DAV 2004 R-Bestand (at the rate of 9/20) and DAV 2004 R-B20 (at the rate of 11/20), on entity-specific likelihoods of capital disbursements and on the principles for calculating the provision for future policy benefits that were published by the German Federal Financial Supervisory Authority (BaFin) in January 2005. 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 provision for future policy benefits 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 2.88% (previous year: 3.15%) specified in Section 5 (3) of the German Regulation on Calculation of the Provision for Future Policy Benefits (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 2.65% (previous year: 2.95%) was used for the insurance policies of Württembergische Lebensversicherung AG, a measurement interest rate of 2.60% (previous year: 3.00%) was used for the insurance policies of Karlsruher Lebensversicherung AG and a measurement interest rate of 2.75% (previous year: 3.11%) was used for ARA Pensionskasse AG. Whereas in the previous year the measurement interest rate was used for the entire residual term to maturity, the measurement in the financial year for all three companies was performed by using the measurement interest rate for the period of the next 15 years and thereafter using the original actuarial interest rate.(Supplemental) insurance policies for occupational disability were compared collectively with the DAV's currently applicable actuarial bases, and where necessary a supplemental provision for future policy benefits 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 provision for future policy benefits in life insurance are reviewed annually for sufficient safety margins, taking into consideration the actuarial bases recommended by the DAV and BaFin and the observable trends in the portfolio. The explanatory report by the responsible actuary pursuant to Section 11a (3), no. 2 of the German Insurance Supervision Act (VAG) (old version) 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 claim 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 portion of each insurance company's net profit 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 offsetting against the corresponding surplus components. The carrying amount of this item corresponds to the carrying amount of 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 provision for future policy benefits was 3.18% (previous year: 3.38%). The mortality tables published by the German Federal Financial Supervisory Authority (BaFin) were used for the biometric actuarial bases. In calculating the provision for future policy benefits 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 portion of net profit 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 policy-holders 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.

One-off acquisition costs for health insurance are recognised using Zillmerisation, and the net positive provision for future policy benefits is accounted for under the item "Provision for future policy benefits".

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 provision for future annuity benefits in property insurance.

The provision for claim adjustment expenses was determined in accordance with the letter of the German Federal Minister of Finance of 2 February 1973.

The provision for future annuity benefits in property/casualty insurance is calculated for each individual contract according to actuarial principles and, as is the case with the provision for future policy benefits, using the prospective method The mortality tables recommended by the German Association of Actuaries (DAV), DAV HUR 2006, were used, and they contain suitable safety margins. The maximum actuarial interest rate of 1.25%, which has been in effect since 1 January 2015, was used for all pension commitments. Future administrative costs were measured at 2% of the provision for future annuity benefits, 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-oriented defined-benefit 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 from pension commitments are recognised under “Personnel expenses” (service cost). Past service cost is recognised immediately in full 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 not set off against refund claims. The determined obligations are discounted at market interest rates that correspond to the risk and the period until settlement, 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 refunding of closing fees in the event of loan waivers where concluded home loan savings contracts contain the obligation to refund 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 the maximum 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.

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.

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.

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 in exchange for 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 59 "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 expense from:

- financial assets available for sale,
- financial assets accounted for using the equity method,
- financial assets/liabilities at fair value through profit or loss,
- hedges 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 from financial assets available for sale” is the gain/loss from the sale of financial assets available for sale, the measurement gain/loss through profit or loss of financial assets available for sale and current income (interest and dividends). Dividends are recognised once there is a legal claim to payment.

Recognised under “Net income 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 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 impairment provisioning, as well as direct depreciations. This relates to lending business, primary insurance and reinsurance business and other business.

Net income from investment property

Recognised under “Net income from investment property” are rental income, expenses for repairs and maintenance, gain/losses on sales and changes in value.

Rental income is recognised in the income statement monthly in advance.

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, bank-

ing 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.

Earned premiums (net)

Recognised under "Gross premiums written" from direct insurance business and assumed reinsurance business is generally all income that results from contractual relationships with policyholders and cedants concerning the granting of insurance cover. Gross premiums written are accrued for each insurance contract. Earned premiums (net) result 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 provision for future policy benefits, the provision for outstanding insurance claims, the provision for future policy benefits for unit-linked insurance contracts and other technical provisions. Also recognised under "Insurance benefits" are additions to the provision for premium refunds required by the German Commercial Code (HGB) 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 re-measurement 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.

Disclosures about the cash flow statement

For the Group's cash flow statement, all cash flow is evaluated on the basis of the business models of the various Group entities – these are mainly the business models for the banks and the home loan and savings banks, as well as insurance companies – as to the extent to which they are contingent on operating activities or originate from investing or financing activities.

Cash flow from operating activities essentially consists of all payments from the credit and deposit business of the Group's banks and home loan and savings banks, the trading portfolio of the banks, the technical provisions and the receivables and liabilities from reinsurance business. It also includes tax payments, as well as cash flow from the receivables and liabilities of the operational business of all Group banks, insurance companies and other entities.

Cash flow from investing activities consists of investments in intangible assets and in property, plant and equipment both for bank and home loan savings business and for insurance business. It also includes deposits and disbursements under mortgage loans made by the insurance companies, real estate investments, equities, participations, assets accounted for using the equity method, various investment funds and fixed-income securities, as well as registered bonds and debenture bonds recognised in the balance sheet under "Receivables from institutional investors". Strategic investments in subsidiaries and other business entities also generate cash flow that is allocated to investing activities.

Cash flow from financing activities consists of cash flow that results from transactions with owners of the parent company, non-controlling interests in the equity of subsidiaries and subordinated bonds issued by consolidated companies for the purposes of corporate financing.

In order to increase the relevance of reporting, the definition of cash flow will henceforth be oriented on the business models of the relevant companies and no longer on uniform group-wide balance sheet items. The amounts for the previous year were adjusted accordingly. This resulted in a reduction in cash flow from operating activities by €549 million and a corresponding increase in cash flow from investing activities.

In contrast to the previous year's report, the following types of cash flow are no longer depicted as cash flow from operating activities but instead as cash flow from investing activities:

- Cash flow from "Financial assets/liabilities held for trading" of the insurance companies
- Cash flow from financial assets "Designated as financial assets at fair value through profit or loss"
- Cash flow from "first tier loans and advances to institutional investors"
- Cash flow from "Building loans" of the insurance companies

The recognised cash and cash equivalents consist of cash on hand, deposits with central banks and balances with credit institutions payable on demand.

On the whole, the cash flow statement is only of minor significance for the Group. It is not used for liquidity and financial planning or for control.

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 "held-to-maturity investments" in the W&W Group.

Furthermore, management exercises discretion in the application of accounting policies in such a way that the cost model rather than 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 IFRSs 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 fair value measurement in both cases is the same: to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When no observable market transactions or market information is available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs.

To increase the consistency, comparability and quality of fair value measurements, the IFRSs 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 home loan savings products and the variety of rate constructions. Loans under home loan savings contracts are allocated to the item “Receivables” and are 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 are 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 a further 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 disclosures in the respective 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):

- Provision for future policy benefits

The provision for future policy benefits 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 provision for future policy benefits 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 provision for future policy benefits.

- 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, then the corresponding obligations are recognised as contingent liabilities (see Note 59).

Further information about all of the above types of provisions can be found in Note 20 "Technical provisions" and Note 21 "Other provisions".

Consolidation

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 2015	23	7	30
Included as at 31 December 2014	23	7	30
Structured entities (public and special funds)			
Included as at 31 December 2015	16	5	21
Included as at 31 December 2014	16	6	22
Associates accounted for using the equity method			
Included as at 31 December 2015	2	—	2
Included as at 31 December 2014	2	1	3

Changes to the scope of consolidation

Additions to the scope of consolidation

The special fund LBBW AM-WBP was added to the scope of consolidation in the fourth quarter of 2015.

Disposals from the scope of consolidation

In the first quarter of 2015, the W&W Global Strategies Asset-backed Securities Fund and the LBBW AM-130 fund were eliminated from the scope of consolidation.

In the fourth quarter of 2015, shares in Wüstenrot stavebná sporitelna a.s. (SBS), Bratislava, an associate that had previously been accounted for using the equity method, were sold in full.

These changes had no material influence on the net assets, financial position and financial performance of the W&W Group.

Changes in the parent company's shareholding in a subsidiary without loss of control

On 19 January 2015, W&W AG published a voluntary public tender offer to purchase up to 1,398,227 shares of Württembergische Lebensversicherung AG at a price of €17.75 per share. The acceptance deadline expired on 27 February 2015. The offer was accepted for a total of 1,397,340 shares of Württembergische Lebensversicherung AG. The acceptance rate was 99.58% with respect to the shares of Württembergische Lebensversicherung AG that were the subject of the offer. W&W AG thus acquired 11.47% of the share capital Württembergische Lebensversicherung AG for €25.1 million. This increased the shareholding of W&W AG in Württembergische Lebensversicherung AG from 83.42% to 94.89%.

The transaction was a stock deal involving non-controlling interests as follows:

Carrying amount of the acquired non-controlling interests	€42.3 million
./. Amount paid for the non-controlling interests	–€25.1 million
= Increase in the equity of the owners of the parent company	€17.2 million

The amount of €17.2 million was allocated to an increase of €2.8 million in retained earnings and to the acquisition for €14.4 million of the pro rata reserve for financial assets available for sale.

In November 2015, Württembergische Lebensversicherung AG purchased 8,000 shares of Karlsruher Lebensversicherung AG for a total price of €1,040 thousand, thus increasing its shareholding by 10% from 82.76% to 92.76%.

The transaction was a stock deal involving non-controlling interests as follows:

Carrying amount of the acquired non-controlling interests	€1,281 thousand
. /. Amount paid for the non-controlling interests	–€1,040 thousand
= Increase in the equity of the owners of the parent company	€241 thousand

The amount of €241 thousand was allocated to an increase of €34 thousand in retained earnings and to the acquisition for €207 thousand of the pro rata reserve for financial assets available for sale.

In December 2015, W&W AG acquired an additional 43.5% of the shares of Wüstenrot stavební spořitelna a.s., Prague, for €46.4 million. The purchase price was paid in the form of a transfer of shares in Wüstenrot stavebná sporitelna a.s. (SBS), Bratislava, having a value of €10.8 million, as well as cash in the amount of €35.6 million. W&W AG thus increased its shareholding from 55.92% to 99.42%.

The transaction was a stock deal involving non-controlling interests as follows:

Carrying amount of the acquired non-controlling interests	€55.4 million
./. Amount paid for the non-controlling interests	–€46.4 million
= Increase in the equity of the owners of the parent company	€9.0 million

The amount of €9.0 million was allocated to an increase of €2.9 million in retained earnings, to the acquisition for €4.8 million of the pro rata reserve for financial assets available for sale, and to the acquisition for €1.3 million of the pro rata reserve for currency translation.

Interests in subsidiaries, including consolidated structured entities

Disposal restrictions

Statutory, contractual or regulatory 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 2015, the LCR was 418.40% (previous year: 760.45%*) for the subsidiary Wüstenrot Bausparkasse AG and 123.24% (previous year: 93.83%*) for the subsidiary Wüstenrot Bank AG Pfandbriefbank. The companies have been obligated since the fourth quarter of 2015 to maintain their LCR, pursuant to further specifications.

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.

* Due to the fact that the calculation method has changed, the figures for the previous year are comparable to only a limited extent.

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 “Regulatory 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 issued 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 W&W 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 2015, the carrying amounts, the investment strategy, the maximum loss risk and the scope vis-à-vis unconsolidated investment funds were as follows:

2015

in € thousands	Equity funds 31.12.2015	Pension funds 31.12.2015	Real estate funds 31.12.2015	Other funds 31.12.2015	Funds of unit-linked life insurance policies 31.12.2015	Total 31.12.2015
Recognised assets (fund units held)						
Financial assets at fair value through profit or loss	53 119	877	3 755	2 236	1 510 797	1 570 784
Financial assets available for sale	298 823	994 079	17 695	91 066	—	1 401 663
Total	**351 942**	**994 956**	**21 450**	**93 302**	**1 510 797**	**2 972 447**
Maximum loss risk[1]	351 942	994 956	21 450	93 302	1 510 797	2 972 447
Total scope of fund assets as at the reporting date	87 303 222	7 256 821	26 068 785	35 984 368	133 373 460	289 986 656

1 The maximum loss risk is determined on the basis of fund units held and, where applicable, capital contribution calls not yet made and guarantees.

2014

in € thousands	Equity funds 31.12.2014	Pension funds 31.12.2014	Real estate funds 31.12.2014	Other funds 31.12.2014	Funds of unit-linked life insurance policies 31.12.2014	Total 31.12.2014
Recognised assets (fund units held)						
Financial assets at fair value through profit or loss	7 701	834	3 426	1 897	1 394 457	1 408 315
Financial assets available for sale	215 352	1 009 687	42 214	128 320	—	1 395 573
Total	**223 053**	**1 010 521**	**45 640**	**130 217**	**1 394 457**	**2 803 888**
Maximum loss risk[1]	223 053	1 010 521	45 640	130 217	1 394 457	2 803 888
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	273 735 677

1 The maximum loss risk is determined on the basis of fund units held and, where applicable, capital contribution calls not yet made 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 amounted to €932,382 thousand (previous year: €768,611 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 earnings 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 1.1.2015 to 31.12.2015	Home Loan and Savings Bank 1.1.2014 to 31.12.2014	Life and Health Insurance 1.1.2015 to 31.12.2015	Life and Health Insurance 1.1.2014 to 31.12.2014
1. Net income from financial assets available for sale	204 017	180 438	1 108 117	873 770
2. Net income from financial assets accounted for using the equity method	—	—	9 565	43 193
3. Net income from financial assets/liabilities at fair value through profit or loss	–152 912	31 679	–216 495	–71 873
4. Net income from hedges	120 892	73 985	—	—
5. Net income from receivables, liabilities and subordinated capital	245 874	179 626	577 637	773 025
6. Net income from risk provision	1 527	–34 600	–1 498	–3 238
7. Net financial result	**419 398**	**431 128**	**1 477 326**	**1 614 877**
8. Net income from investment property	**—**	**—**	**94 858**	**56 555**
9. Net commission income	**4 931**	**6 972**	**–146 235**	**–161 555**
10. Earned premiums (net)	**—**	**—**	**2 395 441**	**2 411 087**
11. Insurance benefits (net)	**—**	**—**	**–3 409 851**	**–3 546 565**
12. General administrative expenses[3]	**–369 618**	**–364 838**	**–277 528**	**–289 043**
13. Net other operating income	**18 014**	**–962**	**–81 770**	**–54 621**
14. Segment net income before income taxes from continued operations	**72 725**	**72 300**	**52 241**	**30 735**
15. Income taxes	**–15 728**	**–20 475**	**–11 972**	**14 937**
16. Segment net income after taxes	**56 997**	**51 825**	**40 269**	**45 672**
Other information				
Total revenue[4]	1 504 586	1 648 215	3 330 027	3 399 749
thereof with other segments	37 721	40 202	34 920	32 344
thereof with external customers	1 466 865	1 608 013	3 295 107	3 367 405
Interest income	1 266 756	1 426 872	795 140	862 528
Interest expense	–939 734	–1 128 193	–76 848	–77 094
Scheduled amortisation/depreciation	–3 950	–4 245	–52 236	–50 469
Impairment losses[5]	–2 761	—	–13 937	–24 139
Reversals of impairment losses[5]	—	—	2 747	3 585
Material non-cash items	–864	–32 055	21 667	156 283
Segment assets[6]	35 111 344	38 593 449	33 010 994	33 871 763
Segment liabilities[6]	33 320 874	36 738 639	32 557 457	33 399 551
Financial assets accounted for using the equity method[6]	—	—	50 970	82 346

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 earned premiums (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 2015 and 31 December 2014, respectively.
7 Includes cross-segment premiums ceded to reinsurers.

Property/Casualty Insurance		Total for reportable segments		All other segments[1]		Consolidation/ reconciliation[2]		Group	
1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	1.1.2014 bis 31.12.2014	1.1.2014 to 31.12.2014	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
80 544	96 429	1 392 678	1 150 637	101 855	96 554	−87 887	−80 461	1 406 646	1 166 730
9 566	37 882	19 131	81 075	14 412	2 685	—	—	33 543	83 760
−40 796	−32 421	−410 203	−72 615	1 911	1 895	−1 692	−1 925	−409 984	−72 645
—	—	120 892	73 985	—	—	—	—	120 892	73 985
23 303	39 395	846 814	992 046	36 234	34 327	1 808	4 455	884 856	1 030 828
−1 408	−1 111	−1 379	−38 949	−3 122	−2 352	—	—	−4 501	−41 301
71 209	**140 174**	**1 967 933**	**2 186 179**	**151 290**	**133 109**	**−87 771**	**−77 931**	**2 031 452**	**2 241 357**
2 000	**1 647**	**96 858**	**58 202**	**205**	**85**	**2 711**	**2 859**	**99 774**	**61 146**
−208 124	**−213 694**	**−349 428**	**−368 277**	**−46 073**	**−36 531**	**3 570**	**1 324**	**−391 931**	**−403 484**
1 325 279	**1 278 062**	**3 720 720**	**3 689 149**	**274 688**	**263 502**	**−12 544**	**−13 285**	**3 982 864**	**3 939 366**
−714 928	**−721 498**	**−4 124 779**	**−4 268 063**	**−181 115**	**−175 413**	**21 715**	**16 572**	**−4 284 179**	**−4 426 904**
−349 416	**−342 980**	**−996 562**	**−996 861**	**−106 455**	**−104 209**	**−4 969**	**−7 015**	**−1 107 986**	**−1 108 085**
35 661	**12 218**	**−28 095**	**−43 365**	**27 465**	**16 846**	**−5 740**	**6 127**	**−6 370**	**−20 392**
161 681	**153 929**	**286 647**	**256 964**	**120 005**	**97 389**	**−83 028**	**−71 349**	**323 624**	**283 004**
−46 746	**−25 734**	**−74 446**	**−31 272**	**−14 293**	**−34 918**	**39 398**	**25 152**	**−49 341**	**−41 038**
114 935	**128 195**	**212 201**	**225 692**	**105 712**	**62 471**	**−43 630**	**−46 197**	**274 283**	**241 966**
1 521 084	1 463 023	6 355 697	6 510 987	447 818	445 389	−240 369	−225 001	6 563 146	6 731 375
−180 991[7]	−186 055[7]	−108 350	−113 509	348 719	338 510	−240 369	−225 001	—	—
1 702 075	1 649 078	6 464 047	6 624 496	99 099	106 879	—	—	6 563 146	6 731 375
72 909	76 754	2 134 805	2 366 154	107 158	119 488	−27 252	−28 531	2 214 711	2 457 111
−32 761	−17 107	−1 049 343	−1 222 394	−62 177	−75 128	24 481	26 467	−1 087 039	−1 271 055
−6 338	−6 354	−62 524	−61 068	−57 462	−49 984	1 399	786	−118 587	−110 266
−118	71	−16 816	−24 210	−1 099	—	—	—	−17 915	−24 210
36	—	2 783	3 585	800	—	—	—	3 583	3 585
25 326	1 823	46 129	126 051	−8 498	4 560	297	−1 251	37 928	129 360
4 201 886	4 145 175	72 324 224	76 610 387	6 035 116	6 035 086	−4 272 759	−4 109 414	74 086 581	78 536 059
3 251 863	3 359 927	69 130 194	73 498 117	3 847 477	3 865 521	−2 534 832	−2 501 799	70 442 839	74 861 839
70 774	102 149	121 744	184 495	20 203	19 500	−19 803	−19 803	122 144	184 192

Information by region (Group)

in € thousands	Revenue from external customers[1] 1.1.2015 to 31.12.2015	Revenue from external customers[1] 1.1.2014 to 31.12.2014	Non-current assets[2] 1.1.2015 to 31.12.2015	Non-current assets[2] 1.1.2014 to 31.12.2014
Germany	6 442 820	6 606 858	2 003 255	2 072 504
Czech Republic	117 553	121 039	9 026	13 349
Other countries	2 773	3 478	594	11
Total	**6 563 146**	**6 731 375**	**2 012 875**	**2 085 864**

1 Revenues were allocated to the operating units based on the country of registration, and they consist of interest, commission and rental income, and earned premiums (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	31.12.2015	31.12.2014
Cash on hand	3 213	3 645
Deposits with central banks	296 043	335 119
Deposits with foreign postal giro offices	198	289
Cash reserves	**299 454**	**339 053**

The fair value of cash reserves can be obtained from the measurement hierarchy.

(2) Non-current assets held for sale and discontinued operations

in € thousands	31.12.2015	31.12.2014
Financial assets at fair value through profit or loss	8 315	–
Receivables	11 062	–
Risk provision	–1 278	–
Financial assets available for sale	69 003	–
Investment property	2 269	14 090
Reinsurers' portion of technical provisions	381	–
Other assets	6 270	–
Non-current assets held for sale and discontinued operations	**96 022**	**14 090**

in € thousands	31.12.2015	31.12.2014
Liabilities	4 087	–
Technical provisions	69 542	–
Other provisions	2 602	–
Other liabilities	3 504	–
Liabilities under non-current assets classified as held for sale and discontinued operations	**79 735**	**–**

Non-current assets held for sale and discontinued operations consist of the assets of two Czech subsidiaries, a property and an investment.

The Czech subsidiaries held for sale as at 31 December 2015 have to do with a life insurer and a property and casualty insurer that were being disposed of as a group. They are allocated to "Other segments". They were disposed of in January 2016 for, among other things, reasons of a changed strategy on the Czech market.

The property held for sale as at 31 December 2015 has to do with a residential property in third-party use in Munich allocated to the Life and Health Insurance segment.

The property is being disposed of for reasons of diversification and thus serves to further optimise the asset portfolio in the W&W Group. It is slated to be disposed of in the course of 2016.

In addition, the Home Loan and Savings Bank segment contains a shareholding in Visa Europe Limited (Visa Europe) in the amount of €4.4 million.

In light of the fact that Visa Inc. (USA) is planning to take over Visa Europe in the summer of 2016, the prospective interest of Wüstenrot Bank AG Pfandbriefbank in the sale proceeds is already taken into account in it. This consists of preferred shares in Visa, Inc., an interest in the sales proceeds to be paid out in cash and a component of the proceeds based on future revenues, which takes haircuts into consideration. However, the responsible regulatory authorities have not yet given the necessary consent.

Impairments totalling €4.1 million were taken for non-current assets held for sale and discontinued operations. The impairment losses were recognised under “General administrative expenses”.

Cumulative income and expenses recognised under “Other comprehensive income” that are related to non-current assets classified as held for sale amounted to €10.1 million.

Of the properties held for sale as at 31 December 2014, a commercial property in third-party use in Münster, Germany, in the Life and Health Insurance segment and a residential property in third-party use in Leipzig in the Property/Casualty Insurance segment were disposed of during the 2015 financial year.

(3) Financial assets at fair value through profit or loss

in € thousands	31.12.2015	31.12.2014
Designated as financial assets at fair value	2 403 586	2 296 872
Equity instruments	50 191	1 811
Senior fixed-income securities	234 938	239 546
Structured products	607 660	661 058
Investments for the account and risk of holders of life insurance policies	1 510 797	1 394 457
Financial assets held for trading	839 685	1 167 071
Equity instruments	9 796	12 047
Senior fixed-income securities	—	480
Derivative financial instruments	829 889	1 154 544
Financial assets at fair value through profit or loss	**3 243 271**	**3 463 943**

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 –€1.5 million (previous year: €14.4 million). The resulting cumulative change in fair value amounts to –€6.7 million (previous year: –€5.2 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

in € thousands	Amortised cost		Unrealised gains (gross)		Unrealised losses (gross)		Fair value/carrying amount	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Equity instruments	3 013 531	2 805 351	541 651	499 249	–161 223	–99 765	3 393 959	3 204 835
Investments	931 960	821 918	288 600	223 346	–23 683	–15 787	1 196 877	1 029 477
Equities	682 028	629 725	150 409	177 495	–37 018	–27 435	795 419	779 785
Fund units	1 399 543	1 353 708	102 642	98 408	–100 522	–56 543	1 401 663	1 395 573
Subordinated securities and receivables	1 242 373	1 034 752	20 288	42 147	–29 069	–5 018	1 233 592	1 071 881
Senior fixed-income securities	18 918 191	19 760 354	976 318	1 636 271	–262 389	–59 913	19 632 120	21 336 712
Financial assets available for sale	**23 174 095**	**23 600 457**	**1 538 257**	**2 177 667**	**–452 681**	**–164 696**	**24 259 671**	**25 613 428**

(5) Receivables

in € thousands	31.12.2015	31.12.2014
Subordinated securities and receivables	127 641	96 354
First-rank receivables from institutional investors[1]	15 688 698	16 520 286
Credit institutions	10 998 698	11 760 527[4]
Other financial companies	376 907	377 053
Other companies	198 805	198 814
Public authorities	4 117 141	4 183 892[4]
Portfolio hedge adjustment	–2 853	—
Building loans	24 293 438	25 127 273
Loans under home loan savings contracts	2 565 412	3 025 731
Preliminary and interim financing loans	11 481 035	11 233 095
Other building loans	10 065 111	10 631 115
Portfolio hedge adjustment	181 880	237 332
Other loans and receivables	2 588 786	2 572 088
Other loans and advances[2]	2 195 584	2 131 894
from customers	399 563	412 317
from credit institutions	1 796 021	1 719 577
Other receivables[3]	393 202	440 194
Receivables from reinsurance business	77 039	90 619
Receivables from insurance agents	68 902	68 816
Receivables from policyholders	238 833	274 300
Miscellaneous other receivables	8 428	6 459
Receivables	**42 698 563**	**44 316 001**

1 Includes senior debenture bonds and registered bonds.
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.
4 Previous year's figure adjusted.

The carrying amount of receivables as a whole less impairments in the form of risk provision amounted to €42,498.7 million (previous year: €44,101.4 million).

The sub-item “Portfolio hedge adjustment” contains a measurement item from the interestrate-based measurement of loans and advances to customers, registered bonds and debenture bonds 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 2015 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 impairment provisions. In the W&W Group, these are generally recgnised under the item "Risk provision".

Interest income accrued on impaired assets is recognised as an interest effect.

Changes in value during the 2015 financial year

in € thousands	Opening balance 1.1.2015	Reclassifications	Reclassifications	Additions
Subordinated securities and receivables	– 22	—	—	– 20
Individual/collective impairment provisions	—	—	—	—
Impairment provisions created on a portfolio basis	– 22	—	—	– 20
First-rank receivables from institutional investors	– 1 552	—	—	– 250
Individual/collective impairment provisions	—	—	—	—
Impairment provisions created on a portfolio basis	– 1 552	—	—	– 250
Senior fixed-income securities	—	—	—	—
Individual/collective impairment provisions	—	—	—	—
Impairment provisions created on a portfolio basis	—	—	—	—
Building loans	– 173 008	—	—	– 85 478
Individual/collective impairment provisions	– 136 301	12 981	—	– 66 487
Impairment provisions created on a portfolio basis	– 36 707	– 12 981	—	– 18 991
Other loans and advances1	– 12 351	—	—	– 4 270
Individual/collective impairment provisions	– 11 974	– 67	—	– 4 022
Impairment provisions created on a portfolio basis	– 377	67	—	– 248
Other receivables2	– 27 633	—	1 429	– 4 756
Individual/collective impairment provisions	– 5 102	—	1 429	– 1 772
Impairment provisions created on a portfolio basis	– 22 531	—	—	– 2 984
Risk provision	– 214 566	—	1 429	– 94 774
Individual/collective impairment provisions	– 153 377	12 914	1 429	– 72 281
Impairment provisions created on a portfolio basis	– 61 189	– 12 914	—	– 22 493

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 effects	Interest effect	Closing balance 31.12.2015
–	–	17	–	–	–25
–	–	–	–	–	–
–	–	17	–	–	–25
–	–	729	–	–	–1 073
–	–	–	–	–	–
–	–	729	–	–	–1 073
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
15 766	–	72 519	–791	13 138	–157 854
15 766	–	34 690	–791	13 138	–127 004
–	–	37 829	–	–	–30 850
1 741	–	1 898	–80	28	–13 034
1 741	–	1 561	–80	28	–12 813
–	–	337	–	–	–221
135	–	3 003	–37	–	–27 859
135	–	660	–37	–	–4 687
–	–	2 343	–	–	–23 172
17 642	–	78 166	–908	13 166	–199 845
17 642	–	36 911	–908	13 166	–144 504
–	–	41 255	–	–	–55 341

Changes in value during the 2014 financial year

in € thousands	Opening balance 1.1.2014	Reclassifications	Reclassifications	Additions
Subordinated securities and receivables	—	—	—	– 23
Individual/collective impairment provisions	—	—	—	—
Impairment provisions created on a portfolio basis	—	—	—	– 23
First-rank 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 advances1	– 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 receivables2	– 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 effects	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

(7) Positive market values from hedges

in € thousands	31.12.2015	31.12.2014
Cash flow hedges	24 342	29 397
Hedging of interest rate risk	24 342	29 397
Fair value hedges	33 630	21 707
Hedging of interest rate risk	33 630	21 707
Positive market values from hedges	**57 972**	**51 104**

(8) Financial assets accounted for using the equity method

in € thousands	2015	2014
Carrying amount as at 1 January	184 192	135 544
Additions	2 263	—
Disposals	–4 772	–23 450
Dividend payments	–81 475	–6 889
Pro rata share of net income	21 540	78 169
Reversals of impairment losses	567	951
Changes recognised directly in equity	–171	–133
Carrying amount as at 31 December	122 144	184 192

In the fourth quarter of 2015, the shares in Wüstenrot stavebná sporitelna a.s., Bratislava, were sold in full. The sale resulted in a gain of €11.4 million.

In the previous year, 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 each company, as well as the shares thereof attributable to the W&W Group:

	BWK GmbH Unternehmens-beteiligungsgesellschaft	V-Bank AG
Investment purpose	Strategic investment	Strategic investment
Principal place of business	Stuttgart, Germany	Munich, Germany
Closing date for financial statements	31 December	31 December
Measurement standard	At equity	At equity

	BWK GmbH Unternehmens-beteiligungsgesellschaft		V-Bank AG		Gesamt	
in € thousands	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Holding, in %	35.00	35.00	49.83	47.14		
Share of voting rights (where different), in %	—	—	40.00	40.00		
Assets	327 716	510 978	1 029 880	1 056 115	1 357 596	1 567 093
Liabilities	36 457	40 430	996 257	1 027 268	1 032 714	1 067 698
Net assets (100%)	291 259	470 548	33 623	28 847	324 882	499 395
Group share of net assets	101 941	164 692	16 754	13 598	118 695	178 290
Reconciliation	—	—	3 449	2 053	3 449	2 053
Carrying amount of financial assets accounted for using the equity method	**101 941**	**164 692**	**20 203**	**15 651**	**122 144**	**180 343**

in € thousands	BWK GmbH Unternehmensbeteiligungsgesellschaft 1.1.2015 to 31.12.2015	BWK GmbH Unternehmensbeteiligungsgesellschaft 1.1.2014 to 31.12.2014	V-Bank AG 1.1.2015 to 31.12.2015	V-Bank AG 1.1.2014 to 31.12.2014	Gesamt 1.1.2015 to 31.12.2015	Gesamt 1.1.2014 to 31.12.2014
Revenue	79 337	230 672	18 464	17 616	97 801	248 288
Net income (100%)	54 659	216 471	4 098	3 625	58 757	220 096
Other comprehensive income (100%)	– 811	800	645	– 1 610	– 166	– 810
Total income (100%)	53 848	217 271	4 743	2 015	58 591	219 286
Group share of net income	19 131	75 765	2 042	1 709	21 173	77 474
Group share of other comprehensive income	– 284	280	321	– 759	38	– 479
Group share of total income	18 847	76 045	2 363	950	21 210	76 995
Dividends received	80 675	5 425	—	—	80 675	5 425

No publicly quoted market prices are available for the interests in associates 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 amounted to €2,124.2 million (previous year: €2,152.3 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 2015, there were contractual obligations to purchase and construct investment property amounting to €73.6 million (previous year: €118.0 million). There are no material contractual obligations to develop investment property, or for repairs, maintenance or improvements.

in € thousands	2015	2014
Gross carrying amounts as at 1 January	2 159 624	2 039 989
Additions	143 553	164 062
Disposals	– 594	– 142
Reclassifications	—	– 1 367
Classified as held for sale	– 225 480	– 42 918
As at 31 December	2 077 103	2 159 624
Cumulative depreciation and impairments as at 1 January	– 390 266	– 368 274
Additions (scheduled depreciation)	– 47 341	– 42 175
Additions (impairments)	– 1 259	– 2 895
Disposals	514	73
Reversals of impairment losses	2 783	3 585
Reclassifications	—	1 013
Classified as held for sale	81 144	18 407
As at 31 December	– 354 425	– 390 266
Net carrying amounts as at 1 January	1 769 358	1 671 715
Net carrying amounts as at 31 December	1 722 678	1 769 358

Additions contain capitalised construction costs in the amount of €42.4 million (previous year: €81.9 million).

Impairment losses in the current period in the amount of €1.3 million (previous year: €2.9 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	31.12.2015	31.12.2014
Provision for unearned premiums	10 505	16 100
Provision for future policy benefits	90 372	1 085 875
Provision for outstanding insurance claims	230 906	251 180
Other technical provisions	962	814
Reinsurers' portion of technical provisions	**332 745**	**1 353 969**

On account of the replacement of a quota share reinsurance contract, the associated portions of the technical provisions were released.
Further remarks can be found at the corresponding liability items starting at Note 20.

(11) Intangible assets

in € thousands	31.12.2015	31.12.2014	Remaining amortisation period (years)
Purchased insurance portfolios	—	17 271	-
Software	69 661	74 130	1 5
Brand names	19 297	20 905	12
Other purchased intangible assets	622	4 327	1 8
Intangible assets	**89 580**	**116 633**	-

Changes to intangible assets in 2015

in € thousands	Purchased insurance portfolios	Externally procured software	Internally developed software	Brand names	Other purchased intangible assets	Total
Gross carrying amounts as at 1 January	128 703	308 832	63 907	32 162	19 782	553 386
Additions	—	30 172	—	—	2	30 174
Disposals	—	– 6 861	—	—	—	– 6 861
Classified as held for sale	– 4 437	– 5 836	—	—	—	– 10 273
Changes from currency translation	164	572	—	—	59	795
As at 31 December	124 430	326 879	63 907	32 162	19 843	567 221
Cumulative amortisation and impairments as at 1 January	– 111 432	– 234 758	– 63 851	– 11 257	– 15 455	– 436 753
Additions (scheduled amortisation)	– 2 616	– 31 243	– 48	– 1 608	– 1 141	– 36 656
Additions (impairments)	– 12 677	—	—	—	– 2 566	– 15 243
Disposals	—	6 130	—	—	—	6 130
Classified as held for sale	2 381	3 004	—	—	—	5 385
Changes from currency translation	– 86	– 359	—	—	– 59	– 504
As at 31 December	– 124 430	– 257 226	– 63 899	– 12 865	– 19 221	– 477 641
Net carrying amounts as at 1 January	17 271	74 074	56	20 905	4 327	116 633
Net carrying amounts as at 31 December	—	69 653	8	19 297	622	89 580

Changes to intangible assets in 2014

in € thousands	Purchased insurance portfolios	Externally procured 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

On account of the replacement of a quota share reinsurance contract, the insurance portfolio of Karlsruher Lebensversicherung AG that was purchased in 2005 was fully impaired in the financial year. The impairment loss amounted to €12.7 million.

Wüstenrot Holding AG and W&W AG are parties to a brand name transfer and use agreement. As at 31 December 2015, the carrying amount of the resulting intangible asset amounted to €19.3 million (previous year: €20.9 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 12 years. As at 31 December 2015, the capitalised brand name was offset by a financial liability to Wüstenrot Holding AG in the amount of €22.2 million (previous year: €23.7 million).

Total expenditures for research and development that were recognised in the income statement for the 2015 financial year amounted to €65.6 million (previous year: €52.6 million).

There were obligations to purchase intangible assets in the amount of €0.3 million (previous year: €3.5 million).

(12) Property, plant and equipment

There were obligations to purchase property, plant and equipment in the amount of €0.2 million (previous year: €2.3 million).

Property for own use included leased assets in the amount of €24.5 million (previous year: €27.2 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 €2.1 million (previous year: €3.1 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 costs for assets under construction in the amount of €15.0 million (previous year: €4.0 million).

In connection with the SEKO project, the remaining term of depreciation for several buildings was shortened from 21 years to three years. Scheduled depreciation accordingly increased by €5.9 million for the 2015 financial year and will also increase by the same amount for the following two years.

Property, plant and equipment

	Property for own use		Plant and equipment		Total	
in € thousands	2015	2014	2015	2014	2015	2014
Gross carrying amounts as at 1 January	392 615	385 494	216 712	253 786	609 327	639 280
Additions	15 172	6 238	11 709	21 508	26 881	27 746
Disposals	– 338	– 76	– 18 975	– 58 858	– 19 313	– 58 934
Reclassifications	—	1 016	—	351	—	1 367
Classified as held for sale	– 9 785	—	– 2 564	—	– 12 349	—
Changes from currency translation	136	– 57	209	– 75	345	– 132
As at 31 December	397 800	392 615	207 091	216 712	604 891	609 327
Cumulative depreciation and impairments as at 1 January	– 204 410	– 192 213	– 166 869	– 207 194	– 371 279	– 399 407
Additions (scheduled depreciation)	– 16 775	– 11 007	– 17 815	– 17 906	– 34 590	– 28 913
Additions (impairments)	– 1 412	– 423	—	—	– 1 412	– 423
Disposals	171	15	18 184	58 380	18 355	58 395
Reversals of impairment losses	800	–	—	—	800	—
Reclassifications	—	– 800	—	– 213	—	– 1 013
Classified as held for sale	1 479	—	1 869	—	3 348	—
Changes from currency translation	– 57	18	– 142	64	– 199	82
As at 31 December	– 220 204	– 204 410	– 164 773	– 166 869	– 384 977	– 371 279
Net carrying amounts as at 1 January	188 205	193 281	49 843	46 592	238 048	239 873
Net carrying amounts as at 31 December	177 596	188 205	42 318	49 843	219 914	238 048

(13) Inventories

Inventories in the amount of €73.3 million (previous year: €63.5 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 amounted to €5.5 million (previous year: €3.2 million). Also recognised under "Inventories" are raw materials and consumables in the amount of €0.4 million (previous year: €0.4 million)

Impairment provisions in the amount of €104.0 thousand (previous year: €26.0 thousand) were created for inventories in the reporting year. Expenses for the utilisation of inventories during the reporting period amounted to €49.6 million (previous year: €43.8 million). No inventories were pledged as collateral for liabilities in either the reporting year or 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 €28.2 million (previous year: €56.0 million) within 12 months.

(15) Deferred tax assets

Deferred tax assets were recognised in connection with the following items:

in € thousands	31.12.2015	31.12.2014
Financial assets/liabilities at fair value through profit or loss	154 687	237 235
Financial assets available for sale	23 745	40 354
Receivables	14 252	18 534
Positive and negative market values from hedges	146 598	167 607
Financial assets accounted for using the equity method	—	188
Liabilities	34 423	15 475
Technical provisions	137 402	146 836
Provisions for pensions and other obligations	271 746	295 007
Other items	133 222	117 750
Tax loss carryforward	657	3 327
Deferred tax assets	**916 732**	**1 042 313**

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 €215.3 million (previous year: €237.8 million) were recognised directly in the reserve for pension commitments.

Deferred tax assets in the amount of €114.6 million (previous year: €130.3 million) and deferred taxes on tax loss carryforwards in the amount of €0.5 million (previous year: €0.8 million) are expected to be realised within 12 months.

Deferred taxes were not recognised for deductible temporary differences and tax loss carry-forwards that related to corporate income and trade taxes in the amount of €2.9 million (previous year: €2.2 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	31.12.2015	31.12.2014
Financial liabilities held for trading	752 411	1 012 030
Derivative financial instruments	752 411	1 012 030
Financial liabilities at fair value through profit or loss	**752 411**	**1 012 030**

The change in the sub-item “Derivative financial instruments” is mainly the result of market changes to interest-rate-based and currency-based derivatives that are not used in connection with hedge accounting.

(18) Liabilities

in € thousands	31.12.2015	31.12.2014
Liabilities evidenced by certificates	1 056 854	1 165 708
Liabilities to credit institutions	4 122 614	6 401 409
Liabilities to customers	25 335 037	25 710 869
Deposits from home loan savings business and savings deposits	18 257 833	18 766 507
Other liabilities	7 053 730	6 921 563
Down payments received	23 474	22 799
Finance lease liabilities	28 413	32 433
Miscellaneous liabilities	1 285 386	2 336 724
Other liabilities[1]	377 286	379 738
Sundry liabilities[2]	908 100	1 956 986
Liabilities from reinsurance business	127 085	1 136 172
Liabilities from direct insurance business	675 923	711 946
Other sundry liabilities	105 092	108 868
Liabilities	**31 828 304**	**35 647 143**

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, €4,337.3 million (previous year: €3,854.6 million) are due on demand and €2,716.4 million (previous year: €3,067.0 million) have a fixed term.

On account of the replacement of a quota share reinsurance contract, the technical provisions for retained deposits within liabilities from reinsurance business were released.

Of the liabilities from direct insurance business within sundry liabilities, €621.4 million (previous year: €630.2 million) were attributable to policyholders and €54.5 million (previous year: €81.7 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	31.12.2015	31.12.2014
Cash flow hedges	12 000	12 747
Hedging of interest rate risk	12 000	12 747
Fair value hedges	532 643	596 004
Hedging of interest rate risk	532 643	596 004
Negative market values from hedges	**544 643**	**608 751**

Losses resulting from the measurement of the hedging instrument are offset 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

in € thousands	Gross 31.12.2015	Gross 31.12.2014
Provision for unearned premiums	254 998	267 611
Provision for future policy benefits	28 059 448	27 543 707
Provision for outstanding insurance claims	2 505 739	2 492 761
Provision for premium refunds	2 007 923	2 571 001
Other technical provisions	32 430	33 629
Technical provisions	**32 860 538**	**32 908 709**

Provision for unearned premiums

in € thousands	Gross 2015	Reinsurers' portionr 2015	Gross 2014	Reinsurers' portion 2014
As at 1 January	267 611	16 100	269 641	14 402
Additions	264 250	10 653	267 611	16 100
Withdrawals	–267 611	–16 100	–269 641	–14 402
Classified as held for sale	–9 252	–148	—	—
As at 31 December	254 998	10 505	267 611	16 100

Provision for future policy benefits

in € thousands	Gross 31.12.2014	Reinsurers' portion 31.12.2014	Gross 31.12.2013	Reinsurers' portion 31.12.2013
Life insurance	27 536 230	90 372	27 095 884	1 085 875
Health insurance	523 218	—	447 823	—
Provision for future policy benefits	**28 059 448**	**90 372**	**27 543 707**	**1 085 875**

Provision for future policy benefits by type of business operated as life insurance

in € thousands	Gross 2015	Reinsurers' portion 2015	Gross 2014	Reinsurers' portion 2014
Provision for future policy benefits	25 701 428	—	25 380 105	—
Provision for future policy benefits for unit-linked insurance contracts	1 394 457	—	1 226 386	—
Receivables not yet due from policyholders	–178 415	—	–186 324	—
As at 1 January	26 917 470	1 085 875	26 420 167	1 082 740
Additions from premiums[1]	1 766 889	—	1 828 757	—
Use and release[1]	–2 504 120	—	–2 546 092	—
Interest[1]	781 906	—	780 682	—
Other changes[1]	460 558	–995 318	434 508	3 135
Changes from currency translation	1 201	—	–553	—
Classified as held for sale	–40 623	–185	—	—
As at 31 December	27 383 281	90 372	26 917 469	1 085 875
Provision for future policy benefits	26 025 434	—	25 701 428	—
Provision for future policy benefits for unit-linked insurance contracts	1 510 797	—	1 394 457	—
Receivables not yet due from policyholders	–152 950	—	–178 415	—

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	2015	2014
As at 1 January	447 823	379 102
Share of association rates	–47 034	–42 974
As at 1 January, not including association rates	400 789	336 128
Premiums from the provision for premium refunds	7 600	5 930
Additions from premiums	45 843	45 669
Interest	13 821	12 454
Direct credits	396	608
As at 31 December, not including association rates	468 449	400 789
Share of association rates	54 769	47 034
As at 31 December	523 218	447 823

Provision for outstanding insurance claims

	Gross	Reinsurers' portion	Gross	Reinsurers' portion
in € thousands	31.12.2015	31.12.2015	31.12.2014	31.12.2014
Life and health insurance	185 393	12 865	171 855	13 622
Property/casualty insurance and reinsurance	2 320 346	218 041	2 320 906	237 558
Provision for outstanding insurance claims	2 505 739	230 906	2 492 761	251 180

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	2015	2015	2014	2014
As at 1 January	171 855	13 622	153 231	13 151
Changes recognised in the income statement	17 194	–757	18 659	471
Changes from currency translation	87	—	–35	—
Classified as held for sale	–3 743	—	—	—
As at 31 December	185 393	12 865	171 855	13 622

In the area of property/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	2 320 906	237 558	2 309 356	316 811
Additions	576 728	27 905	561 697	11 649
Use	−446 568	−42 048	−503 524	−116 023
Release	−133 156	−7 214	−68 383	22 660
Changes from currency translation	17 985	1 889	21 760	2 461
Classified as held for sale	−15 549	−49	—	—
As at 31 December	2 320 346	218 041	2 320 906	237 558

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 deducted, in addition, when reconciling the net provision.

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Gross run-off triangle[1]

in € thousands	31.12.2006	31.12.2007	31.12.2008	31.12.2009
Provision for outstanding insurance claims (gross)	2 447 340	2 484 998	2 429 062	2 258 500
Less provision for claim adjustment expenses	161 721	172 324	177 773	170 523
Provision for outstanding insurance claims (gross)	2 285 619	2 312 674	2 251 289	2 087 977
Payments, cumulative (gross)				
One year later	371 565	373 623	356 844	349 610
Two years later	579 199	571 862	539 706	505 236
Three years later	709 081	723 852	660 466	606 390
Four years later	810 846	829 667	747 518	685 578
Five years later	891 477	908 632	817 221	739 475
Six years later	953 815	973 544	866 843	801 919
Seven years later	1 005 697	1 019 602	925 006	—
Eight years later	1 042 356	1 074 668	—	—
Nine years later	1 085 000	—	—	—
Original provision, reestimated (gross)				
One year later	2 153 977	2 201 835	2 056 229	1 937 934
Two years later	2 050 111	2 068 141	1 929 577	1 854 617
Three years later	1 898 224	1 977 431	1 877 765	1 782 319
Four years later	1 823 069	1 947 650	1 820 033	1 701 983
Five years later	1 804 802	1 911 421	1 764 633	1 685 453
Six years later	1 782 366	1 866 972	1 751 092	1 671 109
Seven years later	1 748 534	1 859 938	1 747 082	—
Eight years later	1 744 697	1 859 761	—	—
Nine years later	1 746 758	—	—	—
Cumulative gross surplus (deficit) excluding currency rate effects	538 861	452 913	504 207	416 868
Cumulative gross surplus (deficit) including currency rate effects	579 798	470 637	493 998	387 176

1 The run-off triangle retroactively includes Group companies newly consolidated and retroactively excludes Group companies deconsolidated.

31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015
2 202 643	2 138 684	2 115 807	2 298 051	2 307 159	2 320 346
170 487	151 053	143 828	146 869	151 782	149 474
2 032 156	1 987 631	1 971 979	2 151 182	2 155 377	2 170 872
333 833	342 885	364 833	344 397	425 720	—
473 612	470 817	466 803	587 072	—	—
574 571	554 140	568 052	—	—	—
638 949	634 042	—	—	—	—
707 944	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
1 900 053	1 867 591	2 021 321	1 871 504	2 080 714	—
1 809 559	1 768 517	1 801 134	1 970 230	—	—
1 719 811	1 727 154	1 746 498	—	—	—
1 687 446	1 688 593	—	—	—	—
1 666 085	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
366 071	299 038	225 481	180 952	134 056	—
346 927	280 933	226 851	158 063	115 939	—

Net run-off triangle[1]

in € thousands	31.12.2006	31.12.2007	31.12.2008	31.12.2009
Provision for outstanding insurance claims (gross)	2 447 340	2 484 997	2 429 062	2 258 500
Reinsurers' portion	437 533	373 773	334 940	287 061
Provision for outstanding insurance claims (net)	2 009 807	2 111 224	2 094 122	1 971 439
Less provision for claim adjustment expenses	148 511	160 629	169 032	163 587
Provision for outstanding insurance claims (net)	1 861 296	1 950 595	1 925 090	1 807 852
Payments, cumulative (net)				
One year later	281 724	312 607	314 965	309 573
Two years later	441 329	480 505	464 896	446 424
Three years later	547 631	600 873	568 372	531 379
Four years later	628 943	690 323	640 486	599 306
Five years later	695 810	754 356	698 933	644 506
Six years later	746 124	808 012	739 858	697 746
Seven years later	788 490	845 372	788 817	–
Eight years later	817 084	891 235	–	–
Nine years later	851 656	–	–	–
Original provision, reestimated (net)				
One year later	1 716 714	1 836 515	1 744 819	1 674 852
Two years later	1 632 043	1 710 090	1 635 543	1 583 566
Three years later	1 499 548	1 636 417	1 574 599	1 519 164
Four years later	1 439 029	1 598 080	1 515 109	1 440 743
Five years later	1 415 178	1 541 851	1 461 622	1 415 218
Six years later	1 403 205	1 499 316	1 439 960	1 409 210
Seven years later	1 368 606	1 483 260	1 443 412	–
Eight years later	1 356 671	1 492 200	–	–
Nine years later	1 363 611	–	–	–
Cumulative net surplus (deficit) excluding currency rate effects	497 685	458 395	481 678	398 642
Cumulative net surplus (deficit) including currency rate effects	523 578	471 711	471 757	373 467
Net run-off ratios, in %				
Excluding currency rate effects	26.74	23.50	25.02	22.05
Including currency rate effects	28.13	24.18	24.51	20.66

1 The run-off triangle retroactively includes Group companies newly consolidated and retroactively excludes Group companies deconsolidated.

31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015
2 202 643	2 138 684	2 115 807	2 298 050	2 307 158	2 320 346
243 629	240 553	213 375	316 616	237 472	218 041
1 959 014	1 898 131	1 902 432	1 981 434	2 069 686	2 102 305
161 599	145 605	146 226	148 891	149 880	151 350
1 797 415	1 752 526	1 756 206	1 832 543	1 919 806	1 950 955
308 239	292 000	314 905	307 660	323 041	—
429 469	420 514	427 222	438 212	—	—
516 963	493 036	518 813	—	—	—
572 590	564 039	—	—	—	—
632 887	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
1 657 659	1 631 744	1 652 034	1 734 546	1 793 132	—
1 572 665	1 533 715	1 580 346	1 638 230	—	—
1 485 203	1 486 977	1 532 754	—	—	—
1 445 935	1 454 094	—	—	—	—
1 430 759	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
366 656	298 432	223 452	194 313	126 674	—
348 919	294 350	228 596	177 771	130 089	—
20.40	17.03	12.72	10.60	6.60	—
19.41	16.80	13.02	9.70	6.78	—

Provision for premium refunds

in € thousands	31.12.2015	31.12.2014
Gross amount	2 007 923	2 571 001
Thereof to: portion for ceded reinsurance business	—	—

The provision for premium refunds changed as follows:

in € thousands	2015	2014
As at 1 January	**2 571 001**	**1 453 393**
Provision for premium refunds as at 1 January	1 513 414	1 576 363
Additions	185 010	203 133
Withdrawals with effect on liquidity	−133 274	−174 406
Withdrawals with no effect on liquidity	−84 861	−91 666
Change due to currency	10	−10
Classified as held for sale	−375	—
As at 31 December	1 479 924	1 513 414
Provision for deferred premium refunds as at 1 January	1 057 586	−122 970
Changes recognised in the income statement	98 115	217 467
Changes recognised directly in equity	−627 702	963 090
As at 31 December	527 999	1 057 587
As at 31 December	**2 007 923**	**2 571 001**

Other technical provisions

	Gross	Reinsurers' portion	Gross	Reinsurers' portion
in € thousands	2015	2015	2014	2014
As at 1 January	33 629	814	30 566	702
Additions	32 430	962	33 629	814
Use and release	−33 629	−814	−30 566	−702
As at 31 December	32 430	962	33 629	814

(21) Other provisions

Provision for premium refunds

in € thousands	31.12.2015	31.12.2014
Provisions for pensions	1 771 074	1 854 066
Provisions for other long-term employee benefits	76 414	85 920
Total	**1 847 488**	**1 939 986**

Provisions for pensions

The change in the projected benefit obligation is depicted in the following:

Projected benefit obligation

in € thousands	2015	2014
As at 1 January	1 854 066	1 459 457
Income and expenses recognised in the consolidated income statement	56 459	65 027
Current service cost	24 487	18 549
Gains/losses from plan settlements and curtailments	– 53	– 1
Interest expenses	32 025	46 479
Actuarial gains (-) or losses (+) recognised in other comprehensive income	– 80 114	387 741
Pension payments (utilisation)	– 59 337	– 58 159
As at 31 December	1 771 074	1 854 066

There was no past service cost for either the current or the previous financial year. The projected benefit obligation corresponds to the carrying amount of the provision for pensions as at 1 January and 31 December of each financial year.

The sharp change in actuarial gains was attributable to the rise (previous year: fall) in the actuarial interest rate from 1.75% to 2.0% (previous year: from 3.25% to 1.75%).

Current and, where applicable, past service cost is 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 pension provisions under defined-benefit plans:

in %	2015	2014
Actuarial interest rate	2.00	1.75
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 2005G	Heubeck mortality tables 2005G

Sensitivity analysis

Changes in assumptions would have had the following effects on the defined-benefit obligation (DBO). In the process, each sensitivity analysis is performed independently of the others.

Present value of defined-benefit pension commitments

		31.12.2015		31.12.2014	
		Present value in € millions	Present value in € millions	Present value in € millions	Change in %
Discount rate	+50 bp	1 637.9	–7.5	1 708.8	–7.8
	–50 bp	1 922.3	8.5	2 019.6	8.9
Trend in pension/inflation	+25 bp	1 818.5	2.7	1 905.0	2.7
	–25 bp	1 725.7	–2.5	1 803.2	–2.5
Trends in salaries/projected benefit obligation	+25 bp	1 779.2	0.5	1 862.8	0.5
	–25 bp	1 763.0	–0.5	1 845.3	–0.5
Life expectancy	By one more year	1 833.3	3.5	1 920.2	3.6

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%.

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 pension provisions without explicit plan assets is an intentional, proven strategy for financing pension commitments. In so doing, sufficient risk offsetting takes place. There is no liquidity problem.

The weighted average term to maturity of defined-benefit obligations (Macaulay duration) amounts to 16.5 years (previous year: 17 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 commitments (e.g. for early retirement, 0.50% (previous year: 0.50%); contracts for phased-in early retirement ("Altersteilzeit"), 1.00% (previous year: 1.00%); long-term service benefits, 1.00% (previous year: 1.00%)).

Other provisions in 2015

in € thousands	For restructuring	For the refunding of closing fees in the case of loan waivers	For the interest bonus option	Other	Total
As at 1 January	28 898	38 427	885 759	51 328	1 004 412
Additions	10 582	4 155	235 984	29 343	280 064
Use	–4 741	–9 532	–140 483	–14 263	–169 019
Release	–5 029	–748	–28 632	–5 533	–39 942
Classified as held for sale	—	—	—	–2 602	–2 602
Interest effect	119	–167	–6 076	25	–6 099
Reclassifications	–2 521	—	—	—	–2 521
Changes from currency translation	—	—	248	–450	–202
As at 31 December	27 308	32 135	946 800	57 848	1 064 091

Other provisions in 2014

in € thousands	For restructuring	For the refunding of closing fees in the case of loan waivers	For the 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
Reclassifications	–27 117	—	—	—	–27 117
Changes from currency translation	—	—	–272	–390	–662
As at 31 December	28 898	38 427	885 759	51 328	1 004 412

Additions to restructuring expenses in the 2015 financial year mainly involved restructurings in connection with the “Fit for Future” project of Württembergische Lebensversicherung AG in the Life and Health Insurance segment and for the restructuring of the business offices of Württembergische Versicherung AG in the Property/Casualty Insurance segment in the amount of €9.0 million. For the purposes of modifying personnel capacities, measures were adopted in the form of termination agreements and outplacement. Termination benefits pursuant to IAS 19.8 exist in connection with the planned personnel measures.

In connection with the realignment of Wüstenrot Bank AG Pfandbriefbank in the Home Loan and Savings Bank segment and all other segments, restructuring provisions were created in the previous year in the amount of €26.4 million for early retirement, termination agreements and outplacement.

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:

2015

in € thousands	Within 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
Other provisions for restructuring	10 634	16 674	—	—	27 308
Other provisions for the refunding of closing fees in the case of loan waivers	6 285	7 250	18 600	—	32 135
Other provisions for the interest bonus option	264 483	317 006	365 311	—	946 800
Other	45 780	8 032	540	3 496	57 848
Other provisions, total	**327 182**	**348 962**	**384 451**	**3 496**	**1 064 091**

2014

in € thousands	Within 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
Other provisions for restructuring	2 453	22 238	4 207	—	28 898
Other provisions for the refunding of closing 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, total	**292 326**	**334 821**	**373 125**	**4 140**	**1 004 412**

(22) Current tax liabilities

Current tax liabilities amounted to €176.9 million (previous year: €145.6 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	31.12.2015	31.12.2014
Financial assets/liabilities at fair value through profit or loss	190 037	322 278
Financial assets available for sale	176 950	239 077
Receivables	73 551	94 442
Positive and negative market values from hedges	15 423	14 153
Financial assets accounted for using the equity method	2 323	4 053
Liabilities	61 325	36 026
Technical provisions	129 409	108 220
Other items	38 090	97 791
Deferred tax liabilities	**687 108**	**916 040**

The portion of the changes to deferred tax liabilities 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 tax liabilities in the amount of €49.1 million (previous year: €65.4 million) are expected to be realised within 12 months.

(24) Other liabilities

This item contains liabilities in the amount of €6.6 million (previous year: €9.0 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	31.12.2015	31.12.2014
Subordinated liabilities	541 559	587 872
Profit participation certificates	28 642	28 626
Subordinated capital	**570 201**	**616 498**

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 subordinated bonds issued in 2006 in the amount of €86.5 million and to redeem them prematurely on 1 June 2016.

(26) Equity

in € thousands	31.12.2015	31.12.2014
Interests of W&W shareholders in paid-in capital	1 487 576	1 487 576
Interests of W&W shareholders in earned capital	2 138 356	2 072 948
Non-controlling interests in equity	17 810	113 696
Equity	**3 643 742**	**3 674 220**

We propose appropriating the unappropriated surplus of €61.5 million that was generated by W&W AG in the 2015 financial year for distributing a dividend in the amount of €0.60 for each share entitled to receive dividends.

The proposal for the appropriation of profit takes into account the 358,000 shares held by the company at the time of publication, which, pursuant to Section 71b of the German Stock Corporation Act (AktG), are not entitled to receive dividends. The number of shares entitled to receive dividends may change prior to the Annual General Meeting. In such case, the distribution of €0.60 per share entitled to receive dividends will remain unchanged, and a correspondingly modified resolution on the appropriation of profit will be proposed to the Annual General Meeting.

On 11 June 2015, the Annual General Meeting of W&W AG resolved to distribute a dividend in the amount of €0.50 (previous year: €0.50) per share from the unappropriated surplus for the 2014 financial year as calculated in accordance with the German Commercial Code (HGB), which amounted to €56.9 million (previous year: €51.8 million). Based on the shares entitled to receive dividends, this corresponded to a maximum distribution of €46.9 million (previous year: €46.0 million). Of the remaining amount, €9.0 million (previous year: €5.0 million) was allocated to "Other reserves", and €1.0 million (previous year: €0.8 million) was carried forward to new account.

Dividends totalling €46,874,860 were distributed on 12 June 2015.

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

	31.12.2015	31.12.2014
As at 1 January	93 749 720	91 992 622
Additions through capital increase	—	1 757 098
Disposals	—	—
As at 31 December	93 749 720	93 749 720

Authorised capital 2015

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 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 2015

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 not more than €240,000 thousand, 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	31.12.2015	31.12.2014
Interest in unrealised gains and losses	3 001	25 374
Interest in the consolidated net profit	1 774	8 588
Other interests	13 035	79 734
Non-controlling interests in equity	**17 810**	**113 696**

The following table provides information for each subsidiary in which there are non-controlling interests that are material for W&W AG:

	WürttLeben subgroup, Stuttgart		Wüstenrot stavebni sporitelna a.s., Prague	
in € thousands	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Participation of non-controlling interests, in %	5.11	16.58	0.58	44.08
Assets (100%)	32 359 295	33 299 457	1 380 743	1 506 669
Liabilities (100%)	31 950 260	32 860 160	1 249 053	1 384 026
Net assets (100%)	409 035	439 297	131 690	122 643
Net assets attributable to WürttLeben/ Wüstenrot stavebni Sporitelna	408 009	436 831	131 690	122 643
Net assets attributable to non-controlling interests	1 026	2 466	—	—
Carrying amount of non-controlling interests in net assets	**21 875**	**74 893**[1]	**764**	**54 061**
Net income (100%)	36 348	41 949	3 409	3 249
Net income attributable to WürttLeben/ Wüstenrot stavebni Sporitelna	36 137	41 638	3 409	3 249
Net income attributable to non-controlling interests	211	311	—	—
Other comprehensive income (100%)	–65 569	101 938	2 741	9 512
Total income (100%)	**–29 221**	**143 887**	**6 150**	**12 761**
Net income allocated to non-controlling interests	**2 058**	**7 215**[1]	**20**	**1 432**
Dividends paid to non-controlling interests	—	266	—	—
Cash flows (100%)	307 967	–41 793	–54 935	–104 575

1 Previous year’s figure adjusted.

Notes concerning the consolidated income statement

(27) Net income from financial assets available for sale

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Income from financial assets available for sale	1 665 597	1 332 254
Interest income	504 552	514 022
Dividend income	142 463	122 786
Income from sales	690 761	440 614
Income from the reversal of impairment losses	—	2 218
Income from currency translation	316 148	248 923
Income from repurchase agreements and securities lending transactions	—	92
Income from the ending of fair value hedges	10 607	1 889
Receipts on written-down bonds and other fixed-income securities	1 066	1 710
Expenses from financial assets available for sale	– 258 951	– 165 524
Expenses from sales	– 159 504	– 65 702
Expenses from impairments	– 36 488	– 71 087
Expenses from currency translation	– 37 307	– 5 953
Expenses from repurchase agreements and securities lending transactions	– 21	– 13
Expenses from the ending of fair value hedges	– 25 631	– 22 769
Net income from financial assets available for sale	**1 406 646**	**1 166 730**

(28) Net income from financial assets accounted for using the equity method

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Income from financial assets accounted for using the equity method	33 543	83 923
Income from pro rata annual surpluses	21 540	78 169
Income from the reversal of impairment losses	567	951
Income from sales	11 436	4 803
Expenses from financial assets accounted for using the equity method	—	–163
Expenses from sales	—	–163
Net income from financial assets accounted for using the equity method	33 543	83 760
Ergebnis aus nach der Equity-Methode bilanzierten finanziellen Vermögenswerten	**83 760**	**31 727**

(29) Net expense from financial assets/liabilities at fair value through profit or loss

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Income from financial assets/liabilities at fair value through profit or loss	1 437 532	1 695 195
Income from assets/liabilities designated as financial assets/liabilities at fair value through profit or loss	288 490	297 228
Interest income	13 829	11 915
Dividend income	469	71
Income from measurement at fair value	73 697	105 928
Income from sales	18 303	2 497
Income from investments for the account and risk of holders of life insurance policies	113 910	127 365
Income from currency changes	68 282	49 452
Income from financial assets/liabilities held for trading	1 149 042	1 397 967
Interest income	236 081	306 975
Dividend income	219	239
Income from measurement at fair value	365 165	685 055
Income from sales	86 516	234 282
Income from currency changes	461 061	171 416
Expenses from financial assets/liabilities at fair value through profit or loss	–1 847 516	–1 767 840
Expenses from assets/liabilities designated as financial assets/liabilities at fair value through profit or loss	–115 560	–72 621
Expenses from measurement at fair value	–69 493	–46 749
Expenses from sales	–1 376	–2 413
Expenses from investments for the account and risk of holders of life insurance policies	–12 516	–10 730
Expenses from currency changes	–32 175	–12 729
Expenses from financial assets/liabilities held for trading	–1 731 956	–1 695 219
Interest expenses	–366 911	–413 927
Expenses from measurement at fair value	–366 464	–615 327
Expenses from sales	–142 229	–182 229
Expenses from currency changes	–856 352	–483 736
Net expenses from financial assets/liabilities at fair value through profit or loss	**–409 984**	**–72 645**

(30) Net income from hedges

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Income from hedges	264 787	352 344
Income from fair value hedges	184 427	272 809
Income from the measurement of hedged items	83 762	223 220
Income from the measurement of derivative hedging instruments	100 665	49 589
Income from cash flow hedges	80 360	79 535
Income from reclassification from the reserve for cash flow hedges	80 355	79 534
Income from ineffective portions of cash flow hedges	5	1
Expense from hedges	**–143 895**	**–278 359**
Expenses from fair value hedges	–122 643	–231 445
Expenses from the measurement of hedged items	–97 061	–10 347
Expenses from the measurement of derivative hedging instruments	–25 582	–221 098
Expenses from cash flow hedges	–21 252	–46 914
Expenses from reclassification from the reserve for cash flow hedges	–21 252	–46 914
Net income from hedges	**120 892**	**73 985**

(31) Net income from receivables, liabilities and subordinated capital

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Income from receivables, liabilities and subordinated capital	1 770 235	2 039 923
Interest income from receivables	1 460 248	1 624 197
Income from sales of receivables	189 019	343 763
Income from the disposal of liabilities and subordinated capital	—	370
Income from the ending of fair value hedges	2 981	9 548
Income from currency translation	117 987	62 045
Expense from receivables, liabilities and subordinated capital	– 885 379	– 1 009 095
Interest expenses for liabilities	– 720 128	– 857 128
Interest expenses for subordinated capital	– 31 851	– 30 979
Expenses from sales of receivables	– 1 748	– 10 752
Expenses from the disposal of liabilities	– 8	– 2 132
Expenses from the ending of fair value hedges	– 70 413	– 60 250
Expenses from the reversal of the other comprehensive income reclassified as financial assets classified as available for sale	—	– 18 788
Expenses from currency translation	– 61 231	– 29 066
Net income from receivables, liabilities and subordinated capital	**884 856**	**1 030 828**

Interest expenses for subordinated capital contain €2.6 million (previous year: €3.9 million) for profit-participation certificates and €29.3 million (previous year: €27.1 million) for subordinated liabilities.

(32) Net expense from risk provision

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Income from risk provision	107 285	100 548
Release of risk provision	78 317	71 251
Release of provisions in lending business, for irrevocable loan commitments, for financial guarantees	484	1 381
Receipts on written-down receivables	28 484	27 916
Expenses from risk provision	–111 786	–141 849
Additions to risk provision	–94 774	–115 391
Additions to provisions in lending business, for irrevocable loan commitments, for financial guarantees	–143	–54
Direct depreciations	–16 869	–26 404
Net expense from risk provision	**–4 501**	**–41 301**

(33) Net income from investment property

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Income from investment property	175 885	125 260
Income from leasing	124 105	111 785
Income from sales	48 997	9 890
Income from the reversal of impairment losses	2 783	3 585
Expenses from investment property	–76 111	–64 114
Expenses from repairs, maintenance and management	–22 458	–18 849
Expenses from sales	–5 053	–195
Expenses from scheduled depreciation	–47 341	–42 175
Expenses from impairments	–1 259	–2 895
Net income from investment property	99 774	61 146

The depicted directly attributable operating expenses for repairs, maintenance and management, as well as depreciation, amounted to €66.7 million (previous year: €59.0 million) for rental units that generated rent revenue and to €4.3 million (previous year: €4.9 million) for rental units that did not generate rent revenue.

(34) Net commission expense

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Commission income	239 719	221 333
from the conclusion of building savings contracts	112 565	109 526
from banking business	37 703	38 338
from reinsurance	22 148	22 443
from brokering activities	25 229	17 860
from investment business	39 032	32 671
from other business	3 042	495
Commission expense	–631 650	624 817
from insurance	–407 947	414 323
from banking business	–173 188	167 679
from reinsurance	–1 049	1 937
from brokering activities	–9 364	6 549
from investment business	–23 131	22 895
from other business	–16 971	11 434
Net commission expense	**–391 931**	**–403 484**

The net commission expense contains income in the amount of €2.5 million (previous year: €2.2 million) and expenses in the amount of €2.3 million (previous year: €2.3 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 €10.4 million (previous year: €11.4 million) and commission expenses in the amount of €9.7 million (previous year: €7.9 million).

(35) Earned premiums (net)

Life and health insurance

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Gross premiums written	2 370 585	2 424 602
Change in the provision for unearned premiums	6 490	4 112
Premiums from the provision for premium refunds	54 949	55 828
Earned premiums (gross)	2 432 024	2 484 542
Premiums ceded to reinsurers	–40 876	–77 371
Earned premiums (net)	**2 391 148**	**2 407 171**

Property/casualty insurance and reinsurance

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Gross premiums written	1 669 908	1 608 685
Direct	1 662 557	1 600 676
Reinsurance	7 351	8 009
Change in the provision for unearned premiums	–2 906	–2 167
Earned premiums (gross)	1 667 002	1 606 518
Premiums ceded to reinsurers	–75 286	–74 323
Earned premiums (net)	**1 591 716**	**1 532 195**

(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 and health insurance

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Payments for insurance claims	–2 504 484	–2 539 316
Gross amount	–2 603 663	–2 650 066
Thereof to: reinsurers’ portion	99 179	110 750
Change in the provision for outstanding insurance claims	–16 488	–18 189
Gross amount	–17 193	–18 660
Thereof to: reinsurers’ portion	705	471
Change in the provision for future policy benefits	–590 616	–557 211
Gross amount	–555 764	–560 346
Thereof to: reinsurers’ portion	–34 852	3 135
Change in the provision for premium refunds	–282 864	–420 345
Gross amount	–282 864	–420 345
Thereof to: reinsurers’ portion	—	—
Change in other technical provisions	1 735	–50
Gross amount	1 735	–50
Thereof to: reinsurers’ portion	—	—
Insurance benefits	**–3 392 717**	**–3 535 111**
Gross amount, total	–3 457 749	–3 649 467
Thereof to (total): reinsurers’ portion	65 032	114 356

Property/casualty insurance and reinsurance

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Payments for insurance claims	–873 051	–817 711
Gross amount	–931 998	–945 010
Thereof to: reinsurers' portion	58 947	127 299
Change in the provision for outstanding insurance claims	–18 333	–71 522
Gross amount	3 024	10 193
Thereof to: reinsurers' portion	–21 357	–81 715
Change in the provision for premium refunds	–261	–255
Gross amount	–261	–255
Thereof to: reinsurers' portion	—	—
Change in other technical provisions	183	–2 305
Gross amount	36	–2 418
Thereof to: reinsurers' portion	147	113
Insurance benefits	**–891 462**	**–891 793**
Gross amount, total	–929 199	–937 490
Thereof to (total): reinsurers' portion	37 737	45 697

(37) General administrative expenses

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Personnel expenses	–608 687	–615 726
Wages and salaries	–454 159	–470 435
Social remittances	–82 758	–85 865
Expenses for pension scheme and support	–55 431	–48 336
Other	–16 339	–11 090
Materials costs	–407 313	–403 032
Depreciation/amortisation	–91 986	–89 327
Property for own use	–18 403	–11 430
Plant and equipment	–18 285	–17 906
Intangible assets	–55 298	–59 991
General administrative expenses	**–1 107 986**	**–1 108 085**

During the reporting period, contributions totalling €15.3 million (previous year: €18.1 million) were paid towards defined-contribution plans. In addition, employer contributions totalling €40.3 million (previous year: €41.1 million) were paid towards statutory pension insurance.

General administrative expenses contain personnel expenses totalling €15.0 million (previous year: €10.9 million) for phased-in early retirement ("Altersteilzeit") and early retirement.

(38) Net other operating expense

The net other operating expense consists of the following:

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Other operating income	221 104	204 834
Sales proceeds from services (property development business)	69 491	64 266
Release of provisions	16 217	19 488
Income from sales	1 808	611
Other income from currency translation	1 521	2 460
Other technical income	35 934	21 529
Services income	39 455	40 982
Miscellaneous income	56 678	55 498
Other operating expense	–227 474	–225 226
Other taxes	–2 828	–9 485
Expenses for services (property development business)	–49 525	–48 961
Additions to provisions	–14 648	–33 333
Losses from sales	–1 664	–1 051
Other expenses from currency translation	–16 193	–22 239
Other technical expenses	–105 262	–86 070
Miscellaneous expenses	–37 354	–24 087
Net other operating expense	**–6 370**	**–20 392**

The increase in other technical income by €14.4 million was mainly attributable to the replacement of a quota share reinsurance contract (€14.3 million).

With regard to other taxes, the result from tax audits as well as prior-year effects led to an improvement totalling €6.7 million.

Additions to provisions totalling €14.6 million (previous year: €33.3 million) contain additions to restructuring provisions in the amount of €10.6 million (previous year: €26.4 million), which primarily relate to Württembergische Versicherung AG (€5.0 million) and Württembergische Lebensversicherung AG (€4.0 million).

The increase in other technical expenses was mainly due to lower capitalisation of acquisition costs as a result of requirements mandated by the German Life Insurance Reform Act (LVRG).

(39) Income taxes

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Current income taxes paid for the reporting period	–93 661	61 909
Current taxes paid for other periods	27 911	–42 130
Deferred taxes	16 409	21 259
Income taxes	**–49 341**	**41 038**

Deferred taxes recognised in the income statement were created in connection with the following items:

Deferred taxes

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Financial assets/liabilities at fair value through profit or loss	49 692	85 469
Financial assets available for sale	–44 808	20 112
Receivables	16 140	32 655
Positive and negative market values from hedges	–42 135	–78 237
Financial assets accounted for using the equity method	1 529	2 067
Liabilities	–6 350	14 534
Technical provisions	–30 624	13 033
Provisions for pensions and other obligations	–801	–4 159
Other items	76 436	–64 227
Tax loss carryforward	–2 670	12
Deferred taxes	**16 409**	**21 259**

The following reconciliation statement shows the relationship between the income taxes expected and those actually shown in the consolidated financial statements:

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Consolidated earnings before income taxes from continued operations	323 624	283 004
Consolidated tax rate, in %	30,58	30,58
Expected income taxes	– 98 964	– 86 543
Tax rate discrepancies of Group companies	5 603	5 111
Effects of tax-free income	6 427	10 361
Effects of non-deductible expenses	– 8 543	– 7 430
Prior-period effects (current and deferred)	20 846	24 883
Other	25 290	12 579
Income taxes	**– 49 341**	**– 41 038**

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 tax of 14.75%.

The item “Other” in the reconciliation statement contains deferred tax assets in the amount of €27.0 million (previous year: €14.3 million), which relate to current tax provisions.

No deferred tax liabilities were recognised for temporary differences in the amount of €98.9 million (previous year: €258.3 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

Basic earnings per share are determined by dividing the consolidated net profit by the weighted average number of shares:

		1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Result attributable to shareholders of W&W AG	in €	270 351 497	233 378 007
Number of shares at the beginning of the financial year	#	93 749 720	91 992 622
Issuance of new shares/conversion of options	#	—	1 757 098
Weighted average number of shares	#	93 749 720	92 729 159
Basic (= diluted) earnings per share	in €	**2.88**	**2.52**

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

in € thousands	Financial assets available for sale		Financial assets accounted for using the equity method		Cash flow hedges	
	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Recognised in other comprehensive income	–296 054	1 991 454	–565	–133	–5 831	15 767
Reclassified to the consolidated income statement	–619 360	–332 149	—	—	–59 103	–32 620
Thereof impairments	36 479	71 078	—	—	—	—
Thereof realised gains	–655 839	–403 227	—	—	–59 103	–32 620
Unrealised gains and losses (gross)	**–915 414**	**1 659 305**	**–565**	**–133**	**–64 934**	**–16 853**

Realised gains from financial assets available for sale contain income from sales in the amount of €690.8 million (previous year: €440.6 million) and expenses from sales in the amount of €159.5 million (previous year: €65.7 million).

Notes concerning financial instruments and fair value

(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 fair value cannot be reliably determined, the carrying amount is used as an approximate value to measure 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 and negative market values from hedges.

The disclosures in the table “2015 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 2015 (items that were measured at fair value)

in € thousands	Level 1 31.12.2015	Level 2 31.12.2015	Level 3 31.12.2015	Fair value/ carrying amount 31.12.2015
Financial assets at fair value through profit or loss	21 001	3 222 270	—	3 243 271
Designated as financial assets at fair value through profit or loss	—	2 403 586	—	2 403 586
Equity instruments	—	50 191	—	50 191
Fund units	—	50 191	—	50 191
Senior fixed-income securities	—	234 938	—	234 938
Other companies	—	25 512	—	25 512
Public authorities	—	209 426	—	209 426
Structured products	—	607 660	—	607 660
Interest-rate-based structured products	—	189 687	—	189 687
Equity- and index-based structured products	—	417 973	—	417 973
Investments for the account and risk of holders of life insurance policies	—	1 510 797	—	1 510 797
Financial assets held for trading	21 001	818 684	—	839 685
Equity instruments	—	9 796	—	9 796
Fund units	—	9 796	—	9 796
Derivative financial instruments	21 001	808 888	—	829 889
Interest-rate-based derivatives	574	752 379	—	752 953
Currency-based derivatives	—	50 526	—	50 526
Equity- and index-based derivatives	20 427	5 983	—	26 410
Financial assets available for sale	759 676	22 226 459	1 273 536	24 259 671
Equity instruments	759 676	1 388 104	1 246 179	3 393 959
Investments, excluding alternative investments	—	—	264 495	264 495
Credit institutions	—	—	20 918	20 918
Other financial companies	—	—	4 164	4 164
Other companies	—	—	239 413	239 413

MEASUREMENT HIERARCHY IN 2015
(ITEMS THAT WERE MEASURED AT FAIR VALUE)
(CONTINUED)

in € thousands	LEVEL 1 31.12.2015	LEVEL 2 31.12.2015	LEVEL 3 31.12.2015	FAIR VALUE/ CARRYING AMOUNT 31.12.2015
Alternative investments, including private equity	—	—	932 382	932 382
Other financial companies	—	—	901 091	901 091
Other companies	—	—	31 291	31 291
Equities	759 676	—	35 743	795 419
Credit institutions	69 584	—	27 357	96 941
Other financial companies	95 290	—	8 386	103 676
Other companies	594 802	—	—	594 802
Fund units	—	1 388 104	13 559	1 401 663
Subordinated securities and receivables	—	1 206 235	27 357	1 233 592
Credit institutions	—	495 575	—	495 575
Other financial companies	—	377 100	27 357	404 457
Other companies	—	333 560	—	333 560
Senior fixed-income securities	—	19 632 120	—	19 632 120
Credit institutions	—	7 608 469	—	7 608 469
Other financial companies	—	1 365 905	—	1 365 905
Other companies	—	1 969 418	—	1 969 418
Public authorities	—	8 688 328	—	8 688 328
Positive market values from hedges	—	57 972	—	57 972
TOTAL ASSETS	780 677	25 506 701	1 273 536	27 560 914
Financial liabilities at fair value through profit or loss	4 262	748 149	—	752 411
Designated as financial liabilities at fair value through profit or loss	—	—	—	—
Financial liabilities held for trading	4 262	748 149	—	752 411
Derivative financial instruments	4 262	748 149	—	752 411
Interest-rate-based derivatives	233	719 858	—	720 091
Currency-based derivatives	—	24 505	—	24 505
Equity- and index-based derivatives	3 635	3 705	—	7 340
Loan-based derivatives	—	81	—	81
Other derivatives	394	—	—	394
NEGATIVE MARKET VALUES FROM HEDGES	—	544 643	—	544 643
TOTAL LIABILITIES	4 262	1 282 792	—	1 297 054

Measurement hierarchy in 2014 (items that were measured at fair value)

in € thousands	Level 1 31.12.2014	Level 2 31.12.2014	Level 3 31.12.2014	Fair value/ carrying amount 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 companies	—	—[1]	—	—[1]
Other companies	—	26 449	—	26 449
Public authorities	—	213 097[1]	—	213 097[1]
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
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 companies	—	95	—	95
Public 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 companies	—	—	4 979	4 979
Other companies	—	—	233 265	233 265

Measurement hierarchy in 2014 (items that were measured at fair value) (continued)

in € thousands	Level 1 31.12.2014	Level 2 31.12.2014	Level 3 31.12.2014	Fair value/ carrying amount 31.12.2014
Alternative investments, including private equity	—	—	768 811	768 811
Other financial companies	—	—	737 926	737 926
Other companies	—	—	30 885	30 885
Equities	733 312	—	46 473	779 785
Credit institutions	68 621	—	35 467	104 088
Other financial companies	70 823	—	11 006	81 829
Other companies	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 companies	—	358 980	32 111	391 091
Other companies	—	243 122	—	243 122
Senior fixed-income securities	—	21 336 712	—	21 336 712
Credit institutions	—	8 382 036[1]	—	8 382 036[1]
Other financial companies	—	1 336 924[1]	—	1 336 924[1]
Other companies	—	1 743 825	—	1 743 825
Public authorities	—	9 873 927[1]	—	9 873 927[1]
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**

1 Previous year's figure adjusted.

Measurement hierarchy in 2015 (items that were not measured at fair value)

in € thousands	Level 1 31.12.2015	Level 2 31.12.2015	Level 3 31.12.2015	Fair value 31.12.2015	Carrying amount 31.12.2015
Cash reserves	296 241	—	–	296 241	296 241
Deposits with central banks	296 043	–	–	296 043	296 043
Deposits with foreign postal giro offices	198	–	–	198	198
Receivables	—	31 476 393	14 344 576	45 820 969	42 305 361
Subordinated securities and receivables	—	132 663	—	132 663	127 641
First-rank receivables from institutional investors	—	18 433 702	—	18 433 702	15 688 698
Credit institutions	—	12 799 127	—	12 799 127	10 998 698
Other financial companies	—	424 643	—	424 643	376 907
Other companies	—	260 835	—	260 835	198 805
Public authorities	—	4 949 097	—	4 949 097	4 117 141
Portfolio hedge adjustment	—	—	—	—	–2 853
Building loans	—	11 849 694	13 207 536	25 057 230	24 293 438
Building loans to private customers secured by mortgages	—	10 985 443	11 169 359	22 154 802	21 402 624
Building loans to private customers not secured by mortgages	—	864 251	2 038 177	2 902 428	2 890 814
Other loans and advances	—	1 060 334	1 137 040	2 197 374	2 195 584
Investment property	—	—	2 124 245	2 124 245	1 722 678
Total assets	**296 241**	**31 476 393**	**16 468 821**	**48 241 455**	**44 324 280**
Liabilities	—	8 813 633	22 402 836	31 216 469	30 920 204
Liabilities evidenced by certificates	—	1 077 913	—	1 077 913	1 056 854
Liabilities to credit institutions	—	4 155 784	22 032	4 177 816	4 122 614
Liabilities to customers	—	3 574 490	21 981 118	25 555 608	25 335 037
Finance lease liabilities	—	—	28 322	28 322	28 413
Other liabilities	—	5 446	371 364	376 810	377 286
Subordinated capital	—	589 854	—	589 854	570 201
Total liabilities	—	**9 403 487**	**22 402 836**	**31 806 323**	**31 490 405**

Measurement hierarchy in 2014
(items that were not measured at fair value)

in € thousands	Level 1 31.12.2014	Level 2 31.12.2014	Level 3 31.12.2014	Fair value 31.12.2014	Carrying amount 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	—	33 929 591[1]	14 312 263[1]	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	—	14 075 361[1]	—	14 075 361	11 760 527[1]
Other financial companies	—	440 175	—	440 175	377 053
Other companies	—	266 752	—	266 752	198 814
Public authorities	—	5 176 085[1]	—	5 176 085	4 183 892[1]
Building loans	—	12 647 278	13 400 897	26 048 175	25 127 273
Building loans to private customers secured by mortgages	—	11 777 438	11 482 124	23 259 562	22 352 516
Building loans to private customers not secured by mortgages	—	869 840	1 918 773	2 788 613	2 774 757
Other loans and advances	—	1 221 708[1]	911 366[1]	2 133 074	2 131 894
Investment property	—	—	2 152 312	2 152 312	1 769 358
Total assets	**335 408**	**33 929 591**	**16 464 575**	**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**

1 Previous year's figure adjusted.

The following depicts the changes in the fair value of financial instruments classified in Level 3 for both the reporting year and the comparable period in the previous year:

Changes in Level 3 in 2015

	Investments, excluding alternative investments		
	Credit institutions	Other financial companies	Other companies
in € thousands	2015	2015	2015
As at 1 January	22 422	4 979	233 265
Total comprehensive income for the period	–1 424	26	–22 091
Net income from financial assets available for sale	—	—	–432
Unrealised gains/losses (–) from financial assets available for sale (gross)	–1 424	26	–21 659
Purchases	—	—	32 129
Sales	–80	–841	–7 125
Transfers to Level 3	—	—	3 235
As at 31 December	20 918	4 164	239 413
Income statement as at 31 December[1]	—	—	–432

1 Net income 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			Equities	Fund units		
Other financial companies	Other companies	Credit institutions	Other financial companies		Other financial companies	
2015	2015	2015	2015	2015	2015	2015
737 926	30 885	35 467	11 006	36 692	32 111	1 144 753
50 073	406	–3 423	–57	–1 591	—	21 919
–13 127	—	—	—	–1 712	—	–15 271
63 200	406	–3 423	–57	121	—	37 190
237 667	—	—	—	—	166	269 962
–124 575	—	–4 687	–2 563	–22 691	–4 920	–167 482
—	—	—	—	1 149	—	4 384
901 091	31 291	27 357	8 386	13 559	27 357	1 273 536
–13 303	—	—	—	–1 712	—	–15 447

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 2014

	Investments, excluding alternative investments		
	Credit institutions	Other financial companies	Other companies
in € thousands	2014	2014	2014
As at 1 January	16 899	4 987	252 306
Total comprehensive income for the period	5 523	–8	–2 258
Net income 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 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		Equities			Fund units		
Other financial companies	Other companies	Credit institutions	Other financial companies	Other companies		Other financial companies	
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

Realised gains and losses in the individual classes of financial instruments are shown in the net income 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 in investments that are not fully consolidated or not accounted for using the equity method, alternative investments or private equity funds in the direct portfolio. Their fair values are normally determined by each company's management, primarily on the basis of net asset value, in the amount of €897.4 million (previous year: €652.8 million). Of this, €16.8 million (previous year: €25.5 million) was attributable to "Investments, excluding alternative investments", and €880.6 million (previous year: €616.4 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 (2015: €168.5 million; previous year: €166.3 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 €149.7 million (previous year: €154.8 million), while a change in discount rates by –100 basis points leads to an increase to €172.7 million (previous year: €178.4 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 (2015: €58.6 million; previous year: €59.1 million) is the risk-adjusted discount rate. A material increase in the discount rate reduces fair value, whereas a decline 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

in € thousands	Fair value 31.12.2015	Fair value 31.12.2014	Measurement method	Non-observable input factors	Range, in % 31.12.2015	Range, in % 31.12.2014
Financial assets available for sale	1 273 536	1 144 753				
Equity instruments	1 246 179	1 112 642				
Investments, excluding alternative investments	264 495	260 666				
	27 635	28 584	Capitalised earnings method	Discount rate	6.23-10.37	6.50-11.00
	60 437	38 726	Approximation method	n/a	n/a	n/a
	176 423	193 356	Net asset value	Discount rate	5.77-7.19	5.50-6.55
Alternative investments, including private equity	932 382	768 811				
	30 940	30 535	Capitalised earnings method	Discount rate	4.94	5.60
	20 784	118 258	Approximation method	n/a	n/a	n/a
	880 658	620 018	Net asset value	n/a	n/a	n/a
Equities	35 743	46 473				
	27 357	35 467	Approximation method	n/a	n/a	n/a
	8 386	11 006	Net asset value	n/a	n/a	n/a
Fund units	13 559	36 692				
	13 114	36 692	Approximation method	n/a	n/a	n/a
	445	—	Net asset value	n/a	n/a	n/a
Subordinated securities and receivables	27 357	32 111				
	27 357	32 111	Approximation method	n/a	n/a	n/a

(43) Impairment losses, by class

Impairment losses

in € thousands	Financial assets available for sale 1.1.2015 to 31.12.2015	Financial assets available for sale 1.1.2015 to 31.12.2015	Receivables 1.1.2014 to 31.12.2014	Receivables 1.1.2014 to 31.12.2014	Total 1.1.2014 bis 31.12.2014	Total 1.1.2013 bis 31.12.2013
Equity instruments	–36 488	–71 076	–	–	–36 488	–71 076
Investments	–13 300	–14 456	–	–	–13 300	–14 456
Equities	–12 053	–8 110	–	–	–12 053	–8 110
Fund units	–11 135	–48 510	–	–	–11 135	–48 510
Subordinated securities and receivables	–	–	–20	–23	–20	–23
First-rank receivables from institutional investors	–	–	–250	–1 857	–250	–1 857
Senior fixed-income securities	–	–11	–	–3 468	–	–3 479
Building loans	–	–	–100 031	–125 067	–100 031	–125 067
Other loans and advances	–	–	–5 557	–6 285	–5 557	–6 285
Total	**–36 488**	**–71 087**	**–105 858**	**–136 700**	**–142 346**	**–207 787**

Expenses from risk provision for irrevocable loan commitments amounted to €137 thousand (previous year: € – thousand).

Expenses from risk provision for financial guarantees amounted to €7 thousand (previous year: €56 thousand).

(44) Derivative financial instruments

The table shows the nominal values of derivatives for the respective maturity bands, as well as the positive and negative market values for all derivatives of the W&W Group, i.e. both derivative financial instruments that are embedded as a hedging instrument in a hedge 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”.

Remaining maturity in 2015

	Within 1 year	1 to 5 years	Later than 5 years	Nominal values, total	Positive market values	Negative market values
in Mio €						
Interest-rate-based derivatives						
OTC						
Caps/floors	153.0	–	–	153.0	–	–
Swaps	3 964.8	9 596.6	9 757.9	23 319.3	683.6	1 184.7
Option purchases	1 750.0	170.0	650.0	2 570.0	92.0	–
Option sales	2 050.0	–	1 300.0	3 350.0	–	79.8
Other	75.0	235.0	–	310.0	34.8	–
Exchange-traded						
Futures	131.0	–	–	131.0	0.6	0.2
Currency-based derivatives						
OTC						
Foreign exchange forwards	5 821.6	–	–	5 821.6	50.5	24.5
Exchange-traded						
Futures	72.3	–	–	72.3	–	–
Equity- and index-based derivatives						
OTC						
Option purchases	0.2	–	–	0.2	6.0	–
Option sales	0.2	–	–	0.2	–	3.7
Exchange-traded						
Futures	681.6	–	–	681.6	2.8	3.1
Options	225.0	–	–	225.0	17.6	0.5
Loan-based derivatives	–	–	25.0	25.0	–	0.1
Other derivatives	11.6	–	–	11.6	–	0.4
Derivatives	**14 936.3**	**10 001.6**	**11 732.9**	**36 670.8**	**887.9**	**1 297.0**

Remaining maturity in 2014

in Mio €	Within 1 year	1 to 5 years	Later than 5 years	Nominal values, total	Positive market values	Negative market values
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	–
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	301.7[1]	–	–	301.7[1]	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	**12 596.4[1]**	**14 071.3**	**11 009.4**	**37 677.11**	**1 205.5**	**1 621.1**

1 Previous year's figure adjusted.

(45) Other disclosures concerning hedges

The following tables show the amount and the remaining term to maturity of cash flow hedges as at the reporting date:

in € thousands	Within 3 months	3 months to year	1 to 5 years	Later than 5 years	Undefined maturity	Total
Nominal values 31.12.2015	210 000	250 000	185 000	570 000	–	1 215 000
Nominal values 31.12.2014	–	–	660 000	580 000	–	1 240 000

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 31.12.2015	–	125 000	50 000	10 000	185 000
Nominal values 31.12.2014	460 000	–	150 000	50 000	660 000

Expected deposits to (+) and distributions from (–) hedged items under cash flow hedges are as follows:

in € thousands	31.12.2015	31.12.2014
Within 3 months	81	97
3 months to 1 year	445	884
4 to 5 years	3 166	6 350[1]
Later than 5 years	4 578	10 781

1 Previous year's figure adjusted.

Expected gains (+) and losses (–) from hedged items under cash flow hedges are as follows:

in € thousands	31.12.2015	31.12.2014
Within 3 months	137	–
3 months to 1 year	466	–
4 to 5 years	3 230	– 5 093
Later than 5 years	4 397	20 862

The ineffective portion of cash flow hedges resulted in income of €5 thousand during the reporting period (previous year: €1 thousand).

(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 in exchange for 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 securities that are sold under repurchase agreement or lent and the associated liabilities is as follows:

Transferred financial assets

			Carrying amount
	Repurchase agreements	Securities lending transactions	Total
in € thousands	31.12.2015	31.12.2015	31.12.2015
Financial assets available for sale	1 323 508	14 964	1 338 472
Equity instruments	–	14 964	14 964
Senior fixed-income securities	1 323 508	–	1 323 508
Total	**1 323 508**	**14 964**	**1 338 472**
Associated liabilities	1 323 508	–	1 323 508
Net position	–	14 964	14 964

Transferred financial assets

	Carrying amount		
	Repurchase agreements	Securities lending transactions	Total
in € thousands	31.12.2014	31.12.2014	31.12.2014
Financial assets available for sale	2 290 476	14 317	2 304 793
Equity instruments	–	14 317	14 317
Senior fixed-income securities	2 290 476	–	2 290 476
Total	**2 290 476**	**14 317**	**2 304 793**
Associated liabilities	2 317 109	–	2 317 109
Net position	–26 633	14 317	–12 316

As at 31 December 2015, no securities (previous year: €51.8 million) had been 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 2015

	Transferred financial assets	Other collateral granted	Total
in € thousands	31.12.2015	31.12.2015	31.12.2015
Financial assets available for sale	1 338 472	–	1 338 472
Equity instruments	14 964	–	14 964
Senior fixed-income securities	1 323 508	–	1 323 508
Receivables	–	472 773	472 773
Building loans	–	472 773	472 773
Total	**1 338 472**	**472 773**	**1 811 245**

Financial assets granted as collateral in 2014

in € thousands	Transferred financial assets 31.12.2014	Other collateral granted 31.12.2014	Total 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**

The amount of cash collateral granted for derivatives amounted to €854.0 million (previous year: €870.8 million).

In connection with open market operations, loans were obtained from the Deutsche Bundesbank in the amount of €806.4 million (previous year: €1,946.0 million). To secure these loans, the 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 the 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 the Deutsche Bundesbank amounted to €5,705.0 million (previous year: €6,844.5 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 amounted to €304.0 million (previous year: €399.6 million). The amount of cash collateral received under repurchase agreements amounted to €1,323.5 million (previous year: €2,317.1 million).

Offsetting of financial instruments

The W&W Group does not meet the prerequisites for offsetting financial instruments that are subject to socalled 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 to offset 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 not offset 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. Compared with the previous year, there were no reverse repurchase agreements. The master netting agreements in the W&W Group do not form a basis for offsetting. However, were the netting criteria to be applicable, the offsetting of financial assets against the associated financial liabilities would have led to the following result:

Netting of financial assets in 2015

	Gross amount of financial assets recognised in the balance sheet	Associated amounts that are not netted in the balance sheet		
		Financial instruments	Cash collateral granted	Net amount
in € thousands	31.12.2015	31.12.2015	31.12.2015	31.12.2015
Derivatives	500 913	224 676	298 920	22 683

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 granted	Net amount
in € thousands	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Derivatives	654 728	209 287	399 371	46 070
Reverse repurchase agreements, securities lending transactions and similar agreements	51 780	51 780	–	–

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 not offset 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 offsetting. However, were the netting criteria to be applicable, the offsetting of financial assets against the associated financial liabilities would have led to the following result:

Netting of financial liabilities in 2015

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
	31.12.2015	31.12.2015	31.12.2015	31.12.2015
Derivatives	1 054 445	203 616	853 952	–3 123
Repurchase agreements, securities lending transactions and similar agreements	1 323 508	1 323 508	–	–

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
	31.12.2014	31.12.2014	31.12.2014	31.12.2014
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

(47) Trust business

Trust business not required to be shown in the balance sheet had the following scope:

in € thousands	31.12.2015	31.12.2014
Trust assets pursuant to the German Building Code	9 622	2 796[1]
Trust assets	9 622	2 796[1]
Trust liabilities pursuant to the German Building Code	9 622	2 796[1]
Trust liabilities	9 622	2 796[1]

1 Previous year's figure adjusted.

(48) Supplementary disclosures concerning the effect of financial instruments in the consolidated income statement

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, impairment losses 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	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Financial assets/liabilities at fair value through profit or loss	–304 879	12 520
Financial assets/liabilities held for trading	–452 302	–190 539
Net gains	912 742	1 090 753
Net losses	–1 365 044	1 281 292
Designated as financial assets at fair value through profit or loss	147 423	203 059
Net gains	262 891	275 681
Net losses	–115 468	72 622
Financial assets available for sale	725 153	544 593
Net gains	957 482	684 188
Net losses	–232 329	139 595
Receivables	241 198	306 643
Net gains	409 972	501 005
Net losses	–168 774	194 362
Liabilities	270	–1 974
Net gains	485	1 156
Net losses	–215	3 130

For financial assets and liabilities not at fair value through profit or loss, which also includes subordinated capital, total interest income amounted to €1,949.2 million (previous year: €2,119.1 million) and total interest expenses amounted to €822.4 million (previous year: €948.4 million).

In addition, currency translation involving these financial assets and liabilities resulted in currency income in the amount of €385.2 million (previous year: €304.2 million) and currency expenses in the amount of €113.8 million (previous year: €54.1 million).

Disclosures 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 with its companies 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 the 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. One of the central governance bodies in the W&W Group is the Group Board. Within the scope of the **Group Board**, the Executive Boards of the companies represented on it determine the business and risk strategy goals and the main framework conditions in risk management.

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 risk committee supports the Executive Board of W&W AG and the Group Board in risk issues. Permanent members of the Group risk committee 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 divisions as well as the heads of the Group Risk Management/Controlling departments of W&W AG. Other members include the heads of the Controlling/Risk Management departments of the insurance companies, the head of Controlling at the Home Loan and Savings Bank division, the head of the Group Audit department, and the general managers in asset management (back office). The body meets once a month and, where necessary, on an ad hoc basis. The Group risk committee 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.

Group Risk Management/Controlling guides and supports the Group risk committee 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.

A Group credit committee has been established for efficient Group-wide credit governance. It develops proposals for loan decisions in the institutional area and submits them to the Group risk committee 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 elaborates recommendations for the meetings of the Executive Board bodies and for the Group risk committee.

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 Executive Board and to the Group risk committee 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, to appropriately monitor and manage risks. The divisions regularly convene risk commit-tees in order to assess the respective risk situation.

The Insurance risk committee manages and monitors risks in the Insurance division. The Home Loan and Savings Bank risk committee handles this in the Home Loan and Savings Bank division. The participation of the responsible Executive 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. We integrate risk-relevant aspects of our foreign subsidiaries via a direct reporting line of the Czech Republic risk committee to the Group risk committee.

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, signal systems, and limit and line systems are used to support risk management. The key management parameters are the IFRS earnings. Also used are such risk parameters as regulatory and economic risk-bearing capacity and division-specific indicators.

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 likewise monitored with respect to regulatory requirements.

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 Executive 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 requirements of the risk areas in order to limit susceptibility to individual risks. The W&W Group strives to limit risk concentrations as far 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 current regulatory 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.

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 Regulation on Calculation of the Provision for Future Policy Benefits (DeckRV), the legislature has expanded the framework, which is also recognised under tax law, for strengthening the provision for future policy benefits 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 2015 the reference interest rate dropped to 2.88% (previous year: 3.15%).

Based on the regulations for the additional interest reserve, interest reinforcement established in the business plan was provided in the old portfolio. The amount of interest reinforcement is determined by the measurement interest rate, which amounts to 2.65% (previous year: 2.95%) for Württembergische Lebensversicherung AG. In the W&W Group, the additional interest reserve and interest reinforcement were strengthened by €396.1 million (previous year: €382.4 million) on this basis. For 2016, 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.

Since 2010, we have gradually increased the security level of the computation basis “interest rate” for annuity insurance policies in the old portfolio by means of reserve reinforcements. 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.

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, 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 hedges for the Home Loan and Savings Bank division are also depicted as such in the IFRS consolidated financial statements. In banking and insurance business, fixed-income positions 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. On account of currently negative interest rates in short-term maturity areas, a floor at a level of 0% was left out of consideration for the scenario of a decline in interest rates by 100 basis points, in contrast to the calculation made in the previous year. This means that comparability with the results from the previous year is limited under this scenario.

The material changes in the effects are attributable to positioning in the Home Loan and Savings Bank division. In 2015, 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 purchase by Wüstenrot Bausparkasse AG of fixed-income securities with longer maturities. The effects on the consolidated income statement improved under all interest rate scenarios with an interest rate increase. This is mainly attributable to a reduction in the interest rate sensitivity of free-standing derivative positions at Wüstenrot Bausparkasse AG and to a higher increase in present value at Wüstenrot Bank AG Pfandbriefbank. Under an interest rate scenario with a decline in interest rates, taking into account negative interest rates would result in a higher decline in the present value of free-standing derivatives at Wüstenrot Bank AG Pfandbriefbank, as well as a decline in cash flows from derivatives.

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.

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	31.12.2015	31.12.2014	31.12.2015	31.12.2014
+100 basis points	59 210	–5 804	–438 217	–404 991
–100 basis points	–74 977	38 088	482 898	338 629
+200 basis points	119 207	–4 163	–833 480	–770 760

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 equity options and futures.

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, overall, the risks of changes in the prices of equity instruments have increased year on year with regard to the net income recognised in other comprehensive income.

Contrary to the tendency in the previous year, a price increase clearly works to reduce Group net income under the scenarios. The reason for this are the short future positions in fund investments, which have a stronger impact than the performance of equities.

Risk of changes in prices: Net effect after deferred taxes and provision for deferred premium refunds

in € thousands	Change in the consolidated income statement 31.12.2015	31.12.2014	Change in other comprehensive income 31.12.2015	31.12.2014
+ 10%	–10 644	4 294	75 543	55 166
– 10%	7 168	–8 500	–70 837	–52 024
+ 20%	–21 382	8 181	151 086	110 333
– 20%	–4 229	–27 243	–116 968	–92 071

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

in € thousands	Change in the consolidated income statement 31.12.2015	31.12.2014	Change in other comprehensive income 31.12.2015	31.12.2014
USD				
+ 10%	–4 256	–4 810	–4 143	5 079
– 10%	4 256	4 810	4 143	–5 079
DKK				
+ 1%	125	290	2	3
– 1%	–125	–290	–2	–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 risk

Counterparty credit risk is an important risk that Group companies assume and is typical for the industry. 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 Executive 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 amounted to 0.2% (previous year: 0.1%). With regard to receivables from agents, the average default rate over the last three years amounted to 2.5% (previous year: 3.0%). 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. “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 amounted to €128.8 million (previous year: €168.3 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 € thousands	Neither overdue nor individually impaired assets 31.12.2015	Overdue but not individually impaired assets 31.12.2015	Individually impaired assets 31.12.2015	Existing portfolio impairment provisions 31.12.2015	Total 31.12.2015	Reduction of the maximum default risk through collateral 31.12.2015
Cash reserves	**296 241**	**–**	**–**	**–**	**296 241**	**–**
Financial assets at fair value through profit or loss	**1 672 487**	**–**	**–**	**–**	**1 672 487**	**–**
Designated as financial assets at fair value through profit or loss	842 598	–	–	–	842 598	–
Senior fixed-income securities	234 938	–	–	–	234 938	–
Structured products	607 660	–	–	–	607 660	–
Financial assets held for trading	829 889	–	–	–	829 889	–
Derivative financial instruments	829 889	–	–	–	829 889	–
Financial assets available for sale	**20 865 489**	**–**	**223**	**–**	**20 865 712**	**–**
Senior fixed-income securities	19 632 120	–	–	–	19 632 120	–
Subordinated securities and receivables	1 233 369	–	223	–	1 233 592	–
Receivables	**41 412 859**	**775 925**	**356 847**	**–48 549**	**42 497 082**	**21 621 624**
Building loans	23 097 667	715 816	352 951	–30 850	24 135 584	21 384 442
Building loans to private customers secured by mortgages	20 068 134	696 421	339 070	–27 046	21 076 579	21 105 453
Building loans to private customers not secured by mortgages	2 847 653	19 395	13 881	–3 804	2 877 125	278 989
Portfolio hedge adjustment	181 880	–	–	–	181 880	–
First-rank receivables from institutional investors	15 688 698	–	–	–1 073	15 687 625	153 250
Subordinated securities and receivables	127 641	–	–	–25	127 616	–
Other loans and advances	2 173 304	6 198	3 269	–221	2 182 550	83 932
Receivables from reinsurance business	77 039	–	–	–12 695	64 344	–
Receivables from policyholders	214 020	24 813	–	–5 841	232 992	–
Receivables from agents	34 490	29 098	627	–678	63 537	–
Positive market values from hedges	**57 972**	**–**	**–**	**–**	**57 972**	**–**
Reinsurers' portion of technical provisions	**332 745**	**–**	**–**	**–**	**332 745**	**–**
Total	**64 637 793**	**775 925**	**357 070**	**–51 383**	**65 719 405**	**21 621 624**

Assets subject to counterparty credit risks

in € thousands	Neither overdue nor individually impaired assets 31.12.2015	Overdue but not individually impaired assets 31.12.2015	Individually impaired assets 31.12.2015	Existing portfolio impairment provisions 31.12.2015	Total 31.12.2015	Reduction of the maximum default risk through collateral 31.12.2015
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	–
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**	**23 487 111[1]**
Building loans	23 784 249	767 365	439 358	–36 707	24 954 265	23 159 922
Building loans to private customers secured by mortgages	20 837 718	745 189	426 707	–31 057	21 978 557	22 102 009
Building loans to private customers not secured by mortgages	2 709 199	22 176	12 651	–5 650	2 738 376	1 057 913
Portfolio hedge adjustment	237 332	–		–	237 332	–
First-rank receivables from institutional investors	16 520 286	–	–	–1 552	16 518 734	229 810
Subordinated securities and receivables	96 354	–	–	–22	96 332	–
Other loans and advances	2 110 961	6 737	2 222	–377	2 119 543	97 379[1]
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	23 487 111[1]

1 Previous year's figure adjusted.

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 reduced 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 €933.3 million (previous year: €958.3 million), the assumption of financial guarantees in the amount of €21.5 million (previous year: €34.1 million) and sureties with a maximum counterparty credit risk of €0.3 million (previous year: €3.2 million). The counterparty credit risk from irrevocable loan commitments, financial guarantees and sureties is determined by the maximum liability volume, less provisions 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 amounted to €13.9 million (previous year: €12.9 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, by rating class

	AAA	AA	A	BBB	BB	B or worse	No rating	Total
in € thousands	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2015
Cash reserves	**188 396**	**107 845**	**–**	**–**	**–**	**–**	**–**	**296 241**
Financial assets at fair value through profit or loss	**105 526**	**325 030**	**706 086**	**489 941**	**31 388**	**803**	**13 713**	**1 672 487**
Designated as financial assets at fair value through profit or loss	105 526	210 819	75 995	418 067	31 388	803	–	842 598
Senior fixed-income securities	105 526	129 412	–	–	–	–	–	234 938
Structured products	–	81 407	75 995	418 067	31 388	803	–	607 660
Financial assets held for trading	–	114 211	630 091	71 874	–	–	13 713	829 889
Derivative financial instruments	–	114 211	630 091	71 874	–	–	13 713	829 889
Financial assets available for sale	7 851 896	4 911 517	3 087 416	4 029 597	633 307	312 570	39 186	20 865 489
Senior fixed-income securities	7 851 896	4 839 050	2 744 440	3 425 488	463 440	304 072	3 734	19 632 120
Subordinated securities and receivables	–	72 467	342 976	604 109	169 867	8 498	35 452	1 233 369
Receivables	9 899 288	4 720 960	2 562 724	487 179	6 107	–	23 736 601	41 412 859
Building loans	–	–	–	–	–	–	23 097 667	23 097 667
Building loans to private customers secured by mortgages	–	–	–	–	–	–	20 068 134	20 068 134
Building loans to private customers not secured by mortgages	–	–	–	–	–	–	2 847 653	2 847 653
Portfolio hedge adjustment	–	–	–	–	–	–	181 880	181 880
First-rank receivables from institutional investors	9 899 288	4 260 989	1 305 374	217 886	5 161	–	–	15 688 698
Subordinated securities and receivables	–	26 471	65 817	35 353	–	–	–	127 641
Other loans and advances	–	375 659	1 176 696	233 940	545	–	386 464	2 173 304
Receivables from reinsurance business	–	57 841	14 837	–	401	–	3 960	77 039
Receivables from policyholders	–	–	–	–	–	–	214 020	214 020
Receivables from agents	–	–	–	–	–	–	34 490	34 490
Positive market values from hedges	**–**	**–**	**57 972**	**–**	**–**	**–**	**–**	**57 972**
Reinsurers' portion of technical provisions	**–**	**277 284**	**54 324**	**–**	**456**	**–**	**681**	**332 745**
Total	**18 045 106**	**10 342 636**	**6 468 522**	**5 006 717**	**671 258**	**313 373**	**23 790 181**	**64 637 793**

Neither overdue nor individually impaired assets, by rating class

in € thousands	AAA 31.12.2014	AA 31.12.2014	A 31.12.2014	BBB 31.12.2014	BB 31.12.2014	B or worse 31.12.2014	No rating 31.12.2014	Total 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 mortgages	–	–	–	–	–	–	20 837 718	20 837 718
Building loans to private customers not secured by mortgages	–	–	–	–	–	–	2 709 199	2 709 199
Portfolio hedge adjustment	–	–	–	–	–	–	237 332	237 332
First-rank 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 loans and advances	258	123 678	1 458 951	113 732	532	364	413 446	2 110 961
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

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

	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
in € thousands	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2015
Receivables	596 651	111 369	30 995	26 814	10 096	775 925
Building loans	554 380	108 351	29 745	16 682	6 658	715 816
Building loans to private customers secured by mortgages	540 116	104 682	29 062	15 924	6 637	696 421
Building loans to private customers not secured by mortgages	14 264	3 669	683	758	21	19 395
Other loans and advances	5 846	204	63	68	17	6 198
Receivables from policyholders	8 404	2 675	543	9 861	3 330	24 813
Receivables from agents	28 021	139	644	203	91	29 098
Total	**596 651**	**111 369**	**30 995**	**26 814**	**10 096**	**775 925**

Maturity structure of overdue but not individually impaired assets

	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
in € thousands	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 mortgages	582 522	111 549	33 351	12 002	5 765	745 189
Building loans to private customers not secured by mortgages	16 495	3 731	1 117	719	114	22 176
Other loans and advances	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**

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 depreciations 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 € thousands	Gross carrying amount 31.12.2015	Direct depreciation 31.12.2015	Individual impairment provision 31.12.2015	Total 31.12.2015
Financial assets available for sale	224	–1		223
Subordinated securities and receivables	224	–1	–	223
Receivables	516 692	–15 341	–144 504	356 847
Building loans	491 800	–11 845	–127 004	352 951
Building loans to private customers secured by mortgages	466 929	–10 740	–117 119	339 070
Building loans to private customers not secured by mortgages	24 871	–1 105	–9 885	13 881
Senior fixed-income securities	2 744	–2 744	–	–
Other loans and advances	16 493	–411	–12 813	3 269
Receivables from agents	5 655	–341	–4 687	627
Total	**516 916**	**–15 342**	**–144 504**	**357 070**

Individually impaired assets

in € thousands	Gross carrying amount 31.12.2014	Direct depreciation 31.12.2014	Individual impairment provision 31.12.2014	Total 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 mortgages	549 004	–16 726	–105 571	426 707
Building loans to private customers not secured by mortgages	44 800	–1 419	–30 730	12 651
Senior fixed-income securities	2 744	–2 744	–	–
Other loans and advances	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**

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 and health insurance business

Description of the insurance portfolio

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 discretionary surplus participation. 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 provision for future policy benefits. 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 provision for future policy benefits in the 2015 financial year. Prospective findings concerning mortality trends or a renewed adjustment of safety margins recommended by the DAV may in future lead to further additions to the provision for future policy benefits.

The responsible actuary has 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 are offset 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 adjusted accordingly, in addition.

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. The effect on both gross and net income is 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.

In the case of a surrender in later years, the application of cancellation penalties results in a positive effect on net income, since the released provisions correspond at least to the paid surrender value.

Unit-linked insurance policies are covered congruently by the corresponding funds. If additional guarantee commitments are made, they are taken into account in the provision for future policy benefits. 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 and 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 disability risk. For the purposes of illustrating the existing risk concentration, the following table breaks down the provision for future policy benefits by insured risk.

Provision for future policy benefits, by type of insured risk

	Gross	Net	Gross	Net
in € thousands	31.12.2015	31.12.2015	31.12.2014	31.12.2014
Area of life insurance	27 536 230	27 445 858	27 095 884	26 010 009
Predominantly mortality risk	12 430 826	12 430 826	12 734 880	12 248 940
Predominantly longevity risk (annuities)	14 223 396	14 207 587	13 537 487	13 035 613
Predominantly disability risk	882 008	807 445	823 517	725 456
Area of health insurance	523 218	523 218	447 823	447 823
Total	**28 059 448**	**27 969 076**	**27 543 707**	**26 457 832**

The following overview shows the primary insurers' gross provision for future policy benefits for insurance contracts by insured amount (for annuity policies, 12 times the annual annuity).

Provision for future policy benefits for insurance contracts with an insured amount of

	Gross	Gross
in € thousands	31.12.2015	31.12.2014
Less than €0.5 million	26 950 881	26 575 602
€0.5 million to €1.0 million	257 702	251 445
€1 million to €5 million	169 698	201 406
€5 million to €15 million	157 949	67 431
Total	**27 536 230**	**27 095 884**

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 provision for future policy benefits is at least as high as the surrender value. The same applies to the provision for future policy benefits 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 re-evaluation 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 carry out the increase using the current actuarial bases.

Property/casualty insurance business and reinsurance business

Description of the insurance portfolio

In Germany, property/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 table 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.

Rückstellung für noch nicht abgewickelte Versicherungsfälle

	Gross	Net	Gross	Net
in € thousands	31.12.2015	31.12.2015	31.12.2014	31.12.2014
General liability, corporate customers	442 064	418 633	435 271	411 049
Property insurance, corporate customers	271 445	224 363	268 477	214 263
General liability, private customers	80 661	79 140	92 178	90 620
Other, private customers	4 896	4 890	5 259	5 250
Motor liability	1 050 691	920 976	1 057 675	922 826
Other motor	2 536	847	2 555	911
Household	15 608	15 217	16 250	15 733
Legal protection	154 146	154 146	151 325	151 325
Partial cover	5 252	3 997	5 663	5 237
Casualty	182 465	182 465	167 795	167 795
Full cover	43 909	40 178	41 363	39 506
Residential building	64 092	54 872	74 330	56 067
Other	187 974	175 109	174 620	160 998
Total	**2 505 739**	**2 274 833**	**2 492 761**	**2 241 580**

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 risk

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 risk thus consists of insolvency risk, market liquidity risk and refinancing risk.

The following presents a breakdown of the remaining term to maturity of select financial instruments in 2015:

Breakdown of remaining term to maturity in 2015
Assets

in € thousands	Within 3 months	3 months to 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
Financial assets at fair value through profit or loss	150 917	80 940	533 283	907 347	–	1 672 487
Designated as financial assets at fair value through profit or loss	36 750	42 782	343 873	419 193	–	842 598
Financial assets held for trading	114 167	38 158	189 410	488 154	–	829 889
Financial assets available for sale	426 159	730 616	3 832 731	15 390 246	485 959	20 865 711
Receivables	3 410 275	2 336 346	9 821 622	24 054 574	2 896 719	42 519 536
Building loans	926 054	1 739 365	7 861 417	11 025 896	2 558 826	24 111 558
First-rank receivables from institutional investors	453 670	445 181	1 877 774	12 914 926	–	15 691 551
Subordinated securities and receivables	14 030	–	25 411	76 200	12 000	127 641
Other loans and receivables	2 016 521	151 800	57 020	37 552	325 893	2 588 786
Risk provision	–12 191	–20 193	–97 679	–58 628	–11 154	–199 845
Positive market values from hedges	7 573	163	20 160	30 076	–	57 972

Breakdown of remaining term to maturity in 2015
Liabilities

in € thousands	Within 3 months	3 months to 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
Financial liabilities at fair value through profit or loss	101 032	25 200	202 092	424 087	–	752 411
Liabilities	8 419 876	18 282 868	2 759 735	2 084 301	281 524	31 828 304
Liabilities evidenced by certificates	210 281	299 826	409 521	137 226	–	1 056 854
Liabilities to credit institutions	2 284 103	382 242	549 271	890 193	16 805	4 122 614
Liabilities to customers	5 548 593	17 330 188	1 617 246	814 584	24 426	25 335 037
Finance lease liabilities	1 110	3 334	12 323	11 646	–	28 413
Miscellaneous liabilities	375 789	267 278	171 374	230 652	240 293	1 285 386
Negative market values from hedges	65 432	11 413	167 627	300 171	–	544 643
Subordinated capital	13 571	59 749	64 995	428 886	3 000	570 201

The following presents a breakdown of the remaining term to maturity of select financial instruments in 2014:

Breakdown of remaining term to maturity in 2014 Assets

in € thousands	Within 3 months	3 months to 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
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-rank receivables from institutional investors	451 223	861 049	2 195 343	13 012 671	–	16 520 286
Subordinated securities and receivables	5 457	1 767	35 430	41 700	12 000	96 354
Other loans and 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 term to maturity in 2014 Liabilities

in € thousands	Within 3 months	3 months to 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
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
Miscellaneous 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

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 2015

in € thousands	Within 3 months 31.12.2014	3 months to 1 year 31.12.2014	1 to 5 years 31.12.2014	5 to 10 years 31.12.2014	10 to 15 years 31.12.2014	15 to 20 years 31.12.2014	Later than 20 years 31.12.2014	Total 31.12.2014
Derivative financial instruments	84 522	242 191	781 535	414 016	142 157	22 032	19 635	1 706 088
Derivative financial liabilities at fair value through profit or loss	42 331	151 012	416 131	258 120	122 727	20 190	19 635	1 030 146
Negative market values from hedges	42 191	91 179	365 404	155 896	19 430	1 842	–	675 942
Liabilities	8 667 398	17 930 525	3 232 089	1 356 706	107 931	71 082	–	31 365 731
Liabilities evidenced by certificates	208 714	308 109	484 907	78 436	–	–	–	1 080 166
Liabilities to credit institutions	2 554 458	206 471	888 126	576 363	4 025	–	–	4 229 443
Liabilities to customers	5 564 920	17 384 701	1 843 623	685 294	103 906	65 356	–	25 647 800
Deposits from home loan savings business and other savings deposits	724 738	16 951 597	389 607	41 683	–	–	–	18 107 625
Other deposits	4 704 108	408 049	1 442 827	637 675	103 906	65 356	–	7 361 921
Savings deposits with agreed termination period	136 074	1 500	11 189	5 936	–	–	–	154 699
Down payments received	–	23 555	–	–	–	–	–	23 555
Finance lease liabilities	1 156	3 469	12 976	13 155	–	–	–	30 756
Miscellaneous liabilities	338 150	27 775	2 457	3 458	–	5 726	–	377 566
Subordinated capital	2 248	88 107	158 629	200 725	141 124	53 379	334 641	978 853
Profit participation certificates	1 631	–	6 524	31 378	–	–	–	39 533
Subordinated liabilities	617	88 107	152 105	169 347	141 124	53 379	334 641	939 320
Irrevocable loan commitments	661 107	204 453	67 711	–	–	–	–	933 271
Financial guarantees	11 277	10 234	–	–	–	–	–	21 511
Total	**9 426 552**	**18 475 510**	**4 239 964**	**1 971 447**	**391 212**	**146 493**	**354 276**	**35 005 454**

Prospective maturity of amounts recognised in the balance sheet in 2015

in € thousands	Within 3 months 31.12.2015	3 months to 1 year 31.12.2015	1 to 5 years 31.12.2015	5 to 10 yearse 31.12.2015	10 to 15 years 31.12.2015	15 to 20 years 31.12.2015	Later than 20 years 31.12.2015	Total 31.12.2015
Liabilities from reinsurance business	**8 125**	**6 325**	**–**	**–**	**–**	**–**	**–**	**14 450**
Liabilities to customers from direct insurance business	**118 461**	**160 634**	**168 091**	**106 108**	**56 992**	**31 504**	**34 133**	**675 923**
Technical provisions	**1 161 297**	**3 112 808**	**9 661 960**	**6 668 201**	**3 835 465**	**2 213 298**	**3 421 371**	**30 074 400**
Provision for future policy benefits in the area of life insurance	563 579	2 437 459	8 511 489	6 094 018	3 464 567	1 928 273	3 026 049	26 025 434
Provision for outstanding insurance claims	516 272	546 905	696 455	264 988	165 721	147 035	168 363	2 505 739
Provision for unit-linked life insurance contracts	49 157	128 303	454 016	309 195	205 177	137 990	226 959	1 510 797
Other technical provisions	32 289	141	–	–	–	–	–	32 430
Total	**1 287 883**	**3 279 767**	**9 830 051**	**6 774 309**	**3 892 457**	**2 244 802**	**3 455 504**	**30 764 773**

Contractually agreed cash flows in 2014

in € thousands	Within 3 months 31.12.2014	3 months to 1 year 31.12.2014	1 to 5 years 31.12.2014	5 to 10 years 31.12.2014	10 to 15 years 31.12.2014	15 to 20 years 31.12.2014	Later than 20 years 31.12.2014	Total 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
Miscellaneous 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 participation 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	166 031[1]	77 088	–	–	–	–	958 326[1]
Financial guarantees	9 930	24 161	–	–	–	–	–	34 091
Total	**11 304 333**	**19 185 575[1]**	**4 363 235**	**2 461 354**	**475 738**	**141 283**	**476 810**	**38 408 328[1]**

1 Previous year's figure adjusted.

Prospective maturity of amounts recognised in the balance sheet in 2014

in € thousands	Within 3 months 31.12.2014	3 months to 1 year 31.12.2014	1 to 5 years 31.12.2014	5 to 10 years 31.12.2014	10 to 15 years 31.12.2014	15 to 20 years 31.12.2014	Later than 20 years 31.12.2014	Total 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
Provision for future policy benefits 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

For further information about the management of liquidity risk 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 2015, the equity of the W&W Group according to IFRS amounted to €3,643.7 million (previous year: €3,674.2 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 regulatory requirements concerning solvency.

We provide further remarks about our capital management and its objectives in the risk report in the Management Report.

(54) Regulatory 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 the Deutsche Bundesbank pursuant to the EU Capital Requirements Regulation (CRR), the German Banking Act (KWG) and the German Insurance Supervision Act (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 certificates form the basis for such capital management.

In the case of Wüstenrot Bank AG Pfandbriefbank and Wüstenrot Bausparkasse AG, subordinated liabilities and profit participation certificates 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 (3) no. 3b VAG (old version).

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 (old version)/CRR		Solvency requirements pursuant to the VAG (old version)/CRR		Ratio, in %	
In Mio €	2015	2014	2015	2014	2015	2014
Wüstenrot & Württembergische AG[1]	1 854.2	1 849.7	40.2	40.2	4 610.1	4 598.9
Wüstenrot Bausparkasse AG[2]	810.4	798.0	5 941.5	5 975.9	13.6	13.4
Wüstenrot Bank AG Pfandbriefbank[2]	461.7	493.9	3 393.1	3 785.1	13.6	13.0
Württembergische Versicherung AG[1]	292.5	325.7	211.0	208.0	138.7	156.6
Württembergische Lebensversicherung AG[1]	2 063.9	1 744.6	1 189.4	1 124.4	173.5	155.2
Württembergische Krankenversicherung AG[1]	29.4	25.7	14.6	13.4	201.1	191.5

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 parent undertaking of the mixed financial holding group. Pursuant to Section 10a (2) sentence 4 KWG, Wüstenrot & Württembergische AG is responsible in this capacity for all Group-related duties, including for ensuring suitable capital resources. As at 31 December 2015, the overall capital ratio of the mixed financial holding group was 17.6% (previous year: 16.5%) and thus satisfied the mandated regulatory minimum capital ratio of 8.0%.

The W&W Group insurance companies form an insurance group. As at the reporting date of 31 December 2015, the provisional coverage ratio for the insurance group, including all material investments, was 212.7% (previous year: 234.5%). The mandated regulatory minimum capital ratio of 100% was satisfied.

Within the financial conglomerate, BaFin defined Wüstenrot & Württembergische AG as the parent 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. As at the reporting date of 31 December 2015, the provisional coverage ratio for the insurance group, including all material investments, was 136.4% (previous year: 148.3%). The mandated regulatory minimum capital ratio of 100% was satisfied.

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 2015 and on the basis of the extrapolation and planning for 2016 and 2017 show that the minimum regulatory 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 2015 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.

2015

in € thousands	Within 1 year 31.12.2015	1 to 5 years 31.12.2015	Later than 5 years 31.12.2015	Total 31.12.2015
Finance leasing – lessee				
Minimum lease payments	4 625	12 976	13 155	30 756
Interest effects	182	653	1 508	2 343
Present value of minimum lease payments	4 443	12 323	11 647	28 413
Operating leasing – lessor				
Minimum lease payments	96 237	288 701	281 088	666 026
Operating leasing – lessee				
Minimum lease payments	21 684	23 753	623	46 060

2014

in € thousands	Within 1 year 31.12.2014	1 to 5 years 31.12.2014	Later than 5 years 31.12.2014	Total 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

As at 31 December 2015, 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, Germany, was sold in the 2011 financial year and then leased back for continued own use (so-called sale and lease-back 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, Germany, 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, Germany, 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. The contingent lease payments recognised as income amounted to €1.6 million (previous year: € – million).

Operating leasing as lessee is conducted for property for own use, mainframe computers, mainframe hardware and software, printers and vehicles. 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 €19.4 million (previous year: €18.8 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 2015 financial year or the previous year. For these transactions, there were also no restrictions imposed under the leasing agreement.

(58) Contingent receivables, contingent liabilities and other obligations

in € thousands	31.12.2015	31.12.2014
Contingent liabilities	**652 276**	**701 306**
from deposit protection funds	295 160	346 054
from sureties and warranties	329	3 249
from capital contribution calls not yet made	356 157	351 335
Other contingent liabilities	630	668
Other obligations	**954 782**	**992 417**[1]
Irrevocable loan commitments	933 271	958 326[1]
Financial guarantees	21 511	34 091
Total	**1 607 058**	**1 693 723**[1]

1 Previous year's figure adjusted.

As at 31 December 2015, obligations for capital contribution calls not yet made as relate to investments in the W&W Group amounted to €356.2 million (previous year: €351.3 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. The risk of a change 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 2015, 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 (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 0.2% of total net technical provisions until a protection fund of 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 1‰ of total net technical provisions. This corresponds to an obligation of €29.4 million (previous year: €34.5 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 resulted in a payment obligation of €1.3 million (previous year: €1.1 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 offsetting 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 amounted to €264.5 million (previous year: €310.5 million).

Employees who joined one of the two sponsoring undertakings, Württembergische Versicherung AG and Württembergische Lebensversicherung AG, prior to 1 January 2002 could be accepted as members in the pension fund of Württembergischen VVAG (WürttPK). Being a legally independent, regulated pension fund, WürttPK is subject to supervision by the German Federal Financial Supervisory Authority (BaFin). WürttPK benefits are financed through contributions by members and subsidies by the sponsoring undertakings. Pursuant to their articles of association, Württembergischen Versicherung AG and Württembergische Lebensversicherung AG are obligated to pay subsidies. In accordance with the business plan, the sponsoring undertakings handle management at no cost. Württembergische Lebensversicherung AG and Württembergische Lebensversicherung AG each have subsidiary liability for the pension commitments of WürttPK, insofar as they are entered into for employees of Württembergischen Versicherung AG and Württembergische Lebensversicherung AG.

With regard to the calculation of tax refund claims and tax debts made as at the reporting date, it cannot be ruled out that the fiscal authorities will take a different position. In addition, the outcome of pending tax proceedings, both in and out of court, cannot be determined or predicted. Additional liabilities and receivables may need to be recognised in this area.

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, Germany, which is wholly owned by the non-profit Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e.V., Ludwigsburg, Germany.

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 Executive 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 2015, receivables from related persons amounted to €357.6 thousand (previous year: €367.8 thousand), and liabilities to related persons amounted to €2,366.7 thousand (previous year: €2,559.0 thousand). In 2015 interest income from related persons that results from granted loans amounted to €9.9 thousand (previous year: €3.0 thousand), and interest expenses for savings deposits from related persons amounted to €10.0 thousand (previous year: €11.2 thousand). In 2015 premiums in the amount of €63.9 thousand (previous year: €46.0 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 2015, a financial liability was owed to Wüstenrot Holding AG under this agreement in the amount of €22.2 million (previous year: €23.7 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.

Beyond this, 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.

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. During the reporting period, W&W AG purchased a bond of V-Bank AG for the price of €6.5 million. It receives interest income from the bond in the amount €132 thousand. 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 were as follows:

in € thousands	31.12.2015	31.12.2014
Unconsolidated subsidiaries	188	259
Other related companies	24 953	24 953
Loans and advances to customers	25 141	25 212
Wüstenrot Holding AG	52	56
Unconsolidated subsidiaries	50 970	37 162
Other related companies	34	18
Other loans and receivables	51 056	37 236[1]
Receivables from related companies	**76 197**	**62 448**[1]
Associates	63	–
Liabilities to credit institutions	63	–
Wüstenrot Holding AG	4 426	6 999
Unconsolidated subsidiaries	35 106	28 762
Other related companies	14 476	17 034
Liabilities to customers	54 008	52 795
Wüstenrot Holding AG	22 204	23 764
Affiliated undertakings	3	–[1]
Unconsolidated subsidiaries	32 312	18 649
Other related companies	28 875	2 067
Miscellaneous liabilities	83 394	44 480[1]
Liabilities to related companies	**137 465**	**97 275**[1]

1 Previous year's figure adjusted.

Income and expenses from transactions with related companies were as follows:

in € thousands	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014
Wüstenrot Holding AG	212	145
Unconsolidated subsidiaries	33 710	33 542
Associates	–	30
Other related companies	1 764	1 646
Income from transactions with related companies	35 686	35 363
Wüstenrot Holding AG	1 452	1 646
Unconsolidated subsidiaries	36 216	37 728
Other related companies	39 485	13 415
Expenses from transactions with related companies	77 153	52 789

(60) Remuneration report

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 314 (1) no. 6 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.

Total remuneration paid to Executive Board members during the reporting year for performing their duties at Wüstenrot & Württembergische AG amounted to €2,666.9 thousand (previous year: €2,655.4 thousand) and is composed of the following elements:

Remuneration of the individual members of the Executive Board in 2015

	Term of office ends	Non-performance-related remuneration		Performance-related remuneration (short term)		Performance-related remuneration (sustained) from 2012	Performance-related remuneration (sustained) from 2011	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	966.2	958.4	139.7	134.1	110.9	143.5	157.9	159.6	1 374.7	1 395.6
Dr Michael Gutjahr	08/2020	480.0	466.0	70.6	68.0	49.7	62.0	19.3	19.7	619.6	615.7
Jens Wieland	06/2020	544.0	544.0	77.7	75.0	25.8	–	25.1	25.1	672.6	644.1
Total		**1 990.2**	**1 968.4**	**288.0**	**277.1**	**186.4**	**205.5**	**202.3**	**204.4**	**2 666.9**	**2 655.4**

Of the ancillary benefits, the remuneration for work as members of the Supervisory Board in the Group companies accounted for €132.9 thousand (previous year: €170.0 thousand).

Sustained performance-related remuneration for a prior financial year, i.e. the 2012 financial year, was earned with the close of the year 2015, since in the years 2013 to 2015 the W&W Group posted aver-age IFRS after-tax earnings 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 2016.

In addition to the earned performance-related remuneration shown in the above table, contingent claims to disbursement of performance-related remuneration for the years 2013-2015 were acquired (in each case, the amount of performance-related remuneration not yet disbursed):

Multi-year variable remuneration (sustainability component)

in € thousands	Financial year 2013, payable in 2017	Financial year 2014, payable in 2018	Financial year 2015, payable in 2019	Total
Dr Alexander Erdland	167.5	126.5	139.7	433.7
Dr Michael Gutjahr	73.9	58.3	70.6	202.8
Jens Wieland	77.6	50.0	58.9	186.5
Subtotal	**319.0**	**234.8**	**269.2**	**823.0**
Klaus Peter Frohmüller (until 12/2013)	113.5	–	–	113.5
Dr Jan Martin Wicke (until 04/2014)	103.1	24.3	–	127.4
Total	**535.6**	**259.1**	**269.2**	**1 063.9**

Three financial years determinative for achievement of targets	2014 – 2016	2015 - 2017	2016 - 2018
Remuneration earned with the close of the financial year	2016	2017	2018

Disbursement is made only if the aforementioned conditions occur or do not occur in the years 2016 to 2018. For 2015, the final amount will not be calculated until the Supervisory Board determines achievement of targets.

Performance-related remuneration for the financial year 2014, which was disbursed in 2015 after ascertaining the degree to which targets were achieved, resulted in a release of €24.9 thousand (previous year: €17.5 thousand). The amount consists of releases for Dr Alexander Erdland totalling €7.6 thousand (previous year: €5.7 thousand), for Dr Michael Gutjahr totalling €9.7 thousand (previous year: €2.2 thousand) and for Jens Wieland totalling €7.6 thousand (previous year: €2.6 thousand).

In the 2014 financial year, provisions in the amount of €301.4 thousand (previous year: €577.4 thousand) were created for acquired contingent claims to disbursement in 2018 of performance-related remuneration for the 2014 financial year. Since Jens Wieland is paid his performance-related remuneration in full by W&W Informatik GmbH and W&W Service GmbH after ascertainment in the following year of the degree to which targets were achieved, meaning that there are no contingent claims with these companies, the amount of the provisions for contingent claims is lower than for short-term performance-related remuneration. Therefore, once achievement of targets was ascertained, a release took place in the amount of €24.8 thousand (previous year: €17.6 thousand).

In addition, Group companies 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 Group amounted to €7,538.4 thousand (previous year: €7,652.1 thousand), in each case based on the final age of 61. Attributable to Dr Alexander Erdland is the amount of €3,884.7 thousand (previous year: €3,447.6 thousand) and to Dr Michael Gutjahr the amount of €3,372.0 thousand (previous year: €3,361.9 thousand), as well as, based on the final age of 65, to Jens Wieland the amount of €281.7 thousand (previous year: €219.1 thousand). These benefits have to do with long-term post-employment benefits. Additions during the financial year that are attributable to the company amounted to €509.9 thousand (previous year: €2,200.6 thousand). Of these additions, attributable to Dr Alexander Erdland is the amount of €437.1 thousand (previous year: €684.2 thousand), to Dr Michael Gutjahr the amount of €10.1 thousand (previous year: €242.2 thousand) and to Jens Wieland the amount of €62.6 thousand (previous year: €128.0 thousand).

After the claims against his prior employer were offset, the pension of Dr Alexander Erdland amounted to €155.3 thousand (previous year: €128.5 thousand). The pension of Dr Michael Gutjahr amounted to €125.6 thousand (previous year: €122.6 thousand), whereby the pension is offset by occupational pension benefits against third parties.

Dr Michael 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. The share of the annual transitional allowance for Dr Michael Gutjahr that is attributable to the Group amounted to €125.6 thousand (previous year: €122.6 thousand).

Past service cost was not incurred. No benefits were promised or granted in the financial year or in the previous year by a third party to a member of the Executive Board for his work. 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 €1,662.8 thousand (previous year: €1,677.8 thousand). Of this amount, €259.8 thousand (previous year: €309.0 thousand) was attributable to survivor benefits.

A reserve in the amount of €22,172.6 thousand (previous year: €22,202.5 thousand) was created for pension commitments to former members of the Executive Board and their survivors.

There were no other encumbrances on the W&W Group 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.

The following table “Benefits granted” depicts the contractually granted benefits, ancillary benefits and the minimum and maximum remuneration that can be achieved for variable remuneration components for the 2015 reporting year 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 year” shows the amounts earned in the financial year from fixed remuneration and short-term and long-term variable remuneration.

Benefits granted

	Dr. Alexander Erdland Chairman of the Executive Board Strategy, Communication, Audit, Compliance				Dr. Michael Gutjahr Finance, Risk Management, HR				Jens Wieland IT, Operations			
			Minimum	Maximum			Minimum	Maximum			Minimum	Maximum
in € thousands	2014	2015	2015	2015	2014	2015	2015	2015	2014	2015	2015	2015
Fixed remuneration	958.4	966.2	966.2	966.2	466.0	480.0	480.0	480.0	544.0	544.0	544.0	544.0
Ancillary benefits[1]	159.6	157.9	157.9	157.9	19.7	19.3	19.3	19.3	25.1	25.1	25.1	25.1
Total	1 118.0	1 124.1	1 124.1	1 124.1	485.7	499.3	499.3	499.3	569.1	569.1	569.1	569.1
One-year variable remuneration	118.7	118.7	–	166.2	60.0	60.0	–	84.0	66.0	66.0	–	92.4
Multi-year variable remuneration	118.7	118.7	–	166.2	60.0	60.0	–	84.0	50.0	50.0	–	70.0
Financial year 2014: Average IFRS after-tax earnings of at least €100 million p.a. (financial years 2015-2017)	118.7	–	–	–	60.0	–	–	–	50.0	–	–	–
Financial year 2015: Average IFRS after-tax earnings of at least €100 million p.a. (financial years 2016-2018)	–	118.7	–	166.2	–	60.0	–	84.0	–	50.0	–	70.0
Total	1 355.4	1 361.5	1 124.1	1 456.5	605.7	619.3	499.3	667.3	685.1	685.1	569.1	731.5
Pension expenses (= service cost pursuant to IAS 19)	–	–	–	–	81.0	123.3	123.3	123.3	56.8	84.1	84.1	84.1
Total remuneration (GCGC)	1 355.4	1 361.5	1 124.1	1 456.5	686.7	742.6	622.6	790.6	741.9	769.2	653.2	815.6

1 Ancillary benefits also contain the remuneration for work as Supervisory Board members in the Group companies.

Inflow in/for the reporting year

in € thousands	Dr. Alexander Erdland Chairman of the Executive Board Strategy, Communication, Audit, Compliance 2015	2014	Dr. Michael Gutjahr Finance, Risk Management, HR 2015	2014	Jens Wieland IT, Operations 2015	2014
Fixed remuneration	966.2	958.4	480.0	466.0	544.0	544.0
Ancillary benefits[1]	157.9	159.6	19.3	19.7	25.1	25.1
Total	**1 124.1**	**1 118.0**	**499.3**	**485.7**	**569.1**	**569.1**
One-year variable remuneration	139.7	134.1	70.6	68.0	77.7	75.0
Multi-year variable remuneration	110.9	143.5	49.7	62.0	25.8	–
Financial year 2011: Average IFRS after-tax earnings of at least €100 million p.a. (financial years 2012-2014)	–	143.5	–	62.0	–	–
Financial year 2012: Average IFRS after-tax earnings of at least €100 million p.a. (financial years 2013-2015)	110.9	–	49.7	–	25.8	–
Total remuneration (Section 314 (1) no. 6 of the German Commercial Code (HGB))	**1 374.7**	**1 395.6**	**619.6**	**615.7**	**672.6**	**644.1**
Pension expenses (= service cost pursuant to IAS 19)	–	–	123.3	81.0	84.1	56.8
Total remuneration (GCGC)	**1 374.7**	**1 395.6**	**742.9**	**696.7**	**756.7**	**700.9**

1 Ancillary benefits also contain the remuneration for work as Supervisory Board members in the Group companies.

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, amounted to €25.0 thousand (previous year: €25.0 thousand) per year. Committee remuneration amounted 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 Committee and the Administration Committee. For the purposes of streamlining the work of the Supervisory Board, the Administration Committee was abolished, effective 10 June 2015. Committee remuneration was paid through such date. No committee remuneration is paid for the Nomination Committee. An attendance fee of €500 (previous year: €500) 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 2015 financial year, the company paid the members of the Supervisory Board of Wüstenrot & Württembergische AG total remuneration of €766.8 thousand (previous year: €786.5 thousand). Of this amount, further Supervisory Board mandates in the Group accounted for €107.0 thousand (previous year: €106.7 thousand). In the 2015 financial year, the company paid members of the Supervisory Board of Wüstenrot & Württembergische AG who retired during the financial year pro ratatemporis remuneration of €31.8 thousand (previous year: €11.1 thousand).

Members of the Supervisory Board are also reimbursed upon request for expenses and the value-added tax due on Supervisory Board remuneration. However, this is not included in the designated expenses.

Advances and loans to members of the Supervisory Board of Wüstenrot & Württembergische AG amounted to €314.5 thousand (previous year: €321.3 thousand). The loans were granted by Group companies. The interest rates range from 1.6% to 7.9%. Loans amounting to €14.0 thousand (previous year: €92.3 thousand) were repaid by the members of the Supervisory Board. No liabilities were entered into in favour of these persons.

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 2015

in € thousands	Base remuneration 2015	Attendance fees 2015	Committee remuneration 2015	Group 2015	Total 2015	Total 2014
Hans Dietmar Sauer (Chairman)	62.5	3.0	42.4	–	107.9	113.5
Frank Weber (Deputy Chairman)	43.8	3.0	12.0	16.0	74.8	74.8
Christian Brand	25.0	2.5	1.8	–	29.3	32.0
Peter Buschbeck	25.0	2.0	8.0	–	35.0	21.2
Wolfgang Dahlen	25.0	3.0	13.8	16.0	57.8	60.0
Thomas Eichelmann	25.0	2.5	20.0	–	47.5	41.6
Dr Reiner Hagemann	25.0	3.0	8.0	–	36.0	36.0
Ute Hobinka	25.0	3.0	9.8	3.0	40.8	43.0
Jochen Höpken	25.0	2.5	1.8	–	29.3	32.0
Uwe Ilzhöfer	25.0	3.0	8.0	26.0	62.0	61.5
Dr Wolfgang Knapp	25.0	2.5	4.0	–	31.5	31.0
Corinna Linner	13.9	1.5	–	–	15.4	–
Ruth Martin	13.9	1.5	4.5	–	19.9	–
Andreas Rothbauer	25.0	3.0	8.0	20.0	56.0	56.0
Matthias Schell	25.0	3.0	1.8	–	29.8	32.0
Christoph Seeger	25.0	3.0	8.0	26.0	62.0	61.7
Subtotal	434.1	42.0	151.9	107.0	735.0	696.3
Gunter Ernst (former)	–	–	–	–	–	11.1
Dr Rainer Hägele (former)	11.1	1.0	5.3	–	17.4	40.0
Ulrich Ruetz (former)	11.1	1.5	1.8	–	14.4	39.1
Total	**456.3**	**44.5**	**159.0**	**107.0**	**766.8**	**786.5**

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 €5,558.4 thousand (previous year: €5,440.9 thousand). Of this amount, short-term employee benefits accounted for €4,767.8 thousand (previous year: €4,750.7 thousand), post-employment benefits accounted for €357.6 thousand (previous year: €259.6 thousand), other long-term benefits accounted for €433.0 thousand (previous year: €430.6 thousand) and termination benefits accounted for € – thousand (previous year: € – thousand).

(61) Number of employees

In terms of full-time equivalents, the number of employees of the W&W Group as at 31 December 2015 was 7,331 (previous year: 7,670). As at the reporting date, the number of employees was 8,763 (previous year: 9,140).

The average headcount in the last 12 months was 8,935 (previous year: 9,325). This average is calculated as the arithmetic mean of the end-of-quarter headcounts as at the reporting date between 31 March 2015 and 31 December 2015 and during 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	2 533	2 760
Life and Health Insurance	965	968
Property/Casualty Insurance	3 813	3 936
All other segments	1 624	1 661
Total	**8 935**	**9 325**

(62) Auditor

The Supervisory Board of Wüstenrot & Württembergische AG engaged KPMG AG Wirtschaftsprüfungsgesellschaft to audit the consolidated financial statements. For services of the audit firm, €3,921 thousand (previous year: €3,875 thousand) was spent for the financial year in the W&W Group. Of this amount, audit services accounted for €2,676 thousand (previous year: €2,643 thousand), other assurance services accounted for €649 thousand (previous year: €595 thousand), tax advisory services accounted for €22 thousand (previous year: €37 thousand) and other services accounted for €574 thousand (previous year: €600 thousand).

(63) Events after the reporting date

After the reporting date, the interests in the Czech insurance subsidiaries Wüstenrot stavebni sporitelna a.s. and Wüstenrot zivotni pojist'ovna a.s. were transferred effective 4 January 2016. The sales price was in the low eight-figure range.

In connection with a stock buyback programme, 358,000 registered shares of Wüstenrot & Württembergische AG were acquired between 12 January 2016 and 9 February 2016. That corresponds to a mathematical share of 0.38% of the share capital of Wüstenrot & Württembergische AG. In all, shares were bought back for a total purchase price of €6,872,052.42 (not including transaction costs).

(64) Corporate Governance Code

The Executive Board and Supervisory Board of the publicly traded Wüstenrot & Württembergische AG, Stuttgart, Germany, submitted the statement of compliance 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 website of the W&W Group at www.wwag.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 German Electronic Federal Gazette.

List of ownership interests (required by the German Commercial Code (HGB))

The list of ownership interests of the W&W Group as at 31 December 2015 is presented below. The overview lists all companies in which more than 5% is held within the W&W Group.

Name and registered office of the company	Interest in capital, in %	Type of consolidation[1]
Wüstenrot & Württembergische AG, Stuttgart	F	V
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 Finanzanlayse GmbH, Karlsruhe	100.00	M
Karlsruher Lebensversicherung AG, Karlsruhe	92.76	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
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, Ludwigsburg2	100.00	F
W&W Produktion GmbH, Berlin	100.00	F
W&W Service GmbH, Stuttgart2	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

List of ownership interests (continued)

Name and registered office of the company	Interest in capital, in %	Type of consolidation[1]
Wohnimmobilien GmbH & Co. KG der Württembergischen, Stuttgart2	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	94.89	F
Württembergische Logistik I GmbH & Co. KG, Stuttgart	100.00	M
Württembergische Logistik II GmbH & Co. KG, Stuttgart	100.00	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
Wüstenrot Haus- und Städtebau GmbH, Ludwigsburg	100.00	F
Wüstenrot Immobilien GmbH, Ludwigsburg	100.00	M
Austria		
G6 Zeta Errichtungs- und VerwertungsGmbH & Co OG	99.90	M
Czech Republic		
WIT Services s.r.o., Prague	100.00	M
Wüstenrot hypotecni banka a.s., Prague	100.00	F
Wüstenrot pojist'ovna a.s., Prague	100.00	F
Wüstenrot service s.r.o., Prague	100.00	M
Wüstenrot stavebni sporitelna a.s., Prague	99.42	F
Wüstenrot zivotni pojist'ovna 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 i.L., Dublin	100.00	F

List of ownership interests (continued)

Name and registered office of the company	Interest in capital, in %	Type of consolidation[1]
Structured entities (consolidation mandatory)		
Germany		
Credit Suisse-WV Immofonds, Frankfurt am Main	99.36	M
LBBW-AM 15-Fonds, Stuttgart	100.00	F
LBBW-AM 203, Stuttgart	100.00	F
LBBW-AM 350 KARLSRUHER Rentenfonds, Stuttgart	100.00	M
LBBW-AM 400 KARLSRUHER Europa-Aktienfonds, Stuttgart	100.00	M
LBBW-AM 450 KARLSRUHER Welt-Aktienfonds, Stuttgart	100.00	M
LBBW-AM 567, Stuttgart	100.00	F
LBBW-AM 620 Best Season EuroInvest, Stuttgart	100.00	M
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 AROS, Stuttgart	100.00	F
LBBW-AM Covered Call USA Fonds, Stuttgart	100.00	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 RWF, Stuttgart	100.00	M
LBBW-AM Südinvest 160, Stuttgart	100.00	F
LBBW-AM Südinvest Hw Emb, Stuttgart	77.17	M
LBBW-AM USD Corporate Bond Fonds 1, Stuttgart	100.00	F
LBBW-AM USD Corporate Bond Fonds 2, Stuttgart	100.00	M
LBBW-AM USD Corporate Bond Fonds 3, Stuttgart	89.29	M
LBBW-AM WBP, 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 WWAG Corporate Bond Fonds, Stuttgart	100.00	M
W&W Sachinvest, Stuttgart	91.24	M
Ireland		
W&W Euro Corporate Bond Fund A, Dublin	84.05	M
W&W Flexible Point and Figure, Dublin	100.00	M
W&W Flexible Premium, Dublin	100.00	F

List of ownership interests (continued)

Name and registered office of the company	Interest in capital, in %	Type of consolidation[1]
W&W Flexible Premium II, Dublin	100.00	F
W&W Flexible Premium Euro, Dublin	100.00	M
W&W Global Strategies European Equity Value, Dublin	100.00	F
W&W Global Strategies South East Asian Equity Fund, Dublin	99.71	F
W&W International Global Convertibles Fonds, Dublin	96.13	F
Associates	99,59	V
Germany	96,72	V
BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart		
BWK Holding GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart		
Eschborn Grundstücksgesellschaft mbH & Co. KG, Stuttgart	35,00	E
V-Bank AG, Munich	51,00	U
Joint ventures	47,14	E
Germany		
W&W Digital GmbH, Berlin	40,00	E

1 Explanation of types of entities and consolidation:
F = Companies included in the consolidated financial statements by way of full consolidation
E = Companies included in the consolidated financial statements using the equity method
M = Not included in the consolidated financial statements due to minor significance.

2 Pursuant to Section 264 (3) of the German Commercial Code (HGB), W&W Service GmbH, Stuttgart, Germany, and W&W Informatik GmbH, Ludwigsburg, Germany, are exempt from the obligation to prepare, have audited and publish a management report in accordance with the rules applicable to corporations and limited liability companies. Pursuant to Section 264 b HGB, Wohnimmobilien GmbH & Co. KG der Württembergischen, Stuttgart, Germany, is exempt from the obligation to prepare, have audited and publish a management report in accordance with the rules applicable to corporations and limited liability companies.

List of ownership interests (continued)

Name and registered office of the company	Interest in capital, in %
Other investments of more than 5% and less than 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 i.L., Munich	9.95
IVZ Immobilien Verwaltungs GmbH & Co. Finanzanlagen KG, Munich	10.00
IVZ Immobilien Verwaltungs GmbH & Co. Südeuropa KG, Munich	10.00
Odewald & Compagnie GmbH & Co. KG für Vermögensanlagen in Portfoliounternehmen, Berlin	13.52
VV Immobilien GmbH & Co. United States KG, Munich	9.98
Hungary	
Fundamenta-Lakaskassza-Lakastakarekpenztar Zrt., Budapest	11.47
Ireland	
Crown Global Secondaries II plc, Dublin	7.22
White Oak Summit Fund, ILP, Dublin	15.66
Luxembourg	
DB Secondary Opportunities SICAV-SIF - Sub Fund DB SOF II Feeder USD, Luxembourg	16.79
First State European Diversified Infrastructure Feeder Fund II SCA, SICAV-SIF, Luxembourg	17.71
United Kingdom	
ASF VI Infrastructure L.P., Edinburgh	6.40
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
United States	
ISQ Global Infrastructure Fund (EU), L.P.	5.19

List of ownership interests (continued)

Name and registered office of the company	Interest in capital, in %	Currency	Reporting date	Equity[1]	After-tax earnings[1]
Other investments[3] of 20% or more					
Germany					
Adveq Opportunity II Zweite GmbH, Frankfurt am Main	29.31	€	31.12.2014	27 840 370	3 236 550
DBAG Fund VI Feeder GmbH & Co. KG, Frankfurt am Main	30.71	€	31.12.2014	29 458 132	–7 693
Europroperty, Wiesbaden	21.90	€	30.9.2015	129 649 625	–2 266 336
Onshore Wind Portfolio 2012 GmbH & Co. KG, Frankfurt am Main	20.72	€	31.8.2015	118 617 328	5 345 708
PWR Holding GmbH, Munich	33.33	€	31.12.2014	92 664	5 853
RP Global Diversified Portfolio I, Frankfurt am Main	84.88	€	31.12.2014	9 584 790	17 637
RP Global Diversified Portfolio III, Frankfurt am Main	66.74	€	31.12.2014	13 881 292	775 153
VC Fonds Baden-Württemberg GmbH & Co. KG, Stuttgart	25.00	€	31.12.2014	34 793	0
VV Immobilien GmbH & Co. US City KG, Munich	23.10	€	31.12.2014	9 489	6 133 511
W&W Europa-Fonds, Stuttgart	40.23	€	31.1.2014	21 371 437	1 677 012
W&W Internationaler Rentenfonds BWI, Stuttgart	80.07	€	31.1.2014	88 883 913	1 997 805
W&W Quality Select Aktien Europa, Stuttgart	28.84	€	31.1.2014	25 912 056	2 896 504
W&W VERMOEGENSVERWALTENDE STRATEGIE, Stuttgart	55.08	€	28.2.2014	25 734 808	15 234
Ireland					
BlackRock NTR Renewable Power Fund plc, Dublin	89.55	US$[2]	31.12.2014	23 314 000	477 000
Luxembourg					
Idinvest Lux Fund, SICAV-SIF SCA – Idinvest Private Debt III, Luxembourg	25.68		New investment 18 March 2015		
IKAV SICAV-FIS SCA - ecoprime TK I, Luxembourg	41.28	€	30.9.2014	48 559 124	2 267 608
IKAV SICAV-FIS SCA - Global Energy (Ecoprime III), Luxembourg	45.36	€	30.9.2014	70 406 433	4 751 100
IKAV SICAV-FIS SCA - Global PV Investments, Luxembourg	46.25	€	30.9.2014	49 356 141	2 765 566
Secondary Oppurtunities SICAV-SIF - Sub-fund SOF III Feeder USD, Luxembourg	35.48	US$2	31.12.2014	4 332 227	1 232 227
StepStone European Fund SCS, SICAV-FIS – StepStone Capital Partners III, Luxembourg	27.56		New investment 17 August 2015		
United Kingdom					
Capital Dynamics Clean Energy and Infrastructure Feeder L.P., Edinburgh	28.24	US$2	31.12.2014	151 134 670	–570
Capital Dynamics US Solar Energy Feeder, L.P., Edinburgh	62.69	US$2	31.12.2014	3 188 376	10 863 056
HgCapital Renewable Power Partners 2 LP, London	29.53	€	31.12.2014	36 340 392	–3 241 118
Project Glow Co-Investment Fund, L.P., Grand Cayman	51.72	CA$4	31.12.2014	26 006 242	–914 512
United States					
Project Finale Co-Investment Fund Holding, LLC, Wilmington	30.00		New investment 19 March 2015		

1 The figures relate to the most recent annual financial statements available on the reporting date.
2 US$/ € - Rate on 31 December 2015: 1,.088700 / 1.0000.
3 The investments listed below involve structured entities.
4 CA$/ € - Rate on 31 December 2015: 1.511600 / 1.0000.

Appendix to the notes to the consolidated financial statements

Country-by-country reporting (Section 26a of the German Banking Act (KWG))

The requirements set forth in Article 89 of Directive 2013/36/EU on country-by-country reporting were implemented in German law by way of 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 business is made according to the definitions in Section 1 KWG, and the allocation of the geographic location is made on the basis of the registered office. The legally independent branch in Luxembourg is presented separately.

Included companies

	Type of business	Registered office/city	Country
Wüstenrot Bausparkasse AG	Credit institution	Ludwigsburg	Germany
Wüstenrot Bank AG Pfandbriefbank	Credit institution	Ludwigsburg	Germany
W&W Asset Management GmbH	Financial services 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 company	Stuttgart	Germany
W&W Gesellschaft für Finanzbeteiligungen mbH	Financial company	Stuttgart	Germany
Wüstenrot Holding AG	Financial company	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, Luxembourg branch establishment	Credit institution	Munsbach	Luxembourg

Presented as revenue are the earnings before income taxes from continued operations without impairments, administrative expenses and other operating expenses. The number of recipients of wages and salaries in full-time equivalents was determined in accordance with Section 267 (5) of the German Commercial Code (HGB). Apart from current taxes under national tax rules, taxes on profit or loss also contain deferred taxes. Deferred taxes are recognised in the amount of the expected refund from or payment to the relevant tax authorities. Deferred taxes are calculated at the respective country-specific tax rates.

Country-specific disclosures for 2015

		Germany	Czech Republic	Luxembourg
Revenue	in € thousands	830 752	48 668	2 611
Recipients of wages and salaries in full-time equivalents	Number	4 136	326	7
Profit/loss before taxes	in € thousands	171 657	16 719	–1 510
Taxes on profit/loss	in € thousands	–15 361	–3 173	–584
Public subsidies received	in € thousands	–	–	–

Country-specific disclosures for 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 subsidies received	in € thousands	–	–	–

Responsibility statement

To the best of our knowledge, and in accordance with applicable accounting principles, the consolidated annual financial statements present a true and accurate view of the Group's net assets, financial position and financial performance, and the Group Management Report provides a true and accurate 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, 25 February 2016

Dr. Alexander Erdland

Dr. Michael Gutjahr

Jens Wieland

Auditor‘s report

We have audited the consolidated annual financial statements prepared by Wüstenrot & Württembergische AG, Stuttgart, Germany, 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 annual financial statements, together with the company management report and the Group Management Report for the financial year 1 January to 31 December 2015. The preparation of the consolidated annual financial statements and the Group Management Report in accordance with the IFRSs applicable in the EU, with the additional commercial provisions applicable pursuant to Section 315a (1) of the German Commercial Code (HGB) and with the supplementary provisions in the Articles of Association is the responsibility of company management. Our responsibility is to express an opinion on the consolidated annual financial statements and the Group Management Report based on our audit.

We conducted our audit of the consolidated annual financial statements in accordance with Section 317 HGB and generally accepted German standards for the auditing of annual financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit in such a way that any misstatements materially affecting the presentation of net assets, financial position and financial performance in the consolidated annual financial statements in accordance with the applicable accounting rules, as well as in the Group Management Report, are detected with reasonable assurance. Knowledge of the business operations 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. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated annual financial statements and the Group Management Report are examined primarily on the basis of random spot checks within the framework of the audit. The audit includes assessing the annual financial statements of the entities included in the consolidated annual financial statements, the determination of which entities were included in the scope of consolidation, the accounting and consolidation principles applied and the material estimates made by company management, as well as evaluating the overall presentation of the consolidated annual financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated annual financial statements comply with the IFRSs applicable in the EU, with the additional commercial provisions applicable pursuant to Section 315a (1) HGB and with 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 Group in accordance with these provisions. The Group Management Report is consistent with the consolidated annual financial statements and as a whole presents a true and accurate view of the Group's position and the opportunities and risks of future development.

Stuttgart, 9 March 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Ellenbürger
Wirtschaftsprüfer
(German public auditor)

Dr Hasenburg
Wirtschaftsprüfer
(German public auditor)

Financial Statements of W&W AG (German Commercial Code)

Balance Sheet W&W AG HGB

Assets

in € thousands	31.12.2015	31.12.2015	31.12.2015	31.12.2014
A. Capital investments				
I. Land, land-type rights and buildings, including buildings on third-party land		84 744		76 705
II. Capital investments in affiliated companies and participations				
1. Interests in affiliated companies	1 710 058			1 586 087
2. Loans to affiliated companies	354 942			167 550
3. Participations	40 422			29 651
4. Loans to companies in which an investment is maintained	6 500			—
		2 111 922		1 783 288
III. Other capital investments				
1. Shares, interests or shares in investment assets and other variable-yield securities	472 332			541 445
2. Bearer bonds and other fixed-income securities	79 072			85 486
3. Other loans	359 376			442 696
4. Deposits with credit institutions	77 439			128 704
thereof with affiliated companies €77 439 thousand (previous year: €128704 thousand)				
5. Other capital investments	87			87
		988 306		1 198 418
IV. Receivables from deposits with ceding companies		36 404		36 890
			3 221 376	3 095 301
B. Receivables				
I. Amounts receivable on reinsurance business		30 179		45 383
thereof from affiliated companies € – thousand (previous year: € — thousand)				
II. Other receivables		142 589		137 203
thereof from affiliated companies €116 312 thousand (previous year: €122 403 thousand)			172 768	182 586
Carryover			**3 394 144**	**3 277 887**

Assets

in € thousands	31.12.2015	31.12.2015	31.12.2015	31.12.2014
Carryover			3 394 144	3 277 887
C. Other assets				
I. Property, plant and equipment and inventories		154		159
II. Current accounts with banks, cheques and cash		3 055		3 237
thereof with affiliated companies €836 thousand (previous year: €2 181 thousand)			3 209	3 396
D. Deferred assets				
I. Deferred interest and rental income		9 774		11 394
II. Other deferred assets		439		717
			10 213	12 111
E. Excess of plan assets over pension liabilities			352	304
Total Assets			3 407 918	3 293 698

Balance Sheet W&W AG HGB

Liabilities

in € thousands	31.12.2015	31.12.2015	31.12.2015	31.12.2014
A. Equity				
I. Share capital		490 311		490 311
II. Capital reserve		997 765		997 765
III. Retained earnings				
Other retained earnings	360 577			351 577
		360 577		351 577
IV. Unappropriated surplus		61 546		56 883
			1 910 199	1 896 536
B. Technical provisions				
I. Provision for unearned premiums				
1. Gross amount	20 140			20 576
2. Thereof to: the portion for ceded reinsurance business	2 093			2 182
		18 047		18 394
II. Provision for future policy benefits				
1. Gross amount	33 538			34 116
		33 538		34 116
III. Provision for outstanding insurance claims				
1. Gross amount	490 680			487 959
2. Thereof to: the portion for ceded reinsurance business	115 286			122 215
		375 394		365 744
IV. Claims equalisation provision and similar provisions		58 433		51 297
V. Other technical provisions				
1. Gross amount	5 635			5 429
2. Thereof to: the portion for ceded reinsurance business	962			814
		4 673		4 615
			490 085	474 166
Carryover			**2 400 284**	**2 370 702**

Liabilities

in € thousands	31.12.2015	31.12.2015	31.12.2015	31.12.2014
Carryover			**2 400 284**	**2 370 702**
C. Other provisions				
I. Provisions for pensions and similar obligations		780 421		690 062
II. Tax provisions		64 220		74 235
III. Other provisions		18 296		19 266
			862 937	783 563
D. Deposits retained from ceded reinsurance business			18 730	18 635
E. Other liabilities				
I. Accounts payable on reinsurance business		35 886		28 624
thereof to affiliated companies €27 760 thousand (previous year: €18 091 thousand)				
II. Sundry liabilities		90 018		92 100
thereof from taxes €– thousand (previous year: €2 164 thousand) thereof to affiliated companies €88 977 thousand (previous year: €88 320 thousand)			125 904	120 724
F. Deferred liabilities			63	74
Total Liabilities			**3 407 918**	**3 293 698**

INCOME STATEMENT W&W AG HGB

in € thousands	1.1.2015 bis 31.12.2015	1.1.2015 bis 31.12.2015	1.1.2015 bis 31.12.2015	1.1.2014 bis 31.12.2014
I. Technical account				
1. Premiums earned for own account				
a) Gross premiums written	318 777			308 767
b) Paid einsurance premiums	74 541			73 659
		244 236		235 108
c) Change in the gross provision for unearned premiums	437			– 124
d) Change in the reinsurers' portion of the gross provision for unearned premiums	– 89			343
		348		219
			244 584	235 327
2. Allocated investment return transferred from the non-technical account, net of reinsurance			1 153	1 092
3. Other technical incomes for own account			484	441
4. Expenses for insurance claims for own account				
a) Payments for insurance claims				
aa) Gross amount	212 873			277 567
bb) Reinsurers' portion	52 472			123 204
		160 401		154 363
b) Change in the provision for outstanding insurance claims				
aa) Gross amount	– 1 615			– 73 566
bb) Reinsurers' portion	– 7 443			– 79 256
		5 828		5 690
			166 229	160 053
5. Change in other net technical provisions				
a) Net provision for future policy benefits		577		598
b) Sundry net technical provisions		– 58		– 435
			519	163
6. Expenses for insurance business for own account				
a) Gross expenses for insurance business		99 804		87 855
b) Thereof less: received commissions and profit participations from ceded reinsurance business		17 553		14 723
			82 251	73 132
7. Other technical expenses for own account			1 207	1 150
8. Subtotal			**– 2 947**	**2 688**
9. Change in the claims equalisation provision and similar provisions			– 7 136	– 5 741
10. Net technical loss for own account			– 10 083	– 3 053
Carryover			**– 10 083**	**– 3 053**

in € thousands	1.1.2015 bis 31.12.2015	1.1.2015 bis 31.12.2015	1.1.2015 bis 31.12.2015	1.1.2014 bis 31.12.2014
Carryover			**– 10 083**	**– 3 053**
II. Non-technical account				
1. Income from capital investments				
a) Income from participations	6 904			10 985
thereof from affiliated companies €3 718 thousand (previous year: €8 268 thousand)				
b) Income from other capital investments	39 801			41 349
thereof from affiliated companies €11 089 thousand (previous year: €12 019 thousand)				
c) Income from write-ups	7 843			15 721
d) Gains from the disposal of capital investments	15 832			5 553
e) Income from profit pools, profit transfer agreements and partial profit transfer agreements	106 693			90 565
		177 073		164 173
2. Expenses for capital investments				
a) Capital investment management expenses, interest expenses and other expenses for capital investments	3 479			4 077
b) Depreciations on capital investments	10 361			4 849
c) Losses from the disposal of capital investments	3 132			9
d) Expenses from loss assumption	922			6 685
		17 894		15 620
		159 179		148 553
3. Income from technical interest		– 1 167		– 1 191
			158,012	147 362
4. Income from technical interest		71 748		87 115
5. Income from technical interest		144 832		146 159
			– 73,084	– 59 044
6. Net income from normal business activities			74 845	85 265
7. Extraordinary expenses		5 548		1 849
8. Net extraordinary result			– 5,548	– 1 849
9. Income taxes		8 902		27 382
10. Other taxes		– 143		—
			8 759	27 382
11. Annual Profit			**60 538**	**56 034**
12. Retained earnings carried forward from the previous year			1 008	849
13. Allocation to retained earnings				
d) Other retained earnings			–	—
14. Other retained earnings			**61 546**	**56 883**

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 old version) and the German Regulation on the Accounting of Insurance Undertakings (Rech-VersV).

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 cost less scheduled straight-line depreciation or at fair value, whichever is lower. Unscheduled depreciations 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 depreciated cost.

All depreciations on land relate to investment assets.

Interests in affiliated companies

Interests in affiliated companies are measured at cost. Pursuant to Section 341b (1) of the German Commercial Code (HGB) in conjunction with Section 253 (3) sentence 3 HGB, unscheduled depreciations 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 receivable. For recognition and measurement, please see the comments on the items below.

Investments

Investments are measured at cost. Pursuant to Section 341b (1) of the German Commercial Code (HGB) in conjunction with Section 253 (3) sentence 3 HGB, unscheduled depreciations 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.

Shares, interests or shares in investment assets and other variable-yield securities

Pursuant to Section 341b (2) of the German Commercial Code (HGB) in conjunction with Section 253 (4) HGB, interests or shares in investment assets are recognised at average cost less unscheduled depreciations according to the strict 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.

Interests or shares in investment assets are generally measured at their redemption price. Where the moderate lower-value principle is applied, fair value is determined on the basis of a generally recognised method that is based on the fair value of the individual assets in the investment assets.

Bearer bonds and other fixed-income securities

Pursuant to Section 341b (2) of the German Commercial Code (HGB) in conjunction with Section 253 (4) HGB, bearer bonds and other fixed-income securities are recognised at a security's average cost less unscheduled depreciations according to the strict lower-value principle and are measured taking into account the requirement to reverse impairment losses.

Other loans

The item ”Other loans“ contains registered bonds, promissory notes, loans receivable and miscellaneous loans. These receivables are measured according to the rules applicable to investment assets.

In departure from this, pursuant to Section 341c (1) of the German Commercial Code (HGB), registered bonds are recognised at their nominal value less repayments made. Premiums and discounts are spread linearly over the term.

Pursuant to Section 341c (3) of the German Commercial Code (HGB), promissory notes, loans receivable and miscellaneous loans are measured at amortised cost by spreading the difference between cost and the repayment amount over the remaining term using the effective interest method.

Registered profit participation certificates included under ”Miscellaneous loans“ are measured at cost less impairment.

In order to determine whether registered bonds, promissory notes, or loans receivable are permanently impaired, ratings analyses are performed for issuers whose rating has deteriorated by two or more notches or whose securities are over-valued by at least 10%. If on the basis of the ratings analyses it can no longer be expected that the securities will be repaid in conformity with the contract, they are written down to the lower fair value. In addition, collective impairments are taken for registered bonds on a portfolio basis in accordance with experience in recent years.

Deposits with credit institutions and other investments

Deposits with credit institutions and other investments are recognised at nominal value.

Other assets

Interest and rental income arrearages included under ”Other receivables“ are recognised at nominal value.

Property, plant and equipment are measured at cost less straight-line depreciation over their normal useful life. Assets with a net cost of up to €150 are depreciated in full in the year of acquisition. In accordance with tax rules, assets 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.

The excess of plan assets over pension liabilities relates to a surplus that results from the offsetting 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 (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 (4) sentence 4 HGB.

No use was made of the option to recognise deferred tax assets on the basis of the tax relief resulting under Section 274 (1) sentence 2 of the German Commercial Code (HGB).

Funds withheld by ceding companies and amounts receivable on reinsurance business

Funds withheld by ceding companies and amounts receivable on reinsurance business are generally recognised at nominal value. In addition, amounts receivable on reinsurance business include receivables that were measured using the default probability of the S&P rating model and for which collective impairments are taken.

We recognise the default risk of reinsurers by taking a collective impairment for amounts receivable on reinsurance business and by deducting on the liabilities side the part that relates to the reinsurers‘ portions of technical provisions for insurance claims.

Reversals of impairment losses

For assets that were written down in prior years to a lower fair value, the impairment loss must be reversed if the reasons for taking the impairment no longer exist. In conformity with the principles in Secion 253 (5) of the German Commercial Code (HGB), impairment losses are reversed to a maximum of amortised cost.

Derivatives

Currency forwards are concluded in order to economically hedge German covered mortgage bonds and bearer bonds. Their measurement occurs on a business-by-business basis. Provisions are created for contingent losses from these transactions.

Acquired option rights are measured at cost in the amount of the option premium less depreciations 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. The risk of excess liability under written options is accounted for by creating provisions for impending losses.

Determination of fair value

The fair value of land, land-type rights and buildings, including buildings on third-party land, is continuously verified using the discounted cash flow method.

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 or liquidation value.

Recognised as the fair value of other 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.

Interests or shares in investment assets are recognised at their most recently available redemption price.

Measurement methods for liabilities

Technical provisions

The provision for unearned premiums in assumed business is recognised according to the information provided by the prior insurers and in compliance with supervisory rules.

The provision for future policy benefits for casualty insurance policies that provide for premium refunds and for life insurance business is created pursuant to the information provided by the prior insurers.

Provisions for outstanding insurance claims for assumed business are 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 provisions for nuclear installation risks and for major pharmaceutical risks arising under product liability insurance are created in accordance with Section 30 of the German Regulation on the Accounting of Insurance Undertakings (RechVersV).

Other technical provisions are 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 is calculated in accordance with the contractual agreements.

Provisions for pensions and similar obligations

In accordance with the German Accounting Law Modernisation Act (BilMoG), the provisions for pensions and similar obligations are determined in the amount needed to satisfy the obligations using the projected unit credit method on the basis of the Heubeck mortality tables 2005 G and employing an interest rate of 3.89% (previous year: 4.55%), 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 between pensions and similar obligations as at 1 January 2010 as determined under the old HGB calculation and those determined 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 €66.7 million.

In connection with required netting, pledged reinsurance policies (€4.3 million; previous year: €4.0 million) were taken into account at fair value. This is composed of the coverage capital plus surplus participation.

Tax provisions and miscellaneous provisions

Miscellaneous provisions and tax provisions are recognised in the amount needed to satisfy the obligations. In accordance with Section 253 (1) sentence 2 of the German Commercial Code (HGB), provisions with a term of longer than one year are generally determined in the amount needed to satisfy the obligations, taking into account future price and cost increases. Price and cost increases are in line with the inflation rate and are taken into account over the respective term of the provision at rates of 1-2%. The rate used to discount tax provisions and miscellaneous 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. Results from discounting and compounding, from changes in the discount rate, and from the interest rate effects of a changed estimate of remaining maturity are recognised as interest income or interest expenses under "Other income" or "Other expenses", as the case may be. Tax interest accrued as at the reporting date is recognised under "Miscellaneous provisions".

Provisions for phased-in early retirement, social affairs and long-term service emoluments

A provision is created for the legal obligations under phased-in early retirement contracts existing on the reporting date, 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). In addition, a salary trend of 2.50% p.a. is taken into account during measurement. 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.

In accordance with Section 253 (1) sentence 2 of the German Commercial Code (HGB), the provisions for social affairs and for long-term service emoluments are determined in the required satisfaction amount by applying the Heubeck mortality tables 2005 G and an interest rate of 2.94% under the projected benefit obligation method. Fluctuation and future salary increases are 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

All business transactions are recognised in their original currency and translated into euros at the ECB's average spot exchange rate in effect on the relevant date.

We translate items associated with foreign insurance business at the ECB's average spot exchange rate in effect on the reporting date. The corresponding income and expenses are recognised in the income statement at the relevant ECB average spot exchange rate in effect on the settlement date.

We generally measure investments denominated in foreign currency according to the rules of individual measurement in line with the lower-value principle. They are subsequently measured at the ECB's average spot exchange rate. We comply in economic terms with the principle of congruent coverage per currency.

Bank balances denominated in foreign currencies are measured at the ECB's average spot exchange rate in effect on the reporting date.

Pursuant to Section 256a of the German Commercial Code (HGB), translation gains and losses are recognised in the income statement where the remaining maturities are one year or less.

Currency gains and losses from underwriting are recognised in the general section of the income statement under "Other income" or "Other expenses", as the case may be.

Exchange rate gains on investments in foreign currency are recognised under "Income from write-ups" and "Gains from the disposal of investments", while the corresponding losses are recognised under "Depreciations on investments" and "Losses from the disposal of investments".

Currency exchange rate gains and losses from current bank account balances denominated in foreign currency are recognised under "Other income" and "Other expenses".

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. Business assumed by affiliated companies is recognised in the reporting year. As a result of later recording, premium income for 2014 in the amount of €7.3 million (previous year: €7.6 million) was recognised in the 2015 reporting year.

Notes concerning assets

A. Investments

The change in investments is depicted in the table ”Individual disclosures concerning assets“. The rate gains resulting from currency translation are listed at €1.1 million (previous year: €3.6 million) under ”Write-ups“. 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 consisted of four (previous year: four) properties with a carrying amount of €84.7 million (previous year: €76.7 million). No properties were acquired or sold during the reporting year.

One asset under construction has been in the portfolio since 2014.

II. 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 ownership interests“. The list sets forth all companies in which W&W AG owns more than 5% of the interests.

III. Other investments

1. Shares, interests or shares in investment assets and other variable-yield securities

in € thousands	2015	2014
Interests or shares in investment assets	472 332	541 445
Total	**472 332**	**541 445**

3. Other loans

in € thousands	2015	2014
Registered bonds	174 430	189 393
Promissory notes and loans receivable	184 946	238 303
Miscellaneous loans	—	15 000
Total	**359 376**	**442 696**

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 €77.4 million (previous year: €128.7 million) invested in affiliated companies.

Fair value of investments

Valuation reserves

in € thousands	Carrying amount 2015	Fair value 2015	Valuation reserves[1] 2015	Carrying amount 2014	Fair value 2014	Valuation reserves[1] 2014
Land, land-type rights and buildings, including buildings on third-party land	84 744	86 243	1 499	76 705	78 123	1 418
Interests in affiliated companies	1 710 058	2 722 700	1 012 642	1 586 087	2 650 240	1 064 153
Loans to affiliated companies	354 942	364 556	9 614	167 550	177 624	10 074
Participations	40 422	58 654	18 232	29 651	46 788	17 137
Loans to companies in which an investment is maintained	6 500	6 613	113	–	–	–
Shares, interests or shares in investment assets and other variable-yield securities	472 332	512 846	40 514	541 445	598 467	57 022
Bearer bonds and other fixed-income securities	79 072	82 985	3 913	85 486	88 907	3 421
Registered bonds	174 430	194 496	20 066	189 393	214 551	25 158
Promissory notes and loans receivable	184 946	200 952	16 006	238 303	261 625	23 322
Miscellaneous loans	–	–	–	15 000	15 268	268
Deposits with credit institutions	77 439	77 450	11	128 704	128 733	29
Other investments	87	87	–	87	87	–
Deposits from reinsurance accepted	36 404	36 404	–	36 890	36 890	–
Total	**3 221 376**	**4 343 986**	**1 122 610**	**3 095 301**	**4 297 303**	**1 202 002**
Carrying amount of all investments, in %			34.85			38.83

1 Net perspective, balance of valuation reserves and hidden liabilities.

Disclosures pursuant to Section 285, no. 18 of the German Commercial Code (HGB) concerning 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 €102,000,000 are €37,463 below the carrying amount. No depreciations were carried out, since these facts and circumstances are not occasioned by creditworthiness. We expect to receive interest and amortisation payments as planned.

Disclosures concerning derivative financial instruments not recognised at fair value

Derivative financial instrument/grouping	Type	Nominal value	Fair value	Measurement method applied	Carrying amount and item[1]
		in € thousands	in € thousands		in € thousands
Interest-rate-related transactions	Cap/floor	153 000		Discounted cash flow method	– 300
Currency-related transactions	Currency forwards	96 371	460	Discounted cash flow method	– 109

1 The carrying amounts for interest-rate-related transactions and for currency-related foreign-exchange forwards are contained in part in the liabilities item E II. ("Miscellaneous liabilities") and in part in item C III. ("Miscellaneous provisions"). Negative items correspond to the loss provision created.

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 asset 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 results from the creation of a loss provision.

Disclosures pursuant to Section 285, no. 26 of the German Commercial Code (HGB)

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%)	302 743	282 534	20 209	10 000
LBBW AM-EMB3	Pension fund	60 619	49 004	11 615	–
LBBW AM Cove. Call USA Fund	Equity fund	18 694	15 887	2 807	338
LBBW AM-W&W AG Corporate Bonds Fonds	Pension fund	52 143	47 500	4 643	–
LBBW AM-USD Corporate Bond Fonds 3	Pension fund	16 641	16 641	–	587
W&W Flexible Point & Figure	Mixed fund (up to 70%)	38 553	38 553	–	–
W&W Flexible Premium II Fund B	Mixed fund (up to 70%)	23 241	22 000	1 241	–

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 €6.8 million (previous year: €29.2 million), the receivables recognised here were essentially receivables from profit and loss transfer agreements in the amount of €106.7 million (previous year: €90.6 million) and from tax refund claims in the amount of €25.6 million (previous year: €13.9 million).

D. Deferred assets

II. Other deferred assets

This essentially includes premiums from the acquisition of registered bonds in the amount of €0.4 million (previous year: €0.6 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 offsetting pursuant to Section 246 (2) sentence 4 of the German Commercial Code (HGB) of claims under reinsurance policies in the amount of €1,307 thousand (previous year: €1,188 thousand) with partial amounts of the phased-in early retirement provisions for satisfaction arrearages in the amount of €955 thousand (previous year: €884 thousand) resulted in an excess of €351 thousand (previous year: €304 thousand).

Notes concerning liabilities

A. Equity

I. Share capital

The share capital of €490.3 million (previous year: €490.3 million) is divided into €93,749,720 (previous year: €93,749,720) registered fully paid up shares.

II. Capital reserve

As at the reporting date, the capital reserve amounted to €997.8 million (previous year: €997.8 million). It relates to the premium from the capital contribution.

III. Retained earnings

Retained earnings increased from €351.6 million to €360.6 million as a result of the resolution adopted by the Annual General Meeting to allocate €9.0 million from the 2014 unappropriated surplus.

In 2010, pursuant to Section 67 (1) sentence 3 of the Introductory Act to the German Commercial Code (EGHGB), €82.00 thousand was allocated to retained earnings from the release of provisions.

IV. Unappropriated surplus

The unappropriated surplus amounted to €61.5 million (previous year: €56.9 million). This includes retained earnings in the amount of €1.0 million (previous year: €0.8 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, the pension provisions 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 amounted to €780.4 million (previous year: €690.1 million). This amount includes the netting of the asset value from reinsurance policies in the amount of €4.3 million (previous year: €4.0 million).

III. Miscellaneous provisions

in € thousands	31.12.2015	31.12.2014
Phased-in early retirement	1 047	808
Expenses for the annual financial statements	1 515	1 890
Holiday obligations and flex-time credits	2 032	2 022
Bonuses and performance incentives	4 730	4 987
Expenses for land development costs	89	628
Expenses for omitted land maintenance	—	58
Employee long-service obligations	250	242
Interest expense under Section 233a of the German Fiscal Code (AO)	5 625	5 800
Contributions to the employers' liability insurance scheme, compensatory levy for disabled persons, etc.	3 007	2 831
Total	**18 295**	**19 266**

”Miscellaneous provisions“ also include 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 offset are handled in an analogous manner. Pledged reinsurance policies are taken into account at their 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“ was as follows:

in € thousands	31.12.2015	31.12.2014
Amount needed to satisfy vested claims	2 003	1 691
thereof capable of being netted with the coverage capital of reinsurance[1]	955	884
Carrying amount	**1 048**	**807**

1 The fair value of the coverage capital corresponds to cost.

D. Deposits retained from ceded reinsurance business

Retained deposits have an indefinite term. Depending on individual trends in claims and the conditions on the capital market, the term may be longer than five years.

E. Other liabilities

III. Miscellaneous liabilities

There are liabilities to affiliated companies in the amount of €89.0 million (previous year: €88.3 million), trade payables in the amount of €0.2 million (previous year: €0.3 million), liabilities for value-added taxes in the amount of € – million (previous year: €2.2 million) and liabilities for severance payments in the amount of €0.3 million (previous year: €0.7 million).

All liabilities have a remaining maturity of less than 12 months.

F. Deferred liabilities

This solely 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. Technical interest income for own account

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 €10.2 million (previous year: €10.4 million) resulted from the settlement

of the provision for outstanding insurance claims that was assumed from the previous financial year. These mainly came from the business lines motor (€5.2 million), fire (€4.2 million) and casualty (€1.9 million).

6. Expenses for insurance operations for own account

Gross expenses for insurance operations amounted to €99.8 million (previous year: €87.9 million), of which €99.1 million (previous year: €87.1 million) was attributable to acquisition costs and €0.7 million (previous year: €0.8 million) to general administrative expenses.

II. Non-technical account

1. Income from capital investments

b) Income from other capital investments

in € thousands	2015	2014
Land, land-type rights and buildings, including buildings on third-party land	7 971	7 984
Other capital investments	31 830	33 365
Total	**39 801**	**41 349**

c) Income from write-ups

Income from write-ups includes exchange rate gains of €478 thousand (previous year: €15 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	2015	2014
Land, land-type rights and buildings, including buildings on third-party land	4	—
Affiliated companies and loans to affiliated companies	10	—
Loans to affiliated companies	3 500	5 256
Participations	6 979	—
Shares, interests or shares in investment assets and other variable-yield securities	3 352	—
Bearer bonds and other fixed-income securities1	375	297
Other loans	1 163	—
Deposits with credit institutions	449	—
Total	**15 832**	**5 553**

1 Thereof exchange rate gains of € – thousand (previous year: €5 thousand).

2. Expenses for capital investments

b) Depreciations on capital investments

Under this item, €0.5 million (previous year: €1.4 million) was attributable to depreciations pursuant to Section 253 (3) sentence 3 of the German Commercial Code (HGB), thereof €0.5 million (previous year: €1.4 million) to affiliated companies. Expenses for depreciations include exchange rate losses of €18 thousand (previous year: €6 thousand).

c) Losses from the disposal of capital investments

in € thousands	2015	2014
Affiliated companies	155	—
Participations	40	—
Shares and variable-yield securities	1 591	—
Bearer bonds and fixed-income securities	594	9
Deposits with credit institutions	752	—
Total	**3 132**	**9**

4. Other income

This item includes service income in the amount of €59.7 million (previous year: €66.8 million), income from the release of provisions created in previous years in the amount of €1.5 million (previous year: €6.0 million), exchange rate gains in the amount of €3.8 million (previous year: €5.9 million) and interest income in the amount of €2.5 million (previous year: €6.6 million).

5. Other expenses

General administrative expenses constituted the largest item, coming in at €96.8 million (previous year: €104.1 million). It includes expenses for performed services in the amount of €59.7 million (previous year: €66.8 million). Other material items are expenses for pensions and support in the amount of €17.7 million (previous year: €17.8 million), interest expenses in the amount of €24.5 million (previous year: €16.6 million), exchange rate losses in the amount of €5.0 million (previous year: €5.3 million) and expenses for the creation of provisions in the amount of €0.5 million (previous year: €0.5 million). Interest expenses primarily relate to interest expenses for the financial year from pension provisions in the amount of €20.6 million (previous year: €15.5 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 €18 thousand (previous year: €20 thousand) were offset against each other pursuant to Section 246 (2) sentence 2 of the German Commercial Code (HGB).

8. Extraordinary expenses

As a result of the changes stemming from the German Accounting Law Modernisation Act (BilMoG) effective 1 January 2010, the following amounts for W&W-related employees are recognised under "Extraordinary expenses":

in € thousands	2015	2014
3/15 addition to the provision for pensions and similar obligations (previous year: 1/15)	5 548	1 849
Total	**5 548**	**1 849**

10. Income taxes

The tax expense in the amount of €8.9 million consists of current taxes for the financial year of €32.2 million (previous year: €27.4 million) and tax refunds of €23.3 million (previous year: €0.4 million) from the settlement of tax assessments for prior years.

The carrying amounts for land, land-type rights and buildings, which differ from one another under commercial law and tax law accounting rules, resulted in deferred tax liabilities, which were offset, i.e. netted, in particular against 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, then in exercise of the option in Section 274 (1) sentence 2 of the German Commercial Code (HGB), the deferred tax assets were not capitalised.

Other mandatory disclosures

Mandate

Memberships on supervisory boards required to be created by statute, as well as on 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 on 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

Christian Brand

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

b) Landesbank Baden-Württemberg, Stuttgart (Chairman)
Schwäbische Hüttenwerke Automotive GmbH, Wasseralfingen
Wüstenrot Holding AG, Ludwigsburg
SHW AG, Aalen

Peter Buschbeck

Member of the Executive Board
UniCredit Bank AG

b) Bankhaus Neelmeyer AG, Bremen (Chairman)
WealthCap Kapitalverwaltungsgesellschaft mbH, Munich (Chairman)

c) Wealth Management Capital Holding GmbH, Munich (Chairman)

Wolfgang Dahlen[1]

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

a) Württembergische Versicherung AG, Stuttgart

1 Employee representatives.

Thomas Eichelmann
Managing Director
Aton GmbH

b) V-Bank AG, Munich (Deputy Chairman)
EDAG Engineering GmbH, Wiesbaden (Chairman)
EDAG Engineering Holding GmbH, Munich (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
EDAG Engineering Group AG, Arbon (Chairman)
EDAG Engineering Schweiz Subholding AG, Arbon (Chairman)

Dr Rainer Hägele
(until 11 June 2015)
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 office

a) Württembergische Versicherung AG, Stuttgart (Deputy Chairman)

c) Pensionskasse der Württembergischen, Stuttgart

1 Employee representatives.

Dr Wolfgang Knapp M. C. L.
Lawyer
Cleary Gottlieb Steen & Hamilton LLP, Brussels
b) Wüstenrot Holding AG, Ludwigsburg

Corinna Linner
(starting 11 June 2015)
LW Linner Wirtschaftsprüfung
b) Wüstenrot Holding AG, Ludwigsburg
Donner & Reuschel AG, Munich/Hamburg
Cewe Stiftung & Co. KGaA, Oldenburg
c) DEG Deutsche Investitions- und Entwicklungsgesellschaft mbH, Cologne

Ruth Martin
(starting 11 June 2015)
Former member of the Executive Boards
Württembergische Lebensversicherung AG
Württembergische Versicherung AG
Württembergische Krankenversicherung AG
c) Salus BKK, Munich

Andreas Rothbauer[1]
Chairman of the Works Council
Wüstenrot Bausparkasse AG, Ludwigsburg site
a) Wüstenrot Bausparkasse AG, Ludwigsburg

Ulrich Ruetz
(until 11 June 2015)
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)

1 Employee representatives.

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)

Jens Wieland

IT, Operations, Financial Management, Customer Data Protection and Operational Security

Supplementary disclosures

Contingent liabilities and other financial obligations

Outstanding payment obligations for participation commitments entered into amounted to €20.1 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 recognised provisions for outstanding insurance claims in the amount of €48.8 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.

The Stuttgart Regional Council approved subsidies in connection with the formation of the ”Feuerseepiraten“ day care centre at the Stuttgart site. 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 believe 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.

Expenses for internal Group services are expected to amount to €40.0 million in 2016.

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-parvalue 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 (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 (3) sentence 4 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 (3) sentence 4 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 (4) sentence 2 in conjunction with Section 186 (3) sentence 4 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 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 (1) of the German Securities Trading Act (WpHG):

Company name	Registered office	Exceeds/falls below	Reporting threshold	Date	Share-holding	Number of votes	Attribution pursuant to Section 22 WpHG
UniCredit S.p.A (attribution via UniCredit Bank AG)	Rome, Italy	Falls below	3%	03/11/2015	–	–	–
State of Baden-Württemberg, represented by the Ministry of Finance of Baden-Württemberg (attribution from Landeskreditbank Baden-Württemberg Förderbank)	Stuttgart, Germany	Falls below	3%	06/03/2015	2,48%	2 329 631	22 (1) sentence 1, no. 1 WpHG
Dr Lutz Helmig (attribution via HORUS Finanzholding GmbH)	Hallbergmoos, Germany	Exceeds	10%	11/12/2013	10,03%	9 228 134	22 (1) sentence 1, no. 1 WpHG

Expenses for the auditor

The disclosures pursuant to Section 285, no. 17 of the German Commercial Code (HGB) are included in the disclosures for the W&W consolidated financial statements.

Employees

in € thousands	2015	2014
Employees	394	399
Executives	30	35
Managing Directors	5	5
Total	**429**	**439**

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 Michael Gutjahr and Jens Wieland serve, and until his departure Klaus Peter Frohmüller served, as board members or managing directors 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 €1,853.9 thousand (previous year: €1,842.1 thousand) and is composed of the following elements:

Remuneration of the individual members of the Executive Board in 2015

	Term of office ends	Non-performance-related remuneration		Performance-related remuneration (short term)		Performance-related remuneration (sustained)		Ancillary benefits		Total	
						from 2012	from 2011				
in € thousands											
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Active members of the Executive Board											
Dr. Alexander Erdland	01/2020	966.2	958.4	139.7	134.1	110.9	143.5	28.9	28.6	1 245.7	1 264.6
Dr. Michael Gutjahr	08/2020	230.4	223.8	33.9	32.5	23.9	28.3	7.4	7.5	295.6	292.1
Jens Wieland	06/2020	240.0	240.0	35.3	33.9	25.8	0.0	11.5	11.5	312.6	285.4
Gesamt		**1 436.6**	**1 422.2**	**208.9**	**200.5**	**160.6**	**171.8**	**47.8**	**47.6**	**1 853.9**	**1 842.1**

Sustained performancerelated remuneration for a prior financial year, i.e. the 2012 financial year, was earned with the close of the year 2015, since in the years 2013 to 2015 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 2016.

In addition to the earned performance-related remuneration shown in the above table, contingent claims to disbursement of performance-related remuneration for the years 2013-2015 were acquired (in each case, the amount of performance-related remuneration not yet disbursed):

Multi-year variable remuneration (sustainability component)

in € thousands	Financial year 2013, payable in 2017	Financial year 2014, payable in 2018	Financial year 2015, payable in 2019	Total
Dr. Alexander Erdland	167.5	126.5	139.7	433.7
Dr. Michael Gutjahr	35.9	30.0	33.9	99.8
Jens Wieland	77.6	32.0	35.3	144.9
Subtotal	**281.0**	**188.5**	**208.9**	**678.4**
Klaus Peter Frohmüller (until 12/2013)	33.2	—	—	33.2
Dr. Jan Martin Wicke (until 04/2014)	103.1	24.3	—	127.4
Total	**417.3**	**212.8**	**208.9**	**839.0**
Three financial years determinative for achievement of targets	2014 – 2016	2015 –2017	2016 – 2018	
Remuneration earned with the close of the financial year	2016	2017	2018	

Disbursement is made only if the aforementioned conditions occur or do not occur in the years 2016 to 2018. For 2015, the final amount will not be calculated until the Supervisory Board determines achievement of targets.

Performance-related remuneration for the financial year 2014, which was disbursed in 2015 after ascertaining the degree to which targets were achieved, resulted in a release of €12.0 thousand (previous year €14.5 thousand). The amount consists of releases for Dr Alexander Erdland totalling €7.6 thousand (previous year: €5.7 thousand), for Dr Michael Gutjahr totalling €2.5 thousand (previous year: €1.3 thousand) and for Jens Wieland totalling €1.9 thousand (previous year: €2.8 thousand).

In the 2014 financial year, provisions in the amount of €224.8 thousand (previous year: €431.6 thousand) were created for acquired contingent claims to disbursement in 2018 of performance-related remuneration for the 2014 financial year. After ascertaining the degree to which targets were achieved, a release took place in the amount of €12.0 thousand (previous year: €14.5 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 €4,282.1 thousand (previous year: €3,678.8 thousand), in each case based on the final age of 61. Attributable to Dr Alexander Erdland is the amount of €3,019.9 thousand (previous year: €2,362.3 thousand) and to Dr Michael Gutjahr the amount of €1,181.9 thousand (previous year: €992.9 thousand), as well as, based on the final age of 65, to Jens Wieland the amount of €80.3 thousand (previous year: €49.1 thousand). These benefits have to do with long-term post-employment benefits. Additions during the financial year that are attributable to the company amounted to €945.1 thousand (previous year: €374.1 thousand). Of these additions, attributable to Dr Alexander Erdland is the amount of €683.6 thousand (previous year: €137.6 thousand), to Dr Michael Gutjahr the amount of €230.3 thousand (previous year: €240.5 thousand) and to Jens Wieland the amount of €31.2 thousand (previous year: €21.3 thousand).

After the claims against his prior employer were offset, the pension of Dr Alexander Erdland amounted to €155.3 thousand (previous year: €128.5 thousand). The pension of Dr Michael Gutjahr amounted to €60.3 thousand (previous year: €58.5 thousand), whereby the pension is offset by occupational pension benefits against third parties.

Dr Michael 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. The share of the annual transitional allowance for Dr Michael Gutjahr that is attributable to the company amounted to €60.3 thousand (previous year: €58.8 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 €1,662.8 thousand (previous year: €1,677.8 thousand). Of this amount, €259.8 thousand (previous year: €309.0 thousand) was attributable to survivor benefits.

A reserve in the amount of €17,091.2 thousand (previous year: €15,129.9 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, amounted to €25.0 thousand (previous year: €25.0 thousand) p.a.. Committee remuneration amounted to €8.0 thousand (previous year: €8.0 thousand) p.a. for the Risk and Audit Committee and the Personnel Committee and to €4.0 thousand (previous year: €4.0 thousand) p.a. for the Mediation and Administration Committee. For the purposes of streamlining the work of the Supervisory Board, the Administration Committee was abolished, effective 10 June 2015. Committee remuneration was paid through such date. No committee remuneration is paid for the Nomination Committee. An attendance fee of €500 (previous year: €500) 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 2015 financial year, the company paid the members of the Supervisory Board of Wüstenrot & Württembergische AG total remuneration of €659.8 thousand (previous year: €679.8 thousand). In the 2015 financial year, the company paid members of the Supervisory Board of Wüstenrot & Württembergische AG who retired during the financial year pro rata temporis remuneration of €31.8 thousand (previous year: €11.1 thousand).

Members of the Supervisory Board are reimbursed for expenses and the value-added tax due on Supervisory Board remuneration. However, this is not included 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 2015

in € thousands	Base remuneration 2015	Attendance fee 2015	Committee remuneration 2015	Total 2015	Total 2014
Hans Dietmar Sauer (Chairman)	62.5	3.0	42.4	107.9	113.5
Frank Weber (Deputy Chairman)	43.8	3.0	12.0	58.8	58.8
Christian Brand	25.0	2.5	1.8	29.3	32.0
Peter Buschbeck	25.0	2.0	8.0	35.0	21.2
Wolfgang Dahlen	25.0	3.0	13.8	41.8	44.0
Thomas Eichelmann	25.0	2.5	20.0	47.5	41.6
Dr Reiner Hagemann	25.0	3.0	8.0	36.0	36.0
Ute Hobinka	25.0	3.0	9.8	37.8	40.0
Jochen Höpken	25.0	2.5	1.8	29.3	32.0
Uwe Ilzhöfer	25.0	3.0	8.0	36.0	35.5
Dr Wolfgang Knapp	25.0	2.5	4.0	31.5	31.0
Corinna Linner	13.9	1.5	—	15.4	—
Ruth Martin	13.9	1.5	4.5	19.9	—
Andreas Rothbauer	25.0	3.0	8.0	36.0	36.0
Matthias Schell	25.0	3.0	1.8	29.8	32.0
Christoph Seeger	25.0	3.0	8.0	36.0	36.0
Subtotal	**434.1**	**42.0**	**151.9**	**628.0**	**589.6**
Gunter Ernst (former)	—	—	—	—	11.1
Dr Rainer Hägele (former)	11.1	1.0	5.3	17.4	40.0
Ulrich Ruetz (former)	11.1	1.5	1.8	14.4	39.1
Total	**456.3**	**44.5**	**159.0**	**659.8**	**679.8**

Annex to the notes

Individual disclosures concerning assets

Notes concerning assets

in € thousands	Carrying amounts 2014	Additions	Disposals	Reclassifi-cations	Write-ups	Write-downs	Carrying amounts 2015
A. I. Land, land-type rights and buildings, including buildings on third-party land	76 705	14 978	– 8	—	800	7 731	84 744
A. II. Investments in affiliated companies and participations							
1. Interests in affiliated companies	1 586 087	135 156	17 160	—	6 440	465	1 710 058
2. Loans to affiliated companies	167 550	207 942	20 550	—	—	—	354 942
3. Participations	29 651	17 516	6 747	—	79	77	40 422
4. Loans to associates	—	6 500	—		—	—	6 500
Total A. II.	**1 783 288**	**367 114**	**44 457**	**—**	**6 519**	**542**	**2 111 922**
A. III. Other investments							
1. Shares, interests or shares in investment assets and other variable-yield securities	541 445	38 074	105 898	—	—	1 289	472 332
2. Bearer bonds and other fixed-income securities	85 486	29 176	35 276	—	478	792	79 072
3. Other loans				—			
a) Registered bonds	189 393	—	15 000	—	45	8	174 430
b) Promissory notes and loans receivable	238 303	12 502	65 859	—	—	—	184 946
c) Miscellaneous loans	15 000	—	15 000	—	—	—	—
4. Deposits with credit institutions	128 704	33 508	85 904	—	1 131	—	77 439
5. Other investments	87	—	—	—	—	—	87
6. Total A. III.	**1 198 418**	**113 260**	**322 937**	**—**	**1 654**	**2 089**	**988 306**
Total	**3 058 411**	**495 352**	**367 402**	**—**	**8 973**	**10 362**	**3 184 972**

Write-ups contain exchange rate gains from deposits with credit institutions in the amount of €1.1 million, which are recognised under ”Other non-technical net income“.

List of ownership interests

Name and registered office of the company	Direct interest in capital, in %	Indirect interest in capital, in %[3]	Currency	Reporting date	Equity[1]	Net income/loss after taxes[1]
Germany						
3B Boden-Bauten-Beteiligungs-GmbH, Ludwigsburg	100.00		€	31.12.2015	106 883 393	1 978 989
Adveq Europe II GmbH, Frankfurt am Main		16.77	€	31.12.2014	34 646 009	1 364 518
Adveq Opportunity II Zweite GmbH, Frankfurt am Main		29.31	€	31.12.2014	27 840 370	3 236 550
Adveq Technology III GmbH, Frankfurt am Main		18.84	€	31.12.2014	41 070 384	6 652 302
Adveq Technology V GmbH, Frankfurt am Main		16.50	€	31.12.2014	61 960 944	10 305 354
Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart		100.00	€	31.12.2015	39 655 703	94 548
Altmark Versicherungsmakler GmbH, Stuttgart		100.00	€	31.12.2015	2 354 327	363 292
Altmark Versicherungsvermittlung GmbH, Stuttgart		100.00	€	31.12.2015	309 944	– 21 788
Asendorfer Kippe ASK GmbH & Co. KG, Stuttgart		100.00	€	31.12.2014	3 766 086	– 299 267
Auda Ventures GmbH & Co. Beteiligungs-KG, Munich		5.79	€	31.12.2014	22 675 771	7 313 362
Berlin Leipziger Platz Grundbesitz GmbH, Stuttgart		100.00	€	31.12.2015	1 937 987	– 95 175
Beteiligungs-GmbH der Württembergischen, Stuttgart		100.00	€	31.12.2015	2 650 456	216 256
BPE2 Private Equity GmbH & Co. KG, Hamburg		10.00	€	31.12.2014	10 037 189	14 879 498
BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart		35.00	€	31.12.2014	485 265 508	214 769 915
BWK Holding GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart		35.00	€	New investment 1 May 2015		
City Immobilien GmbH & Co. KG der Württembergischen, Stuttgart		100.00	€	31.12.2015	129 482 844	5 453 762
City Immobilien II GmbH & Co. KG der Württembergischen, Stuttgart		100.00	€	31.12.2015	109 378 250	– 10 950
Coller German Investors GmbH & Co. KG, Munich		10.00	€	31.12.2014	769 936	3 107 992
Crown Premium Private Equity III GmbH & Co. KG, Munich		6.60	€	31.12.2014	101 081 793	15 607 891
Deutscher Solarfonds Stabilität 2010 GmbH & Co. KG, Frankfurt am Main		17.77	€	31.12.2014	118 501 669	9 079 121
DBAG Fund VI Feeder GmbH & Co. KG, Frankfurt am Main		30.71	€	31.12.2014	29 458 132	– 7 693
Domus Beteiligungsgesellschaft der Privaten Bausparkassen mbH, Berlin		19.82	€	31.12.2014	18 241	– 897
EquiVest II GmbH & Co. Zweite Beteiligungs KG Nr. 1 für Vermögensanlagen, Munich		9.97	€	31.12.2014	36 871 187	– 1 256 230
Eschborn Grundstücksgesellschaft mbH & Co. KG, Stuttgart		51.00	€	31.12.2015	29 885 491	– 1 193 969
European Sustainable Power Fund Nr. 2 GmbH & Co. KG, Grünwald	1.00	11.10	€	30.09.2014	485 111 049	28 176 505
Ganzer GmbH & Co. KG, Harrislee		100.00	€	31.12.2014	– 1 376 206	363 008
Gerber GmbH & Co. KG, Stuttgart		100.00	€	31.12.2015	269 914 449	2 725 355
Gestorf GmbH & Co. KG, Stuttgart		100.00	€	31.12.2014	310 835	12 978

List of ownership interests (continued)

Name and registered office of the company	Direct interest in capital, in %	Indirect interest in capital, in %[3]	Currency	Reporting date	Equity[1]	Net income/loss after taxes[1]
Germany						
GLL GmbH & Co. Messeturm Holding KG, Munich		5.97	€	31.12.2014	– 100 000	– 60 416
GMA Gesellschaft für Markt- und Absatzforschung mbH, Ludwigsburg		100.00	€	31.12.2014	1 887 690	145 929
High Tech Beteiligungen GmbH & Co. KG, Düsseldorf		6.60	€	31.12.2014	1 389 764	–
Hinterbliebenenfürsorge der Deutschen Beamtenbanken GmbH, Karlsruhe		100.00	€	31.12.2014	98 317	1 019
HVH Immobilien GmbH & Co. New York KG i. L., Munich		9.95	€	30.09.2012	416 353	7 833 085
IVB - Institut für Vorsorgeberatung Risiko- und Finanzanalyse GmbH, Karlsruhe		100.00	€	31.10.2014	66 176	4 380
IVZ Immobilien Verwaltungs GmbH & Co. Finanzanlagen KG, Munich		10.00	€	31.12.2014	29 796 966	1 723 212
IVZ Immobilien Verwaltungs GmbH & Co. Südeuropa KG, Munich		10.00	€	31.12.2014	21 433 143	28 290 745
Karlsruher Lebensversicherung AG, Karlsruhe		92.76	€	31.12.2015	10 889 249	450 000
Karlsruher Rendite Immobiliengesellschaft mbH i.L., Karlsruhe		100.00	€	30.04.2015	192 666	451
KLV BAKO Dienstleistungs-GmbH, Karlsruhe		92.80	€	31.12.2014	188 978	8 488
KLV BAKO Vermittlungs-GmbH, Karlsruhe		75.90	€	31.12.2014	197 192	8 993
LP 1 Beteiligungs-GmbH & Co. KG, Stuttgart		100.00	€	31.12.2015	185 186	– 30 232
Miethaus und Wohnheim GmbH i.L., Mannheim		100.00	€	31.12.2015	1 910 155	– 11 745
Nord-Deutsche AG Versicherungs-Beteiligungs-gesellschaft, Stuttgart		100.00	€	31.12.2015	10 213 115	– 174 783
Odewald & Compagnie GmbH & Co. KG für Vermögensanlagen in Portfoliounternehmen, Berlin		13.52	€	31.12.2014	39 656	– 27 125
Onshore Wind Portfolio 2012 GmbH & Co. KG, Frankfurt am Main	4.41	16.31	€	31.08.2015	118 617 328	5 345 708
PWR Holding GmbH, Munich		33.33	€	31.12.2014	92 664	5 853
Schulenburg GmbH & Co. KG, Stuttgart		100.00	€	31.12.2014	1 375 436	– 216 256
Stuttgarter Baugesellschaft von 1872 AG, Stuttgart		100.00	€	31.12.2015	438 569	10 882
V-Bank AG, Munich		49.83	€	31.12.2014	28 230 920	3 601 997
VC Fonds Baden-Württemberg GmbH & Co. KG, Stuttgart		25.00	€	31.12.2014	34 793	–
VV Immobilien GmbH & Co. United States KG i.L., Munich		9.98	€	31.12.2014	10 000	7 753 659
VV Immobilien GmbH & Co. US City KG i.L., Munich		23.10	€	31.12.2014	9 489	6 133 511
W&W Asset Management GmbH, Ludwigsburg[2]	100.00		€	31.12.2015	11 261 185	–
W&W Digital GmbH, Berlin	51.00		€	New investment 30 November 2015		
W&W Gesellschaft für Finanzbeteiligungen mbH, Stuttgart	100.00		€	31.12.2015	37 775 294	3 751 696

List of ownership interests (continued)

Name and registered office of the company	Direct interest in capital, in %	Indirect interest in capital, in %[3]	Currency	Reporting date	Equity[1]	Net income/loss after taxes[1]
Germany						
W&W Informatik GmbH, Ludwigsburg[2]	100.00		€	31.12.2015	473 025	—
W&W Produktion GmbH, Berlin[2]	100.00		€	31.12.2015	25 000	—
W&W Service GmbH, Stuttgart[2]	100.00		€	31.12.2015	100 153	—
Windpark Golzow GmbH & Co. KG, Rheine		100.00	€	31.12.2014	– 3 095 189	– 1 056 828
WL Erneuerbare Energien Verwaltungs GmbH, Stuttgart		100.00	€	31.12.2015	58 015	5 175
WL Renewable Energy GmbH & Co. KG, Stuttgart		100.00	€	31.12.2015	83 788 841	1 513 304
WL Sustainable GmbH & Co. KG, Stuttgart		100.00	€	31.12.2015	83 732 710	1 526 451
Wohnimmobilien GmbH & Co. KG der Württembergischen, Stuttgart		100.00	€	31.12.2015	170 756 162	5 740 996
Württembergische Immobilien AG, Stuttgart		100.00	€	31.12.2015	99 801 751	2 000 374
Württembergische KÖ 43 GmbH, Stuttgart		94.00	€	31.12.2015	23 424 991	1 128 526
Württembergische Krankenversicherung AG, Stuttgart	100.00		€	31.12.2015	39 448 122	3 700 000
Württembergische Lebensversicherung AG, Stuttgart	94.89		€	31.12.2015	348 511 724	25 000 000
Württembergische Logistik I GmbH & Co. KG, Stuttgart		100.00	€	31.12.2015	11 354 735	1 258 835
Württembergische Logistik II GmbH & Co. KG, Stuttgart		100.00	€	31.12.2015	28 189 046	1 146 996
Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart		100.00	€	31.12.2015	99 242	22 548
Württembergische Versicherung AG, Stuttgart[2]	100.00		€	31.12.2015	262 563 107	—
Württembergische Vertriebsservice GmbH für Makler und freie Vermittler, Stuttgart[2]		100.00	€	31.12.2015	74 481	—
Württembergische Verwaltungsgesellschaft mbH, Stuttgart		100.00	€	31.12.2015	33 382	1 680
Württfeuer Beteiligungs-GmbH, Stuttgart	100.00		€	31.12.2015	3 523 033	– 14 552
WürttLeben Alternative Investments GmbH, Stuttgart[2]		100.00	€	31.12.2015	10 022 500	—
WürttVers Alternative Investments GmbH, Stuttgart[2]		100.00	€	31.12.2015	10 025 000	—
Wüstenrot Bank AG Pfandbriefbank, Ludwigsburg[2]	100.00		€	31.12.2015	350 348 606	—
Wüstenrot Bausparkasse AG, Ludwigsburg	100.00		€	31.12.2015	703 414 102	340 975
Wüstenrot Grundstücksverwertungs-GmbH, Ludwigsburg	100.00		€	31.12.2015	2 124 768	75 746
Wüstenrot Haus- und Städtebau GmbH, Ludwigsburg	100.00		€	31.12.2015	36 269 681	3 498 714
Wüstenrot Immobilien GmbH, Ludwigsburg	100.00		€	31.12.2014	2 191 197	435 190
France						
Württembergische France Immobiliere SARL, Strasbourg		100.00	€	30.09.2015	15 613 850	1 875 592
Württembergische France Strasbourg SARL, Strasbourg		100.00	€	30.09.2015	46 622 571	1 856 765

List of ownership interests (continued)

Name and registered office of the company	Direct interest in capital, in %	Indirect interest in capital, in %[3]	Currency	Reporting date	Equity[1]	Net income/loss after taxes[1]
Ireland						
BlackRock NTR Renewable Power Fund plc, Dublin		89.55	US$	31.12.2014	23 314 000	477 000
Crown Global Secondaries II plc, Dublin		7.22	US$	31.12.2014	754 324 229	– 214 712 677
W&W Advisory Dublin Ltd., Dublin		100.00	€	31.12.2014	6 372 929	5 605 972
W&W Asset Management Dublin Ltd., Dublin		100.00	€	31.12.2014	6 108 274	5 607 817
W&W Europe Life Limited, Dublin	100.00		€	31.12.2014	18 834 772	– 733 611
White Oak Summit Fund, ILP, Dublin	6.02	9.64		New investment 16 October 2015		
Luxembourg						
DB Secondary Opportunities SICAV-SIF - Sub Fund DB SOF II Feeder USD, Luxembourg		16.79	US$	31.12.2014	81 144 554	7 855 616
First State European Diversified Infrastructure Feeder Fund II SCA, SICAV-SIF, Luxembourg		17.71	€	31.12.2014	71 783 073	2 688 730
Idinvest Lux Fund, SICAV-SIF SCA – Idinvest Private Debt III, Luxembourg	3.06	22.62		New investment 18 March 2015		
IKAV SICAV-FIS SCA - ecoprime TK I, Luxembourg		41.28	€	30.09.2014	48 559 124	2 276 608
IKAV SICAV-FIS SCA - Global Energy (Ecoprime III), Luxembourg	15.12	30.24	€	30.09.2014	70 406 433	4 751 100
IKAV SICAV-FIS SCA - Global PV Investments, Luxembourg		46.25	€	30.09.2014	49 356 141	2 765 566
Secondary Opportunities SICAV-SIF - Sub-fund SOF III Feeder USD, Luxembourg		35.48	US$	31.12.2014	4 332 227	1 232 227
StepStone European Fund SCS, SICAV-FIS - StepStone Capital Partners III, Luxembourg	7.15	20.41		New investment 17 August 2015		
Austria						
G6 Zeta Errichtungs- und VerwertungsGmbH & Co OG, Vienna		99.90		New investment 22 May 2015		
Czech Republic						
WIT Services s.r.o., Prague		100.00	CZK	31.12.2014	3 876 000	222 000
Wüstenrot hypotecni banka a.s., Prague	99.91	0.09	CZK	31.12.2014	1 636 000 000	219 000 000
Wüstenrot pojist'ovna a.s., Prague	100.00		CZK	31.12.2014	318 054 468	– 49 177 090
Wüstenrot service s.r.o., Prague		100.00	CZK	31.12.2014	584 287	– 250
Wüstenrot stavebni sporitelna a.s., Prague	99.42		CZK	31.12.2014	3 113 000 000	157 000 000
Wüstenrot zivotni pojist'ovna a.s., Prague	100.00		CZK	31.12.2014	178 663 958	3 525 892
Hungary						
Fundamenta-Lakaskassza-Lakastakarekpenztar Zrt., Budapest	11.47		HUF	31.12.2014	22 470 000	7 455 000

List of ownership interests (continued)

Name and registered office of the company	Direct interest in capital, in %	Indirect interest in capital, in %[3]	Currency	Reporting date	Equity[1]	Net income/ loss after taxes[1]
United Kingdom						
ASF VI Infrastructure L.P., Edinburgh		6.40	US$	31.12.2014	97 097 422	– 3 379 107
Brookfield Capital Partners Fund III (NR A) L.P., Grand Cayman		12.20	US$	31.12.2014	644 783 000	78 864 000
Capital Dynamics Clean Energy and Infrastructure Feeder L.P., Edinburgh		28.24	US$	31.12.2014	151 134 670	– 570
Capital Dynamics US Solar Energy Feeder L.P., Edinburgh		62.69	US$	31.12.2014	3 188 376	10 863 056
Carlyle Cardinal Ireland Fund L.P., Grand Cayman		5.82	€	31.12.2015	19 346 000	- 7 428 000
Glennmont Clean Energy Fund Europe 1 'A' L.P, London		11.80	€	31.12.2014	282 740 293	12 834 312
HgCapital Renewable Power Partners 2 LP, London		29.53	€	31.12.2014	36 340 392	– 3 241 118
Kennet III A L.P., St Peter Port		6.73	€	31.12.2014	205 991 592	– 3 121 313
Kennet IV L.P., St Peter Port		18.83	€	31.12.2014	7 335	– 1 292 941
Partners Group Emerging Markets 2007, L.P., Edinburgh		12.01	US$	31.12.2014	156 856 000	10 865 000
Project Glow Co-Investment Fund, L.P., Grand Cayman		51.72	C$	31.12.2014	26 006 242	– 914 512
United States						
ISQ Global Infrastructure Fund (EU) L.P., Delaware		5.19		New investment 17 June 2015		
Project Finale Co-Investment Fund Holding LLC, Delaware		30.00		New investment 19 March 2015		

1 1 The figures relate to the most recent annual financial statements available on the reporting date.
2 Profit and loss transfer agreement in place.
3 Pursuant to Section 16 (4) of the German Stock Corporation Act (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 2015	Gross premiums written 2014	Net technical income/loss for own account (prior to claim equalisation provisions) 2015	Net technical income/loss for own account (prior to claim equalisation provisions) 2014	Net technical income/loss for own account (after claim equalisation provisions) 2015	Net technical income/loss for own account (after claim equalisation provisions) 2014
Fire insurance	49 597	47 907	– 3 912	2 511	– 644	548
Other property insurance	73 007	69 965	– 1 153	983	– 6 134	– 3 439
Total fire and other property insurance	122 604	117 872	– 5 065	3 494	– 6 778	– 2 891
Motor insurance	114 145	109 486	– 6 134	– 5 895	– 10 568	– 7 040
General liability insurance	30 231	29 805	4 766	860	3 633	1 553
Casualty insurance	19 909	19 616	2 760	2 154	2 760	2 154
Transport and aviation hull insurance	3 025	3 193	– 103	813	511	1 190
Other insurance	22 497	22 200	– 863	– 1 336	– 1 333	– 617
Total property/casualty insurance business	312 411	302 172	– 4 639	90	– 11 775	– 5 651
Life insurance	6 366	6 595	1 692	2 598	1 692	2 598
Total	318 777	308 767	– 2 947	2 688	– 10 083	– 3 053

Commissions and other remuneration paid to insurance agents, personnel expenses

in € thousands	2015	2014
Wages and salaries	35 688	35 720
Social remittances and expenses for support	5 409	5 442
Expenses for pension scheme	3 371	6 058
Total	**44 468**	**47 220**

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 agents.

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 Combined Management Report presents a true and accurate view of the performance, results and position of the W&W AG, together with a description of the material opportunities and risks associated with the expected development of the company.

Stuttgart, 11 February 2016

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, income statement notes, together with the report on the situation of the company and the Group for the financial year 1 January to 31 December 2015. 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 German Commercial Code and according to the supplementary Statutes of W&W AG are the responsibility of the company's Executive Board. Our responsibility is to express an opinion on the Group annual financial statements 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 the legal requirements and the supplementary Statutes of W&W AG 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, 9 March 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Ellenbürger	Dr Hasenburg
Wirtschaftsprüfer	Wirtschaftsprüfer
(German public auditor)	(German public auditor)

Appropriation of profit

Proposal for the appropriation of unappropriated surplus

The unappropriated surplus amounts to €61,546,081.54. We propose that it be appropriated as follows:

in €	2015
Dividend of €0.60 per share	56 249 832.00
Allocation to other reserves	5 000 000.00
Carryfoward to new account	296 249.54
Total	**61 546 081.54**

The proposal assumes that when the resolution on the appropriation of profit is adopted by the Annual General Meeting, there are no shares held by the company that are not entitled to receive dividends pursuant to Section 71b of the German Stock Corporation Act (AktG). In the event that the company holds shares that are not entitled to receive dividends pursuant to Section 71b AktG when the resolution on the appropriation of profit is adopted by the Annual General Meeting, the distribution of €0.60 per share entitled to receive dividends will remain unchanged, and a correspondingly modified resolution on the appropriation of profit will be proposed to the Annual General Meeting. The modification will be carried out in such a way that the total amount of the dividend will be reduced by the amount corresponding to the number of shares held by the company multiplied by €0.60 (dividend per share entitled to receive dividends), with such amount then being carried forward to new account.

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 2015 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 company is required by law to have women make up at least 30% of the Supervisory Board. However, both the shareholder representatives and the employee representatives made use of a statutory right and objected to so-called ”Gesamterfüllung“, i.e. the meeting of the quota on the Supervisory Board as a whole. In such case, the quota is considered as having been met in conformity with the law if the share-holders and the employees are each represented by at least two women.

In the 2015 financial year, the Supervisory Board had 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 2015, the Risk and Audit Committee had two ordinary meetings and met once by teleconference. The Personnel Committee had two ordinary meetings and one extraordinary meeting. The Nomination Committee and the Administration Committee each had one meeting. 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.

By resolution of the Supervisory Board of 10 June 2015, the Administration Committee was abolished, and the by-laws for the Supervisory Board were modified accordingly.

In the previous year, the Supervisory Board had four ordinary meetings, one extraordinary meeting and one constitutive meeting, in which it concerned itself at length with the performance of the company and the Group based on reports of the Executive Board, written presentations and documentation, which were submitted to it in a timely fashion. The Executive Board reported regularly to the Supervisory Board in writing and verbally and in a timely and comprehensive manner about all issues of relevance to the company and the Group concerning the strategic direction of the Group, planning, business performance, risk position and the ratings of Group companies. In addition, the issue of risk management was addressed 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 Risk and Audit Committee, and it submitted 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.

During the course of the year, the Supervisory Board discussed the sale of the Czech insurance companies in connection with a circulated written resolution.

At the forefront of the meetings of the Supervisory Board of Wüstenrot & Württembergische AG as the strategic management holding company was the strategy of the W&W Group. The Supervisory Board concerned itself with the transformation programme "W&W@2020", which is the successor to the strategic programme "W&W 2015". At a strategy session of the Administration Committee, discussions focused on the strategic direction of the W&W Group in order to ensure sustainable earning power. In particular, it discussed the "new reality" characterised by an environment of low interest rates, increasing regulation and changed customer behaviour. Other topics included digitalisation within the Group and measures designed to make W&W's stock more appealing.

Business performance and trends in results 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 and to the holdings in eastern Europe.

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 2016 and other medium-term planning with respect to the programme "W&W@2020". In addition, the Supervisory Board concerned itself with central issues of corporate governance and discussed all relevant amendments to the law and their implementation both at Wüstenrot & Württembergische AG and in the W&W Group.

By resolution of 10 June 2015, the Supervisory Board revised the bylaws.

Following the Annual General Meeting on 11 June 2015, a new election of committee members was held in connection with a constitutive meeting of the Supervisory Board.

In September 2015, the Supervisory Board concerned itself in detail with the changes to the German Corporate Governance Code and, together with the Executive Board, adopted the updated statement of compliance with it. In the course of the audit, the auditor found no evidence that the statement of compliance was inaccurate.

In addition, the Supervisory Board discussed at length the quota concerning the number of women on the Supervisory Board and the Executive Board.

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.

In the course of the review of the efficiency of the Supervisory Board's work, which was started in late 2014, the Supervisory Board concerned itself in detail with the results of the review in early 2015.

The reporting of the Executive Board continued to cover current personnel issues.

The Supervisory Board reviewed at length the annual financial statements and the consolidated financial statements for the 2015 financial year, as well as the consolidated Management Report for the Wüstenrot & Würtembergische (W&W) AG and the entire W&W Group as at 31 December 2015. The annual financial statements, the consolidated financial statements and the consolidated Management Report are complete and in conformity with the estimates made by the Executive Board in the reports to be issued to the supervisory Board pursuant to Section 90 of the German Stock Corporation 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 and the consolidated financial statements for the 2015 financial year prepared by the Executive Board, as well as the Management Report, the consolidated Management Report for the W&W AG and the entire W&W Group for the 2015 financial year 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 18 March 2016 and at the accounting meeting of the Supervisory Board on 22 March 2016. 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 (Abhängigkeitsbericht) was submitted by the Executive Board to the Supervisory Board and the auditor for review immediately after its completion. The Supervisory Board examined 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, the consolidated financial statements and the consolidated Management Report, as well as the report on relationships with affiliated companies, the Supervisory Board raised no objections, and at its meeting on 22 March 2016, it 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 sentence 1 of the German Stock Corporation Act (AktG).

In the 2015 financial year, the Supervisory Board met six times. The members of the Supervisory Board attended the majority of the meetings. The same can be reported about the Personnel, Nomination, and Risk and Audit Committees.

In the 2015 financial year, the Supervisory Board held a meeting of the Administration Committee prior to abolishing it by resolution of 10 June 2015. Two committee members did not attend this meeting of the Administration Committee.

Over the course of the 2015 financial year, the Supervisory Board experienced the following changes in its membership:

Effective at the conclusion of the Annual General Meeting of 11 June 2015, the shareholder representatives Dr Rainer Hägele and Ulrich Ruetz resigned from the Supervisory Board. At the same Annual General Meeting, Corinna Barbara Linner and Ruth Martin were elected to the Supervisory Board as shareholder representatives, effective at the conclusion of the Annual General Meeting, for the period until the conclusion of the Annual General Meeting at which the actions of the Supervisory Board are approved for the financial year ending on 31 December 2015.

In addition, the Executive Board experienced the following changes in its membership:

At its meeting on 8 December 2015, the Supervisory discussed and approved the appointment of Jürgen Junker as member of the Executive Board for the period 1 April 2016 to 31 March 2021.

In the course of making the change to the Executive Board, the Supervisory Board gave its approval to the modification of the Executive Board's business allocation plan, effective 1 April 2016.

There were no other changes in the membership of the Supervisory Board or the Executive Board during the course of the 2015 financial year.

There were no conflicts of interests requiring disclosure in 2015.

The year 2015 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, 22 March 2016

The Supervisory Board

Hans Dietmar Sauer

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.

Credit provision ratio
The credit provision ratio means the ratio of the individual and portfolio impairment provisions to the associated credit volume.

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) et seq. 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 book management
Interest book management means the active management of risks of interest rate changes, particularly with regard to credit institutions. In so doing, regulatory requirements need to be taken into account that aim at limiting potential risks of interest rate changes.

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 depreciations. 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.

Value-oriented net sales
New and replacement business less portfolio cancellations (in each case, according to annual contributions to the portfolio) of each insurance line in Property/Casualty insurance, weighted with factors. The factors are determined according to the respective profitability. As a rule, the more profitable the line, the higher the weighting factors. Positive value-oriented net sales means strong income growth.

Value-oriented net valuation amount
Total premium from new business by product group, weighted with value-oriented factors. The factors are determined according to the profitability of each product group. As a rule, the more profitable a product group, the higher the weighting factor.

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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