



## Württembergische Lebensversicherung AG

(a stock corporation incorporated under the laws of the Federal Republic of Germany)

### € 130,000,000 5.375 % Subordinated Fixed to Floating Rate Callable Bearer Notes due 2026

#### Issue Price 99.48 %

Württembergische Lebensversicherung Aktiengesellschaft, Stuttgart (the “**Issuer**” or “**WürtlLeben**”) will issue on 16 February 2006 (the “**Issue Date**”) subordinated fixed to floating rate bearer notes (the “**Notes**”) in an aggregate principal amount of € 130,000,000. The Notes will be issued at an issue price of 99.48 % of their principal amount.

The Notes will bear interest from and including 16 February 2006 to but excluding 1 June 2016 at a rate of 5.375 % per annum, payable annually in arrear on 1 June in each year (each a “**Fixed Interest Payment Date**”), commencing on 1 June 2006. Thereafter, unless previously redeemed, the Notes will bear interest at a rate of 2.75 % per annum above the Euro inter-bank offered rate for three-month deposits, payable quarterly in arrear on the 1st day of March, June, September and December in each year (each a “**Floating Interest Payment Date**”), all as more particularly described in “THE NOTES – § 3 (*Interest*)”. Under certain circumstances payments of interest may be deferred. The Issuer must pay any outstanding Arrears of Interest (in whole but not in part) if the conditions set forth in § 3(3)(c) of the Terms and Conditions are met. See “The NOTES – § 3(3) (*Interest – Arrears of Interest*)”.

Unless previously redeemed (prior to maturity) or repurchased, the Notes will be redeemed at their principal amount on 1 June 2026 (the “**Maturity Date**”). Prior to the Maturity Date, the Notes are redeemable in whole, but not in part, at the option of the Issuer at their principal amount together with any interest accrued and Arrears of Interest, if any, on 1 June 2016 or on any Floating Interest Payment Date thereafter. The Issuer may also redeem the Notes in whole but not in part at any time until 1 June 2016 (exclusive) following a Gross-up Event at their Redemption Amount and following a Tax Event or a Regulatory Event at their Early Redemption Amount, all as more particularly described herein. The redemption or repurchase of the Notes will be subject to the prior replacement of the amount of the Notes to be redeemed with other, at least equivalent own funds (*Eigenmittel*) or if the Federal Supervisory Authority for Financial Services (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (the “**BaFin**”) (or any successor in its capacity) has given its prior consent to the repurchase or redemption of the Notes without such replacement. See “THE NOTES – § 4 (*Redemption and Purchase*)”.

The obligations of the Issuer under the Notes constitute unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and at least *pari passu* with all other unsecured and subordinated obligations of the Issuer, save for any obligations required to be preferred by mandatory law. In the event of the dissolution, liquidation, insolvency or any proceedings for the avoidance of insolvency of the Issuer, the obligations of the Issuer under the Notes will be subordinated to the claims of all unsubordinated creditors of the Issuer so that in any such event no amounts shall be payable in respect of the Notes until the claims of all unsubordinated creditors of the Issuer shall have first been satisfied in full.

Application has been made to list and admit the Notes to trading on the Luxembourg Stock Exchange's regulated market appearing on the list of regulated markets issued by the European Commission.

Deutsche Bank AG, London Branch (“**Deutsche Bank**”) as Lead Manager and DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (“**DZ BANK AG**”) as Co-Lead Manager will purchase the Notes from the Issuer on the Issue Date. Deutsche Bank and DZ Bank AG hereinafter are collectively referred to as the “**Managers**” and each of them as a “**Manager**”.

Lead Manager  
**Deutsche Bank**

Co-Lead Manager  
**DZ BANK AG**

The date of this Prospectus is 15 February 2006.

Given the complexity of the Terms and Conditions, an investment in the Notes is suitable only for experienced investors who understand and are in a position to evaluate the risks inherent therein.

**For a discussion of certain significant factors affecting investments in the Notes, see “RISK FACTORS”.**

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) AND INCLUDE NOTES IN BEARER FORM THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO U.S. PERSONS.

The Notes will be governed by the laws of the Federal Republic of Germany (“**Germany**”).

The Notes will be initially represented by a temporary global note (the “**Temporary Global Note**”) in bearer form without interest coupons attached. The Temporary Global Note will be exchangeable for a permanent global note (the “**Permanent Global Note**”, and together with the Temporary Global Note, the “**Global Notes**”) in bearer form representing the Notes without interest coupons attached not earlier than 40 and not later than 180 days after the Issue Date upon certification as to non-U.S. beneficial ownership in accordance with the rules and operating procedures of the Clearing System. Payments on a Temporary Global Note will only be made against presentation of such certification. No definitive Notes or interest coupons will be issued. See “THE NOTES – § 1 (*Form and Denomination*)”.

The Global Notes will be deposited with Deutsche Bank Aktiengesellschaft, Trust & Securities Services, Frankfurt am Main, Grosse Gallusstrasse 10-14, D-60272 Frankfurt am Main, Germany, as common depositary (the “**Common Depositary**”) for Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme, Luxembourg (“**Clearstream Luxembourg**”; together the “**Clearing System**”). The Temporary Global Note will be deposited with the Common Depositary on or before 16 February 2006.

The Notes may be transferred in book-entry form only. The Notes will be issued in denominations of EUR 1,000. The Global Notes will not be exchangeable for definitive securities.

The Issuer has requested the *Commission de Surveillance du Secteur Financier* (the “**Commission**”) to provide the competent authorities in the Federal Republic of Germany, Austria, the Netherlands, the United Kingdom and Ireland with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the *Loi relative aux prospectus pour valeurs mobilières* which implements Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 into Luxembourg law (the “**Notification**”). The Issuer may request the Commission to provide competent authorities in additional host Member States within the European Economic Area with a Notification.

This Prospectus has been filed with the Commission and will be published in electronic form together with all documents incorporated by reference on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The Notes have been rated “BBB” by Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc. (“**S&P**”) on 14 February 2006 and “BBB+” by Fitch Ratings Ltd. (“**Fitch Ratings**”) on 13 February 2006. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency.

The Issuer has not requested a rating of the Notes by any rating agency other than S&P and Fitch Ratings; there can be no assurance, however, as to whether any other rating agency will rate the Notes or, if it does, what rating would be assigned by such other rating agency. The rating assigned to the Notes by such other rating agency could be lower than the rating assigned by S&P and Fitch Ratings.

In this Prospectus references to “euro” or “EUR” or “€” are to the single unified currency of the members of the European Union, including Germany, which adopted the euro in accordance with the Treaty on European Union, as amended.

## RESPONSIBILITY STATEMENT

The Issuer with its registered office in Stuttgart accepts responsibility for the information contained in this Prospectus (the “**Prospectus**”) including, for the avoidance of doubt, the non-binding English version of the Terms and Conditions, and hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge and belief, in accordance with the facts and contains no omission likely to affect its importance.

## NOTICE

The Issuer further confirms that (i) this Prospectus contains all information with respect to the Issuer and to the Notes which is material in the context of the issue and sale of the Notes, including all information which, according to the particular nature of the Issuer and of the Notes, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and of the rights attached to the Notes; (ii) the statements contained in this Prospectus relating to the Issuer and the Notes are in all material respects true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer or the Notes the omission of which would, in the context of the issue and sale of the Notes, make any statement in this Prospectus misleading in any material respect and (iv) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

This Prospectus contains certain forward-looking statements, including statements using the words “believes”, “anticipates”, “intends”, “expects” or other similar terms. This applies in particular to statements under the caption “Business of WürttLeben” and statements elsewhere in this Prospectus relating to, among other things, the future financial performance, plans and expectations regarding developments in the business of the Issuer. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of WürttLeben, or those of life insurance companies generally to be materially different from or worse than those expressed or implied by these forward-looking statements. The Issuer does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments.

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers.

Neither the delivery of this Prospectus nor any offering, sale or delivery of any Notes made hereunder shall, under any circumstances, create any implication (i) that the information in this Prospectus is correct as of any time subsequent to the date hereof or, as the case may be, subsequent to the date on which this Prospectus has been most recently amended or supplemented, or (ii) that there has been no adverse change in the financial situation of the Issuer which is material in the context of the issue and sale of the Notes since the date of this Prospectus or, as the case may be, the date on which this Prospectus has been most recently amended or supplemented, or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Prospectus by reference or (iii) that any other information supplied in connection with the issue of the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Prospectus does not constitute an offer of Notes or an invitation by or on behalf of the Issuer or the Managers to purchase any Notes. Neither this Prospectus nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer or the Managers to a recipient hereof and thereof that such recipient should purchase any Notes. This Prospectus may not be used for or in connection with any offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is unlawful or unauthorised.

No action has been taken by the Issuer or the Managers other than as set out in this Prospectus that would permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus (nor any part hereof) nor any offering circular, prospectus, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in compliance with applicable laws, orders, rules and regulations, and each of the Managers has represented that all offers and sales by it have been made on such terms.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The distribution of this Prospectus (or of any part thereof) and the offer, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part thereof) comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. IN PARTICULAR, THE NOTES REPRESENT OBLIGATIONS OF THE ISSUER ONLY, AND DO NOT REPRESENT OBLIGATIONS OF ANY OF THE MANAGERS OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY AFFILIATE OF THE ISSUER OR ANY OTHER THIRD PERSON OR ENTITY.

The language of this Prospectus is English. Any part of the Prospectus in German language constitutes a translation. In respect of the contractual relationship between the Issuer and the Noteholders regarding the subscription for and/or the holding of the Notes, the German text of the Terms and Conditions may be controlling and binding if so specified in the final version thereof.

For a further description of certain restrictions on offerings and sales of the Notes and distribution of this Prospectus (or of any part thereof) see "SUBSCRIPTION AND SALE".

**In connection with the issue of the Notes, Deutsche Bank AG, London Branch or any person acting for it may over-allot Notes (provided that the aggregate principal amount of the Notes allotted does not exceed 105 % of the aggregate principal amount of the Notes) or conduct activities to support the market price of the Notes in order to balance short-term price movements. These activities may result in a price of the Notes higher than that which would otherwise prevail, at the risk that the price might be kept at an artificial level during the period in which these activities are conducted. However, there is no obligation to engage in any stabilising, which, if commenced, may be discontinued at any time. Such stabilising activities, if any, may begin at any time after the adequate public disclosure of the final terms of the offer of the Notes and, if begun, must be terminated no later than the 30th calendar day after the Issue Date, or the 60th calendar day following the allotment of the Notes, whichever is earlier. Such stabilising shall be in accordance with all laws, regulations and rules of any relevant jurisdiction.**

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## SUMMARY

The following constitutes the summary (the “**Summary**”) of the essential characteristics of and risks associated with the Issuer and the Notes. This Summary should be read as an introduction to this Prospectus. It does not purport to be complete and is taken from, and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus. Any decision by an investor to invest in the Notes should be based on consideration of this Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of such court, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled this Summary including any translation thereof, and applied for its notification, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

Terms used and not defined in the summary have the meaning assigned to them in the Terms and Conditions of the Notes.

### Summary regarding the Notes

<b>The Issuer</b>	Württembergische Lebensversicherung AG, Gutenbergstrasse 30, 70176 Stuttgart, Germany.
<b>The Notes</b>	The Notes will be issued in an aggregate principal amount of € 130,000,000 and are divided into 130,000 bearer notes, each with a principal amount of € 1,000.
<b>Form of the Notes</b>	<p>The Notes are in bearer form and are issued pursuant to U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D) (the “<b>TEFRA D Rules</b>”). The Notes will be initially represented by a Temporary Global Note which will be ex-changeable for a Permanent Global Note representing the Notes not earlier than 40 and not later than 180 days after the Issue Date upon certification as to non-U.S. beneficial ownership in accordance with the rules and operating procedures of the Clearing System. Payments on a Temporary Global Note will only be made against presentation of such certification. The Notes may be transferred in book-entry form only. The Global Notes representing the Notes will not be exchangeable for definitive securities and no interest coupons will be issued. The Global Notes will be held in custody by Deutsche Bank Aktiengesellschaft, Frankfurt am Main, as common depository for Euroclear and Clearstream Luxembourg.</p> <p>See “THE NOTES – § 1 (<i>Form and Denomination – Global Notes and Exchange</i>).”</p>
<b>Status of the Notes</b>	<p>The obligations under the Notes constitute unsecured and subordinated obligations of the Issuer ranking <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other unsecured subordinated obligations of the Issuer.</p> <p>In the event of the liquidation, dissolution, insolvency or any proceedings for the avoidance of insolvency of the Issuer, the obligations of the Issuer under the Notes will be subordinated to the unsubordinated claims of all other creditors of the Issuer (except for those ranking <i>pari passu</i>), so that in any such event no amounts shall be payable under such obligations until the claims against the Issuer arising from unsubordinated obligations have been satisfied in full.</p> <p>No security of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Noteholders under the Notes. No subsequent agreement may limit the subordination pursuant to the provisions set out in § 2 of the Terms and Conditions, or shorten the term of any applicable notice period (<i>Kündigungsfrist</i>) in respect of the Notes. If the Notes are redeemed before the Maturity Date in circumstances other than as described in § 4(2) through (7) of the Terms and Conditions, the amounts redeemed must be returned to the Issuer irrespective of any agreement to the contrary unless the Issuer has been dissolved or such amounts have been replaced by other, at least equivalent own funds (<i>Eigenmittel</i>).</p> <p>No Noteholder shall have the right to set off its claims for redemption arising under the Notes against any claims of the Issuer. The Issuer may not set off any claims it may have against the Noteholders against any of its obligations under the Notes.</p> <p>See “THE NOTES – § 2 (<i>Status</i>).”</p>
<b>Lead Manager</b>	Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.



<b>Co-Lead Manager</b>	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Platz der Republik, D-60265 Frankfurt am Main, Germany.
<b>Principal Paying Agent/ Calculation Agent</b>	Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Grosse Gallusstrasse 10-14, D-60272 Frankfurt am Main, Germany.
<b>Luxembourg Listing Agent</b>	Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, Grand Duchy of Luxembourg.
<b>Luxembourg Paying Agent</b>	Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, Grand Duchy of Luxembourg.
<b>Issue Date</b>	16 February 2006.
<b>Issue Price</b>	99.48 %.
<b>Interest</b>	<p>The Notes will bear interest from and including 16 February 2006 to but excluding 1 June 2016 at a rate of 5.375 % per annum, payable annually in arrear on 1 June in each year, commencing on 1 June 2006. In the period from and including 1 June 2016 to and excluding the Maturity Date, and unless previously redeemed or repurchased, the Notes will bear interest at a rate of 2.75 % per annum above the Eurozone inter-bank offered rate for three-month deposits, payable quarterly in arrear on the 1st day of March, June, September and December in each year. See “THE NOTES – § 3 (<i>Interest</i>)”.</p>
<b>Suspension of Interest Payments</b>	<p>The Issuer may elect by giving not less than 10 nor more than 15 Business Days’ notice to the Noteholders in accordance with § 10 of the Terms and Conditions (which notice will be irrevocable) before any Fixed Interest Payment Date or any Floating Interest Payment Date (each an “<b>Interest Payment Date</b>”) to suspend a payment of interest if</p> <ul style="list-style-type: none"> <li>(i) no dividend, distribution or other payment has been declared in respect of any class of shares of the Issuer at the ordinary general meeting (<i>ordentliche Hauptversammlung</i>) of the Issuer immediately preceding such Interest Payment Date or since that ordinary general meeting of the Issuer; and</li> <li>(ii) the unconsolidated financial statements of the Issuer, prepared in accordance with the provisions of the HGB and the consolidated financial statements of the Issuer, prepared in accordance with the International Financial Reporting Standards (“<b>IFRS</b>”), each for the financial year immediately preceding such Interest Payment Date, have not shown an annual profit (<i>Jahresüberschuss</i>).</li> </ul> <p>On such Interest Payment Date, the Issuer will not have any obligation to pay interest regarding any payment so suspended (an “<b>Arrear of Interest</b>”). However, the Issuer may not defer a payment of interest if the Management Board (<i>Vorstand</i>) of the Issuer has used an authorisation to buy own shares since the date of the last preceding ordinary general meeting (<i>ordentliche Hauptversammlung</i>) of the Issuer.</p> <p>See “THE NOTES – § 3 (<i>Interest – Arrears of Interest – Suspension of Payment</i>)”.</p>
<b>Payment of Arrears of Interest</b>	<p>The Issuer may pay outstanding Arrears of Interest (in whole or in part) at any time on giving not less than 10 nor more than 15 Business Days’ notice to the Noteholders.</p> <p>See “THE NOTES – § 3 (<i>Interest – Arrears of Interest – Optional Payment of Arrears of Interest</i>)”.</p> <p>The Issuer must pay outstanding Arrears of Interest (in whole but not in part) on the earlier of (i) the next Interest Payment Date on which the conditions for the suspension of payments of interest are no longer satisfied, (ii) the Maturity Date, (iii) the date on which an order is made for the winding-up, liquidation or dissolution of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer), and (iv) the date on which the Issuer makes any payment of interest on any Parity Securities or makes any payment of interest or Deferred Interest on any Junior Securities or repurchases Parity or Junior Securities prior to their maturity.</p> <p>See “THE NOTES – § 3 (<i>Interest – Arrears of Interest – Mandatory Payment of Arrears of Interest</i>)”.</p>

<b>Repurchase</b>	<p>Subject to certain regulatory limitations, the Issuer or any of its subsidiaries may at any time purchase Notes in the open market or otherwise and at any price and may resell those Notes.</p> <p>See “THE NOTES – § 4 (<i>Redemption and Purchase – Repurchase</i>)”.</p>
<b>Redemption</b>	<p>Unless previously redeemed (prior to maturity) or repurchased, the Notes will be redeemed at their principal amount on the Maturity Date. Prior to the Maturity Date, the Notes may be redeemed at the option of the Issuer in accordance with § 4(3) or (4) of the Terms and Conditions of the Notes.</p> <p>See “THE NOTES – § 4 (<i>Redemption and Purchase- Redemption at Maturity</i>)”.</p>
<b>Early Redemption at the Option of the Issuer</b>	<p>The Issuer may upon giving not less than 30 nor more than 60 days’ notice to the Noteholders redeem the Notes (in whole but not in part) on 1 June 2016 and on any Floating Interest Payment Date thereafter at their principal amount plus any interest accrued until such date (exclusive) and all outstanding Arrears of Interest to the date of redemption (the “<b>Redemption Amount</b>”).</p> <p>See “THE NOTES – § 4 (<i>Redemption and Purchase – Early Redemption at the Option of the Issuer</i>)”.</p>
<b>Early Redemption following a Gross-up-Event, a Tax Event or a Regulatory Event</b>	<p>Until 1 June 2016 (exclusive) the Issuer may upon giving not less than 30 nor more than 60 days’ notice to the Noteholders redeem the Notes (in whole but not in part) following a Gross-up Event at the Redemption Amount and following a Tax Event or Regulatory Event at the Early Redemption Amount.</p> <p>See “THE NOTES – § 4 (<i>Redemption and Purchase – Early Redemption following a Gross-up Event, a Tax Event or a Regulatory Event</i>)”.</p> <p>The Early Redemption Amount will be the greater of the Redemption Amount and Make-Whole Amount (as determined by the Calculation Agent). The Make-Whole Amount (as calculated by the Calculation Agent) will be equal to the sum of the Actual Values on the date of redemption of (i) the principal amount of the Notes and (ii) the remaining scheduled payments of interest on the Notes to 1 June 2016 (exclusive).</p> <p>See “THE NOTES – § 4 (<i>Redemption and Purchase – Early Redemption Amount</i>)”.</p>
<b>Regulatory Limitations on Repurchase and Redemption</b>	<p>The Issuer may only repurchase the Notes or redeem the Notes if the principal amount of the Notes to be repaid has been replaced by other, at least equivalent own funds (<i>Eigenmittel</i>) or if the BaFin (or any successor in its capacity) has given its prior consent to the repurchase or redemption of the Notes without such replacement. Following a Regulatory Event due to the BaFin (or any successor in its capacity) having determined that the Notes in whole or in part no longer fulfil the requirements for own funds (<i>Eigenmittel</i>) for solo solvency purposes of the Issuer or for group solvency purposes of the group of companies the Issuer is a member of, the Issuer may only redeem the Notes if such portion of the principal amount of the Notes which continues to fulfil such requirements for solo solvency purposes or for group solvency purposes after such determination, has been replaced by other, at least equivalent own funds (<i>Eigenmittel</i>) or if the BaFin (or any successor in its capacity) has given its prior consent to the redemption of the Notes without such replacement.</p> <p>See “THE NOTES – § 4 (<i>Redemption and Repurchase – Regulatory Limitations</i>)”.</p>
<b>Use of Proceeds</b>	<p>The net proceeds from the issuance of the Notes will amount to approximately € 129,324,000 and are intended to be used for general corporate purposes and to enhance WürttLeben’s capitalisation, in particular with a view to support compliance with future regulatory and rating requirements (<i>inter alia</i> with respect to Solvency II), and support future growth.</p>
<b>Taxation</b>	<p>All payments in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction at source by or on behalf of the Federal Republic of Germany or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise</p>

have been receivable in respect of the Notes in the absence of such withholding or deduction, subject to customary exceptions as set out in the Terms and Conditions of the Notes.

<b>Selling Restrictions</b>	Subject to certain exceptions, the Notes are not being offered, sold or delivered within the United States or to U.S. persons. For a description of these and other restrictions on sale and transfer see “SUBSCRIPTION AND SALE”.
<b>Listing</b>	Application has been made to list the Notes on the Luxembourg Stock Exchange.
<b>Settlement</b>	It is expected that delivery of the Notes will be made on or about the Issue Date through the book-entry facilities of Euroclear or Clearstream Luxembourg against payment therefore in euro in immediately available funds.
<b>Governing Law</b>	The Notes will be governed by the laws of Germany.
<b>Jurisdiction</b>	Exclusive place of jurisdiction for any legal proceedings arising under the Notes is Frankfurt am Main, Germany.
<b>Availability of Documents</b>	This Prospectus and the documents incorporated by reference herein can either be found on the website of the Luxembourg Stock Exchange or are obtainable in printed form at the address of the paying agent in Luxembourg, Deutsche Bank Luxembourg S.A., 2, Boulevard Konrad Adenauer, L-1115 Luxembourg.
<b>Ratings</b>	The Notes have been rated “BBB” by S&P on 14 February 2006 and “BBB+” by Fitch Ratings on 13 February 2006. See “RATING”.
<b>Securities Codes</b>	ISIN Code: XS0244204003 Common Code: 024420400 WKN (German Securities Code): A0H5QT

### Summary regarding the Issuer

The Issuer is a stock corporation (*Aktiengesellschaft*) incorporated and organised under the laws of Germany. The Issuer’s corporate seat is in Stuttgart and its office address is Gutenbergstrasse 30, 70176 Stuttgart, Germany, telephone number: +49 (711) 662-0. The roots of the Issuer go back to the year 1833 when Allgemeine Rentenanstalt zu Stuttgart (“**ARA**”) was founded. In 1923 ARA was transformed into a stock corporation under the name Allgemeine Rentenanstalt Lebens- und Rentenversicherungs-AG. As a result of the creation of *Württembergische Insurance Group* in 1991, Allgemeine Rentenanstalt Lebens- und Rentenversicherungs-AG was renamed in Württembergische Lebensversicherung AG.

The Issuer is registered in the commercial register of the local court of Stuttgart under HRB 280.

According to article 2 of its articles of association (*Satzung*), the corporate purpose of the Issuer comprises the following:

- conducting of all types of life insurance, annuity insurance (*Rentenversicherung*) and retirement pension insurance (*Pensionsversicherung*);
- conducting of re-insurance in all of the aforementioned sectors;
- conducting of capitalisation measures;
- procurement of insurances in sectors in which the Issuer is not directly engaged;
- conducting of all other activities which are directly connected with the insurance business;

be it in Germany or abroad.

The Issuer forms part of the Wüstenrot & Württembergische Group (“**W&W Group**”) which was formed by way of a merger between the *Wüstenrot Group* and the *Württembergische Group* in 1999. The W&W Group consists of insurance companies, banks and building societies as well as investment companies, which are primarily engaged in the business areas of life and health insurance, general and personal-accident insurance, building savings, private housing finance and investment products. Currently Wüstenrot & Württembergische AG (“**W&W AG**”) holds 8,744,474 shares in registered form, which corresponds to 71.81 % of the issued share capital of WürttLeben. Out of the remaining issued shares, currently Landesbank Baden-Württemberg indirectly – through its subsidiary Erste BW-Schloßplatz Beteiligungen AG & Co. KG – holds 1,218,290 shares in registered form (approximately 10%), Swiss Re Germany AG holds 444,220 shares in registered form (approximately 3.65%), Wüstenrot Holding AG, which to approximately 66% majority-owns W&W AG, holds 163,744 shares in registered form (approximately 1.34%), and the remaining 1,607,192 shares (approximately 13.20%, thereof 1,567,192 shares in registered

form and 40,000 shares in bearer form) are, to the Issuer's knowledge, held by a wide range of shareholders (free float) (see also "THE ISSUER – Share Capital").

As of 31 December 2004 WürttLeben had 687 employees. At the level of *Württembergische Insurance Group* (then comprising WürttLeben, Württembergische Versicherung AG, Württembergische Krankenversicherung AG and Allgemeine Rentenanstalt Pensionskasse AG), the total number of employees amounted to 4,533 in 2004. From a legal perspective, most of these employees (3,846) are employed with Issuer's affiliated company Württembergische Versicherung AG ("**WürttVers**"), which comprises most of the *Württembergische Insurance Group's* non-life insurance business (except for health insurance business, which is conducted by Württembergische Krankenversicherung AG). However, according to the law on management of labour relations (*Betriebsverfassungsgesetz*) the companies of Württembergische Insurance Group form a *common enterprise* (*Gemeinschaftsbetrieb*).

WürttLeben and its most important subsidiaries are primarily engaged in the life insurance and annuity insurance business. The current focus of the business of the Issuer is on the life insurance business, which is operated in Germany both by the Issuer as well as by the recently acquired Karlsruher Lebensversicherung AG ("**KarlsLeben**") (see "BUSINESS OF WÜRTTLEBEN – Recent Developments"), whereas Allgemeine Rentenanstalt Pensionskasse AG ("**ARA PK**") offers only products for company pension schemes (*betriebliche Altersvorsorge*).

The activities of WürttLeben and its subsidiaries engaged in the insurance business comprise various segments of life insurance and annuity insurance. The insurance products offered by WürttLeben and its subsidiaries include endowment insurance, term life insurance, formation-of-capital-wealth-insurance, educational endowment insurance, unit-linked life insurance, supplementary occupational disability insurance and supplementary nursing insurance, and other additional insurance related products. With new business premiums (*Neugeschäftsbeiträge*) <sup>(1)</sup> amounting to approximately € 330 million in 2004 which corresponds to an increase by 20.4% compared to € 274 million in 2003, WürttLeben <sup>(2)</sup> has further improved its position among the top 16 German life insurers surpassing the average growth in this industry by more than a half <sup>(3)</sup>. In the second year of its business, the new business premiums generated by ARA PK in 2004 amounted to approximately € 26.3 million which corresponds to an increase by 94.2% compared to € 13.6 million in 2003. In the segment of company pension schemes (*betriebliche Altersvorsorge*) and based on new business premiums in 2004, WürttLeben (including ARA PK) is among the 17 leading providers in Germany <sup>(4)</sup>.

The current members of the management board (*Vorstand*) of the Issuer are Dr. Wolfgang Oehler (Chairman), Stuttgart, Dr. Michael Gutjahr, Stuttgart, Peter Köhler, Stuttgart, Ruth Martin, Stuttgart, Dr. Hans Bücken, Karlsruhe (as from 1 January 2006), and Rainer Schlegel, Linkenheim-Hochstetten (as from 1 January 2006). The Issuer's statutory auditor for the fiscal year 2004 and in the two previous fiscal years has been KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("**KPMG**"). As from the fiscal year 2005, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft ("**Deloitte & Touche**") has been appointed as the Issuer's statutory auditor, which today is the statutory auditor of the whole W&W Group in Germany, except for newly acquired *Karlsruher Insurance Group*. This harmonization was the motivation for the change of the auditor from KPMG to Deloitte & Touche. Both KPMG as well as Deloitte & Touche are members of the Institut der Wirtschaftsprüfer in Deutschland e.V. (institute of public auditors in Germany) and the Wirtschaftsprüfungskammer (chamber of public accountants).

The following table sets out the key financial information about the Issuer:

	2004 HGB	2003 HGB
Balance-sheet total in EUR million . . . . .	13,490.4	13,183.4
Insurance portfolio – annual premium for one year in EUR million (*) . . . . .	1,168.9	1,113.8
New business aggregate premiums in EUR million . . . . .	4,530.1	2,433.7
Written premiums in EUR million . . . . .	1,244.4	1,252.7
Reserve for benefits to clients in EUR million . . . . .	12,674.6	12,516.5
Investments in EUR million (**) . . . . .	12,772.7	12,617.0
Net interest return in % . . . . .	4.8	5.1
Total profit after direct credit in EUR million . . . . .	105.7	140.6
Income after Tax in EUR million . . . . .	12.1	9.7
Employees (in the average) (***) . . . . .	4,533.0	4,650.0
Dividend per share in EUR . . . . .	0.99	0.59

(\*) Statistical figures.

(\*\*) Without unit-linked life insurance.

(\*\*\*) At the level of *Württembergische Insurance Group* (without W&W Informatik GmbH); thereof an average of 687 employees was directly employed with the Issuer in 2004 (compared to 718 in 2003).

<sup>(1)</sup> As used in this Prospectus, the new business premiums (*Neugeschäftsbeiträge*) are determined on a statistical basis.

<sup>(2)</sup> Without ARA PK

<sup>(3)</sup> Based on own calculations taking into account the figures set forth in "Swiss Re, Geschäftsberichtsanalyse Lebensversicherung, Geschäftsjahr 2004", pages B6 and B7.

<sup>(4)</sup> Zeitschrift für Versicherungswirtschaft 2005, No. 15, page 459.

## Summary regarding the Risk Factors

### *Summary of Risk Factors regarding the Notes*

An investment in the Notes involves certain risks associated with the characteristics of the Notes which could lead to substantial losses the Noteholders would have to bear in the case of selling their Notes or with regard to receiving interest payments. Risks especially arise due to the fact that the Issuer has no obligation to redeem the Notes prior to 1 June 2026 and the Noteholders have no right to call for their early redemption or to terminate with effect prior to such Maturity Date, that the Issuer may defer interest payments if certain requirements are satisfied, that the payment obligations of the Issuer under the Notes constitute subordinated obligations of the Issuer, that the Notes may be subject to early redemption following a Gross-up Event, a Tax Event or an Regulatory Event, that there are no express events of default in the Terms and Conditions of the Notes, that the repurchase and redemption of the Notes is subject to certain regulatory limitations applicable to the Issuer in its capacity as insurance company. In addition, there are certain risks in connection with the Notes due to the specific conditions on the capital markets, risks with respect to the applicable tax regime and risks in connection with the potential issuance of further debt by the Issuer.

### *Deferral of Interest*

The Issuer has the option to defer any payment of interest on the Notes by giving not less than 10 nor more than 15 business days' notice to the Noteholders before any Interest Payment Date (as defined in § 3(3)(a) of the Terms and Conditions) if (i) no dividend, distribution or other payment has been declared in respect of any class of shares of the Issuer at the ordinary general meeting (*ordentliche Hauptversammlung*) of the Issuer immediately preceding such Interest Payment Date or since that ordinary general meeting of the Issuer and (ii) the unconsolidated financial statements of the Issuer, prepared in accordance with the provisions of the HGB and the consolidated financial statements of the Issuer, prepared in accordance with the International Financial Reporting Standards (*IFRS*), each for the financial year immediately preceding such Interest Payment Date, have not shown an annual profit (*Jahresüberschuss*). If the Issuer defers a payment of interest on the Notes on an Interest Payment Date, any payment of Arrears of Interest (as defined in § 3(3)(a) of the Terms and Conditions) may only be made in the circumstances set out in § 3(3)(b) or (c) of the Terms and Conditions. Noteholders will not receive any additional interest or compensation for the deferral of payment of interest on the Notes.

### *Subordination*

The Notes will be subordinated obligations of the Issuer. Upon the occurrence of any winding-up proceedings of the Issuer, payments on the Notes will be subordinated in right of payment to the prior payment in full of all other unsubordinated liabilities of the Issuer, except for liabilities which rank equal or junior to the Notes. In a winding-up proceeding of the Issuer, the Noteholders may recover proportionately less than the holders of unsubordinated liabilities of the Issuer.

### *No Right of Noteholders of Early Redemption*

Unless previously redeemed or repurchased, the Notes will be redeemed at their principal amount on 1 June 2026. Prior to this Maturity Date, the Notes may only be redeemed at the option of the Issuer. There is, therefore, no guarantee that the principal amount of the Notes or a portion thereof will be repaid prior to the Maturity Date. Thus, prior to such date, the interest on the Notes (if not deferred) may be the only payments the Noteholders receive in respect of the Notes.

### *Early Redemption Risk*

The Notes may be redeemed at the option of the Issuer (i) on 1 June 2016 or on any Floating Interest Payment Date (as defined in § 3(2)(b) of the Terms and Conditions) thereafter or (ii) until 1 June 2016 (exclusive) upon the occurrence of a Gross-up Event (as defined in § 4(4)(a) of the Terms and Conditions), a Tax Event (as defined in § 4(4)(b) of the Terms and Conditions) or a Regulatory Event (as defined in § 4(4)(c) of the Terms and Conditions), all as more fully described in the Terms and Conditions of the Notes. In the event that the Issuer exercises the option to redeem the Notes, the Noteholders might suffer a lower than expected yield.

### *Issuance of Further Debt*

German insurance supervisory law restricts the issuance of further debt by the Issuer which ranks equal to the Notes (subordinated obligations). Further debt ranking equal to the Notes may only be issued as far as the regulatory provisions to hold free uncommitted own funds (*freie unbelastete Eigenmittel*) (Section 53c of the VAG – see “REGULATION OF INSURANCE COMPANIES IN GERMANY”) are complied with. In addition, according to German regulatory provisions applicable to the



Issuer as insurance company, the issuance of debt by the Issuer, which ranks senior to the Notes is permissible under very limited circumstances only. If the Issuer, in accordance with the aforementioned restrictions, issued further subordinated or senior debt, such issuance of further debt may reduce the amount recoverable by the Noteholders upon winding-up or insolvency of the Issuer or may increase the likelihood that the Issuer may elect to defer payments of interest under the Notes.

#### *No Express Events of Default*

The Noteholders should be aware that the Terms and Conditions of the Notes do not contain any express events of default.

#### *Notice pursuant to the German Insurance Supervisory Law*

After the Issue Date, the subordination of the Notes as set out in § 2 of the Terms and Conditions may not be limited, and the term or any notice periods for redemption of the Notes may not be shortened. If the Notes are redeemed before the Maturity Date in circumstances other than as described in § 4(2) through (7) of the Terms and Conditions, then, irrespective of any agreement to the contrary, the amount so repaid must be returned to the Issuer unless the Issuer has been dissolved or such amounts have been replaced by other, at least equivalent own funds (*Eigenmittel*).

#### *No Prior Market for the Notes*

There is currently no secondary market for the Notes. Application has been made to list the Notes on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission. However, there can be no assurance that a liquid secondary market for the Notes will develop or, if it develops, that it will continue. In an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons.

#### *Fixed Rate Notes / Floating Rate Notes*

Noteholders should be aware that movements of the market interest rate can adversely affect the price of the Notes and can lead to losses for the Noteholders if they sell the Notes during the period in which the interest rate of the Notes is fixed.

A holder of a note with a floating interest rate is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of such notes. Noteholders should be aware of that fact.

#### *Withholding Tax*

The Issuer believes that the Notes do neither qualify as profit participation rights (*Genussrechte*) nor as profit participating loans (*partiarische Darlehen*) and that it is not otherwise required to make deductions on account of German withholding tax (*Kapitalertragsteuer*) thereon from interest payments made under the Notes. If the Issuer were obliged to make such deductions from interest payments under the Notes, it would be obliged to pay corresponding Additional Amounts to the Noteholders pursuant to § 6 of the Terms and Conditions of the Notes. In such case, the Issuer would, however, be entitled at its option to redeem the Notes at their Redemption Amount. The Issuer further believes that the Notes qualify as debt instruments and that, therefore, if the Notes are held in a custodial account which the Noteholder maintains with a paying agent which is a German branch of a German or non-German bank or financial services institution, such paying agent will, generally, have to make a deduction on account of German withholding tax on interest payments (*Zinsabschlag*) thereon from interest payments made under the Notes. If the paying agent is obliged to make such deductions from interest payments under the Notes, the Issuer will not be obliged to make corresponding gross-up payments to the Noteholders (cf. § 6(v) of the Terms and Conditions of the Notes). There can be no assurance that the competent tax authorities will concur with this assessment of the Issuer, and prospective investors should make their own assessment in relation thereto.

#### *Summary of Risk Factors regarding the Issuer*

The Issuer and its most important subsidiaries are engaged in the life and annuity insurance business, whereas the life insurance business is the Issuer's core business. The engagement in these business segments comprises several economic and other risks, such as dependency on credit ratings assigned to the Issuer, interest rate volatilities, investment risks, actuarial risks, the composition of the portfolio of policies, potential adverse changes in tax legislation or of the regulatory framework applicable to the Issuer in its capacity as insurance company, other legal risks, IT risks, risks in the human resources sector, risks with respect to the structure of the Issuer's distribution channels, and risks arising from the loss of accounts receivable from the

insurance business; in addition, the Issuer is exposed to pension obligations and jointly liable for certain obligations incurred by Wüstenrot & Württembergische AG. Moreover, there remains a risk that the integration KarlsLeben into WürttLeben cannot be implemented as currently envisaged. If these risks materialize, they could materially adversely affect the Issuer's financial condition and results of operation and the ability of the Issuer to perform its respective obligations under the Notes.

#### *Credit Ratings*

The business of WürttLeben is to a certain degree dependent on the credit ratings assigned to WürttLeben by various rating agencies. A downgrade in the ratings assigned to WürttLeben may adversely affect relationships with customers, negatively impact sales of WürttLeben's insurance products and increase WürttLeben's cost of borrowing.

#### *Interest rate volatilities*

Interest rate volatility may adversely affect the financial position and results of operations of WürttLeben since the Issuer's investment portfolio is heavily weighted towards fixed income investments denominated in euro. Accordingly, interest rate movement in the euro zone will significantly affect the value of WürttLeben's investment portfolio. A sustained low level of interest rates or a further decrease in interest rates may result in a decline in current income from new investments in fixed income securities as higher yielding investments mature. An increase in interest rates could substantially decrease the value of the fixed income portfolio, and any unexpected change in interest rates could materially adversely affect WürttLeben's bond and interest rate derivative positions. At the same time WürttLeben's expenses for payment of surrender values could increase if policyholders increasingly cancel their policies in order to reinvest their monies at higher interest rates, in which case WürttLeben could be forced to sell its investments at prices which are below the then prevailing market rates.

#### *Investment risks / market risks*

Württemberg's investment portfolio is significantly exposed to equity securities and other non-fixed income securities. As a consequence, there is very strong dependence of the investments on the interest market and the equity market. Fluctuations in equity markets may affect the market value and liquidity of such equity securities and other non-fixed interest securities.

#### *Actuarial risks*

Actuarial experience and other factors could differ from that assumed in the calculation of life actuarial reserves. Changes in any such assumptions may lead to changes in the estimates of life insurance reserves, which could in turn have a material adverse effect on the financial position or results of operations of WürttLeben.

#### *Maturing policies*

A significant amount of policies maturing within the next years could adversely affect WürttLeben's business. WürttLeben offers to the clients whose endowment policies mature, where such policies meet the required criteria, the option of investing their endowment benefit in a WürttLeben annuity policy or one of WürttLeben's investment funds. Should the reinvestment rate in the future be lower than expected, and should the Issuer fail to implement other measures which counteract these developments, the financial position or results of operations of WürttLeben could be materially adversely affected.

#### *Contingent pension obligations*

Württemberg has contingent pension obligations (approximately € 24 million as of 31 December 2004). Wüstenrot & Württembergische AG has assumed pension commitments for the active and retired staff and executives of WürttLeben. WürttLeben remains jointly liable for such pension commitments vis-à-vis the persons entitled to the pensions. In addition, WürttLeben is jointly but subsidiarily liable for pension commitments of the company pension fund "Pensionskasse der Württembergischen VVaG". In the event that W&W AG or Pensionskasse der Württembergischen VVaG, respectively, became insolvent or failed for any other reason to meet their payment obligations attributable to former employees of the Issuer under the pension commitments assumed or incurred, as the case may be, by them, the financial position or results of operations of WürttLeben could be materially adversely affected.

#### *Changes in tax legislation*

Changes to tax laws may affect the attractiveness of certain of WürttLeben's products that until recently have received or currently receive favourable tax treatment. If WürttLeben fails to adapt to any such changes by developing new life insurance



products which meet the specific need of potential customers, this could have a material adverse effect on the financial position and results of operation of WürttLeben.

#### *Changes in governmental regulations*

Württemberg's insurance business is subject to detailed comprehensive regulation and supervision in Germany and in all other countries in which it WürttLeben operates. Changes in existing laws and regulations, or changes in the interpretation of such laws and regulations by the courts or the competent authorities, may affect the way in which WürttLeben conducts its business and the products it may offer. Changes in regulations relating to pensions and employment, social security, insurance products and taxation may materially adversely affect WürttLeben's insurance business by restructuring its activities, imposing increased costs or otherwise.

#### *Integration of Karlsruher Lebensversicherung AG*

A potential failure of the Issuer to successfully implement the integration (including the envisaged new distribution structure and the "two-brand-strategy") of the newly (majority-) acquired Karlsruher Lebensversicherung AG, currently being the parent company of *Karlsruher Insurance Group*, may materially impact WürttLeben's business.

#### *Legal risks*

Legal risks which may arise on the one hand from court decisions and legislation (changes in legal parameters) and on the other from legal disputes and arbitration proceedings in which the Issuer may be involved could materially impact WürttLeben's business. In the course of the year 2005, important judgments were rendered which affect endowment life insurance contracts. Most recent judgements by German Federal Constitutional Court (*BVerfG*) and the German Federal Supreme Court (*BGH*) strengthen transparency and consumer protection. The *BVerfG* ordered the legislator to regulate until the end of 2007 the calculation and determination of the surplus amount (*Schlussüberschuss*). This could, *inter alia*, encompass the inclusion of hidden reserves (*stille Reserven*) into the surplus sharing. Although, the Issuer currently does not expect any material effects on its business planning as a result of this judgment, it cannot be excluded that the implementation of the legislation with respect to this issue could have a material adverse effect on the financial position and results of operation of WürttLeben. In addition, the *BGH* with respect to the so-called fiduciary proceedings (*Treuhänderverfahren*) restricted the retroactive curing of intransparency and established a minimum surrender value in the amount of 50% of the non-zillmered (i.e. not reduced by any acquisition costs) premium reserve for the contracts concerned. For WürttLeben, the effects of the judgment will be restricted to an amount of € 18.4 million (at maximum).

#### *Risks in the human resources sector*

Risks in the human resources sector, such as shortages of qualified personnel, insufficient adaption, demotivation and loss of staff, could adversely affect WürttLeben's business.

#### *IT-risks*

The intensive use of information technology in critical business processes of WürttLeben encompasses the risk of unauthorized data access and misuse. If these risks materialized, this could adversely affect WürttLeben's business.

#### *Risks associated with the structure of the Issuer's distribution channels*

Risks associated with the structure of the Issuer's distribution channels could adversely affect WürttLeben's business. The sale of insurance products to customers of WürttLeben is effected through various distribution channels, in particular the sales organization of *Württembergische*, the sales organization of *Wüstenrot*, independent intermediaries (brokers and multiple agents) and co-operation partners and banks. The focus is on the two separate and independent *sales organisations*. Together, both sales organisations consist of mobile field staff with over 5,500 full-time self-employed and employed staff and over 10,000 part-time staff (*nebenberufliche Vertreter*). The representatives primarily sell W&W products for various companies of the W&W Group regardless of the name under which they operate. Legally, the mobile field staff of the *Württembergische Exclusive Organization* is a part of *Württembergische Versicherung AG* and the *Wüstenrot Exclusive Organization* is part of *Wüstenrot Bausparkasse Aktiengesellschaft*.

#### *Risks arising from the loss of accounts receivable from the insurance business*

Risks with respect to non-payment of receivables from the insurance business, in particular with respect to non-payments by insurance intermediaries, could adversely affect WürttLeben's business.

#### *Other risks*

Besides the above listed facts, an economic downturn, a substantial slowdown in economic growth or a deterioration in consumer spending (resulting in a decrease of the volume of new insurance contracts and/or an increase of early terminations of insurance contracts) could adversely affect revenues which could have a material adverse effect on the financial position and results of operation of WürttLeben.

## GERMAN TRANSLATION OF THE SUMMARY

### ZUSAMMENFASSUNG

Nachfolgend wird eine Zusammenfassung (die „**Zusammenfassung**“) der wesentlichen Merkmale und Risiken in Bezug auf die Emittentin und die Schuldverschreibungen gegeben. Diese Zusammenfassung sollte als Einführung zu diesem Prospekt angesehen werden. Sie ist nicht als umfassend und vollständig anzusehen, sondern enthält Verweise auf die übrigen Angaben in diesem Prospekt und ist in Verbindung mit diesen zu lesen. Anleger sollten eine etwaige Anlageentscheidung in Bezug auf die Schuldverschreibungen auf Grundlage des gesamten Prospekts treffen. Bei etwaigen vor Gericht geltend gemachten Klagen in Bezug auf die in diesem Prospekt enthaltenen Informationen ist der jeweilige Anleger als Kläger unter Umständen nach dem nationalen Recht des jeweiligen Gerichts verpflichtet, diesen Prospekt auf seine Kosten übersetzen zu lassen, bevor das gerichtliche Verfahren eingeleitet wird. Die Personen, die diese Zusammenfassung, einschließlich einer etwaigen Übersetzung, erstellt und die Notifizierung beantragt haben, können zivilrechtlich haftbar gemacht werden, jedoch nur wenn diese Zusammenfassung in Verbindung mit den anderen Prospektteilen gelesen, irreführend oder unrichtig ist oder Angaben in anderen Teilen des Prospekts widerspricht.

In dieser Zusammenfassung verwendete und nicht definierte Begriffe haben die ihnen in den Anleihebedingungen zugewiesene Bedeutung.

#### Zusammenfassung im Hinblick auf die Schuldverschreibungen

<b>Emittentin</b>	Württembergische Lebensversicherung AG, Gutenbergstrasse 30, D-70176 Stuttgart, Bundesrepublik Deutschland.
<b>Schuldverschreibungen</b>	Die Schuldverschreibungen werden in einem Gesamtnennbetrag von € 130.000.000 begeben, aufgeteilt in 130.000 Inhaberschuldverschreibungen im Nennwert von je € 1.000.
<b>Form der Schuldverschreibungen</b>	<p>Die Schuldverschreibungen werden in Inhaberform gemäß der U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D) (die „<b>TEFRA D Rules</b>“) begeben. Die Schuldverschreibungen werden zunächst in einer vorläufigen Globalinhaberschuldverschreibung (die „<b>Vorläufige Globalurkunde</b>“) verbrieft. Die Vorläufige Globalurkunde wird nicht vor Ablauf von 40 und spätestens nach Ablauf von 180 Tagen nach dem Begebungstag gegen Vorlage einer Bestätigung über das Nichtbestehen U.S.-amerikanischen wirtschaftlichen Eigentums (<i>beneficial ownership</i>) an den Schuldverschreibungen gemäß den Regeln und Betriebsabläufen des Clearing-Systems gegen eine endgültige Globalinhaberschuldverschreibung (die „<b>Dauer-Globalurkunde</b>“) ausgetauscht. Zahlungen auf eine Vorläufige Globalurkunde erfolgen nur gegen Vorlage einer solchen Bestätigung. Eine Übertragung der Schuldverschreibungen ist nur im Wege des Effekten-Girosystems (<i>book-entry form</i>) möglich. Die die Schuldverschreibungen verbriefenden Globalurkunden können nicht gegen Einzelurkunden ausgetauscht werden; Zinsscheine werden nicht ausgegeben. Die Globalurkunden werden von Deutsche Bank Aktiengesellschaft, Frankfurt am Main, als allgemeine Verwahrstelle für Euroclear und Clearstream Luxembourg verwahrt.</p> <p>Vgl. „THE NOTES – § 1 (<i>Verbriefung und Nennbetrag – Globalurkunden und Austausch</i>)“.</p>
<b>Status der Schuldverschreibungen</b>	<p>Die Schuldverschreibungen begründen nicht besicherte, nachrangige Verbindlichkeiten der Emittentin, die untereinander gleichrangig und mit allen anderen nicht besicherten und nachrangigen Verbindlichkeiten der Emittentin zumindest gleichrangig sind.</p> <p>Im Fall der Auflösung, der Liquidation, der Insolvenz oder eines der Abwendung der Insolvenz der Emittentin dienenden Verfahrens stehen die Verbindlichkeiten der Emittentin aus den Schuldverschreibungen nicht nachrangigen Ansprüchen aller anderen Gläubiger der Emittentin im Rang nach (mit Ausnahme der gleichrangigen Ansprüche), so dass Zahlungen auf die Schuldverschreibungen erst erfolgen, wenn alle Ansprüche gegen die Emittentin aus nicht nachrangigen Verbindlichkeiten vollständig befriedigt sind.</p> <p>Für die Rechte der Anleihegläubiger aus den Schuldverschreibungen ist diesen keine Sicherheit durch die Emittentin oder durch Dritte gestellt; eine solche Sicherheit wird auch zu keinem Zeitpunkt gestellt werden. Nachträglich können weder der Nachrang gemäß § 2 der Anleihebedingungen beschränkt, noch die Laufzeit der Schuldverschreibungen oder die jeweiligen Kündigungsfristen verkürzt werden. Eine vorzeitige Rückerstattung, die nicht unter den in § 4(2) bis (7) der Anleihebedingungen beschriebenen Voraussetzungen erfolgt, ist der Emittentin ohne Rücksicht auf</p>

entgegenstehende Vereinbarungen zurückzugewähren, sofern die Emittentin nicht aufgelöst wurde oder der Betrag nicht durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist.

Die Anleihegläubiger sind nicht berechtigt, Forderungen aus den Schuldverschreibungen mit möglichen Forderungen der Emittentin gegen sie aufzurechnen, und die Emittentin ist nicht berechtigt, Forderungen gegenüber den Anleihegläubigern gegen ihre Verpflichtungen aus den Schuldverschreibungen aufzurechnen.

Vgl. „THE NOTES – § 2 (*Status*)“.

<b>Lead Manager</b>	Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, Vereinigtes Königreich.
<b>Co-Lead Manager</b>	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Platz der Republik, D-60265 Frankfurt am Main, Bundesrepublik Deutschland.
<b>Hauptzahlstelle/ Berechnungsstelle</b>	Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Große Gallusstrasse 10-14, D-60272 Frankfurt am Main, Bundesrepublik Deutschland.
<b>Börsennotierungsbeauftragter/Listing Agent in Luxemburg</b>	Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxemburg, Großherzogtum Luxemburg.
<b>Zahlstelle in Luxemburg</b>	Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxemburg, Großherzogtum Luxemburg.
<b>Begebungstag</b>	16. Februar 2006.
<b>Ausgabepreis</b>	99,48 %
<b>Zinsen</b>	<p>Im Zeitraum ab 16. Februar 2006 (einschließlich) bis 1. Juni 2016 (ausschließlich) werden die Schuldverschreibungen mit jährlich 5,375 % verzinst. Zinsen sind nachträglich am 1. Juni eines jeden Jahres fällig, erstmals am 1. Juni 2006. Im Zeitraum ab dem 1. Juni 2016 (einschließlich) bis zum Fälligkeitstag (ausschließlich) werden Schuldverschreibungen zu einem Zinssatz von 2,75 % über dem EURIBOR für Dreimonatseinlagen verzinst, sofern keine vorzeitige Rückzahlung und kein Rückkauf erfolgt. Diese Zinsen werden jeweils vierteljährlich nachträglich an jedem 1. Tag im Monat März, Juni, September und Dezember eines jeden Jahres fällig. Vgl. „THE NOTES – § 3 (<i>Zinsen</i>)“.</p>
<b>Aussetzung von Zinszahlungen</b>	<p>Die Emittentin ist berechtigt, die Fälligkeit einer Zinszahlung durch eine (unwiderrufliche) Bekanntmachung an die Anleihegläubiger gemäß § 10 der Anleihebedingungen innerhalb einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen vor dem jeweiligen Festzinsszahlungstag oder Variablen Zinszahlungstag (jeweils ein „<b>Zinszahlungstag</b>“) auszusetzen, wenn</p> <ul style="list-style-type: none"><li>(i) weder auf der ordentlichen Hauptversammlung der Emittentin unmittelbar vor diesem Zinszahlungstag noch seit dieser ordentlichen Hauptversammlung der Emittentin für irgendeine Aktiengattung der Emittentin eine Dividende, andere Ausschüttung oder Zahlung festgesetzt wurde; und</li><li>(ii) der nach den Vorschriften des Handelsgesetzbuches (HGB) erstellte Einzelabschluss der Emittentin und der nach internationalen Rechnungslegungsstandards (International Financial Reporting Standards („<b>IFRS</b>“)) erstellte Konzernabschluss der Emittentin für das unmittelbar vor diesem Zinszahlungstag endende Geschäftsjahr keinen Jahresüberschuss ausgewiesen haben.</li></ul> <p>Auf eine dem gemäß ausgesetzte Zinszahlung (ein „<b>Zinsrückstand</b>“) werden an diesem Zinszahlungstag keine Zinsen geschuldet. Die Emittentin ist jedoch nicht berechtigt, eine Zinszahlung auszusetzen, sofern der Vorstand der Emittentin seit der letzten ordentlichen Hauptversammlung eine Ermächtigung zum Kauf eigener Aktien ausgenutzt hat.</p>

Vgl. „THE NOTES – § 3 (*Zinsen – Zinsrückstände – Aussetzung der Fälligkeit*)“.

<b>Zahlung von Zinsrückständen</b>	<p>Die Emittentin kann ausstehende Zinsrückstände jederzeit (ganz oder teilweise) nach Bekanntmachung an die Anleihegläubiger bei Einhaltung einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen zahlen.</p> <p>Vgl. „THE NOTES – § 3 (<i>Zinsen – Zinsrückstände – Fakultative Zahlung von Zinsrückständen</i>)“.</p> <p>Die Emittentin hat ausstehende Zinsrückstände (vollständig und nicht nur teilweise) an dem zuerst eintretenden der folgenden Tage zu zahlen: (i) am nächsten Zinszahlungstag, an dem die Voraussetzungen für die Aussetzung von Zinszahlungen nicht mehr vorliegen; (ii) am Fälligkeitstag; (iii) an dem Tag, an dem eine Verfügung zur Abwicklung, Liquidation oder Auflösung der Emittentin ergeht (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. der die Emittentin noch zahlungsfähig ist und bei dem bzw. der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin übernimmt); und (iv) an dem Tag, an dem entweder die Emittentin Zinsen auf Gleichrangige Wertpapiere oder Zinsen oder Aufgeschobene Zinsen auf Nachrangige Wertpapiere zahlt oder Gleichrangige Wertpapiere oder Nachrangige Wertpapiere vor deren Fälligkeit zurückkauft.</p> <p>Vgl. „THE NOTES – § 3 (<i>Zinsen – Zinsrückstände – Obligatorische Zahlung von Zinsrückständen</i>)“.</p>
<b>Rückkauf</b>	<p>Vorbehaltlich bestimmter aufsichtsrechtlicher Beschränkungen können die Emittentin oder jede ihrer Tochtergesellschaften jederzeit Schuldverschreibungen auf dem freien Markt oder anderweitig sowie zu jedem beliebigen Preis kaufen und wieder veräußern.</p> <p>Vgl. „THE NOTES – § 4 (<i>Rückzahlung und Rückkauf - Rückkauf</i>)“.</p>
<b>Rückzahlung</b>	<p>Die Schuldverschreibungen werden, sofern keine vorzeitige Rückzahlung oder ein Rückkauf erfolgt, an ihrem Fälligkeitstag zum Nennbetrag zurückgezahlt. Vor dem Fälligkeitstag können die Schuldverschreibungen nach Wahl der Emittentin im Einklang mit § 4(3) oder (4) der Anleihebedingungen zurückgezahlt werden.</p> <p>Vgl. „THE NOTES – § 4 (<i>Rückzahlung und Rückkauf – Rückzahlung bei Endfälligkeit</i>)“.</p>
<b>Vorzeitige Rückzahlung nach Wahl der Emittentin</b>	<p>Die Emittentin kann die Schuldverschreibungen (insgesamt und nicht nur teilweise) am 1. Juni 2016 und an jedem Variablen Zinszahlungstag durch Mitteilung mit einer Frist von mindestens 30 und höchstens 60 Tagen an die Anleihegläubiger zum Nennbetrag zuzüglich der bis zu diesem Tag (ausschließlich) aufgelaufenen Zinsen sowie zuzüglich aller ausstehenden Zinsrückstände (der „<b>Rückzahlungsbetrag</b>“) zurückzahlen.</p> <p>Vgl. „THE NOTES – § 4 (<i>Rückzahlung und Rückkauf – Vorzeitige Rückzahlung nach Wahl der Emittentin</i>)“.</p>
<b>Vorzeitige Rückzahlung nach Eintritt eines Gross-up Ereignisses, eines Steuerereignisses oder eines Aufsichtsrechtlichen Ereignisses</b>	<p>Die Emittentin ist bis zum 1. Juni 2016 (ausschließlich) berechtigt, durch Mitteilung mit einer Frist von mindestens 30 und höchstens 60 Tagen an die Anleihegläubiger die Schuldverschreibungen nach Eintritt eines Gross-Up Ereignisses zum Rückzahlungsbetrag und nach Eintritt eines Steuerereignisses oder eines Aufsichtsrechtlichen Ereignisses zum Vorzeitigen Rückzahlungsbetrag (insgesamt und nicht nur teilweise) zurückzuzahlen.</p> <p>Vgl. „THE NOTES – § 4 (<i>Rückzahlung und Rückkauf – Vorzeitige Rückzahlung nach Eintritt eines Gross-up Ereignisses, eines Steuerereignisses oder eines Aufsichtsrechtlichen Ereignisses</i>)“.</p> <p>Der Vorzeitige Rückzahlungsbetrag ist der Rückzahlungsbetrag, bzw. falls höher, der Aufrechnungsbetrag (wie von der Berechnungsstelle bestimmt). Der Aufrechnungsbetrag wird durch die Berechnungsstelle bestimmt und entspricht der Summe aus den Aktuellen Werten (i) des Nennbetrags der Schuldverschreibungen und (ii) der verbleibenden vorgesehenen Zinszahlungen auf die Schuldverschreibungen bis zum 1. Juni 2016 (ausschließlich) am Tag der Rückzahlung.</p> <p>Vgl. „THE NOTES – § 4 (<i>Rückzahlung und Rückkauf – Vorzeitiger Rückzahlungsbetrag</i>)“.</p>

<b>Aufsichtsrechtliche Einschränkungen betreffend Rückkauf und Rückzahlung</b>	<p>Die Emittentin darf das Recht zum Rückkauf und zur Rückzahlung der Schuldverschreibungen nur ausüben, wenn der zurückzuzahlende Nennbetrag durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist oder die Bundesanstalt für Finanzdienstleistungsaufsicht (oder ein Funktionsnachfolger) dem Rückkauf bzw. der Rückzahlung ohne eine solche Ersetzung zuvor zugestimmt hat. Nach Eintritt eines Aufsichtsrechtlichen Ereignisses aufgrund einer Feststellung der Bundesanstalt für Finanzdienstleistungsaufsicht (oder eines Funktionsnachfolgers), dass die Schuldverschreibungen ganz oder teilweise nicht länger die Anforderungen an Eigenmittel für Zwecke der Ermittlung der Einzelsolvabilität der Emittentin oder der Gruppensolvabilität der Unternehmensgruppe, zu der die Emittentin gehört, erfüllen, darf die Emittentin das Recht zur Rückzahlung nur ausüben, wenn derjenige Teil der Schuldverschreibungen, der diese Anforderungen nach wie vor für die Zwecke der Ermittlung der Einzelsolvabilität oder der Gruppensolvabilität erfüllt, durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist oder die Bundesanstalt für Finanzdienstleistungsaufsicht (oder ein Funktionsnachfolger) der Rückzahlung ohne eine solche Ersetzung zuvor zugestimmt hat.</p> <p>Vgl. „THE NOTES – § 4 (<i>Rückzahlung und Rückkauf – Aufsichtsrechtliche Einschränkungen</i>)“.</p>
<b>Erlösverwendung</b>	<p>Der Nettoerlös aus der Anleiheemission beläuft sich auf ca. € 129.324.000 und soll für allgemeine Unternehmenszwecke sowie zur Verbesserung der Kapitalisierung von Württemberg verwendet werden, insbesondere im Hinblick auf die Einhaltung künftiger aufsichtsrechtlicher Anforderungen und Anforderungen an das Rating (insbesondere im Hinblick auf Solvabilität II), sowie zur Förderung des zukünftigen Wachstums.</p>
<b>Besteuerung</b>	<p>Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge werden ohne Einbehalt oder Abzug von gegenwärtigen oder künftig fälligen Steuern oder Abgaben jedweder Art geleistet, die im Wege des Einbehalts oder Abzugs an der Quelle von oder namens der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder Behörden mit der Befugnis zur Erhebung von Steuern auferlegt oder erhoben werden, sofern ein solcher Einbehalt oder Abzug nicht gesetzlich vorgeschrieben ist. In einem solchen Fall wird die Emittentin diejenigen zusätzlichen Beträge zahlen, die erforderlich sind, damit die den Anleihegläubigern zufließenden Nettobeträge nach einem solchen Einbehalt oder Abzug jeweils den Beträgen an Kapital und Zinsen entsprechen, die die Anleihegläubiger ohne einen solchen Einbehalt oder Abzug in Bezug auf die Schuldverschreibungen erhalten hätten; dies gilt vorbehaltlich der üblichen in den Anleihebedingungen aufgeführten Ausnahmen.</p>
<b>Verkaufsbeschränkungen</b>	<p>Vorbehaltlich bestimmter Ausnahmeregelungen dürfen die Schuldverschreibungen nicht in den Vereinigten Staaten oder US-Personen angeboten, verkauft oder ausgegeben werden. Eine nähere Beschreibung dieser und weiterer Beschränkungen für den Verkauf und die Übertragung ist im Abschnitt „SUBSCRIPTION AND SALE“ enthalten.</p>
<b>Börsennotierung</b>	<p>Für die Schuldverschreibungen ist ein Antrag auf Notierung an der Luxemburger Börse gestellt worden.</p>
<b>Settlement</b>	<p>Voraussichtlich wird die Lieferung der Schuldverschreibungen etwa am Begebungstag über das Effekten-Giro-System von Euroclear oder Clearstream Luxembourg gegen Zahlung in frei verfügbaren Mitteln in Euro erfolgen.</p>
<b>Geltendes Recht</b>	<p>Die Schuldverschreibungen unterliegen deutschem Recht.</p>
<b>Gerichtsstand</b>	<p>Ausschließlicher Gerichtsstand für alle rechtlichen Verfahren im Zusammenhang mit den Schuldverschreibungen ist Frankfurt am Main, Bundesrepublik Deutschland.</p>
<b>Verfügbarkeit von Dokumenten</b>	<p>Dieser Prospekt und die durch Bezugnahme als Bestandteil in diesen Prospekt aufgenommenen Dokumente sind auf der Internetseite der Luxemburger Börse oder in gedruckter Form unter der Adresse der Zahlstelle in Luxemburg, Deutsche Bank Luxembourg S.A., 2, Boulevard Konrad Adenauer, L-1115 Luxemburg, erhältlich.</p>
<b>Ratings</b>	<p>Die Schuldverschreibungen haben am 14. Februar 2006 ein Rating von „BBB“ von S&amp;P und am 13. Februar 2006 ein Rating von „BBB+“ von Fitch Ratings erhalten. Vgl. den Abschnitt „RATING“.</p>



<b>Wertpapierkennnum-</b>	ISIN Code:	XS0244204003
<b>mern/ ISIN Codes</b>	Common Code:	024420400
	WKN:	A0H5QT

## Zusammenfassung im Hinblick auf die Emittentin

Die Emittentin ist eine Aktiengesellschaft, die nach deutschem Recht gegründet und verfasst ist. Der Geschäftssitz und die Geschäftsadresse der Emittentin befinden sich in der Gutenbergstraße 30, 70176 Stuttgart, Deutschland, Telefon: +49 (711) 662-0. Die Anfänge der Emittentin reichen zurück bis in das Jahr 1833, als die Allgemeine Rentenanstalt zu Stuttgart („ARA“) gegründet wurde. 1923 wurde ARA in eine Aktiengesellschaft mit dem Namen Allgemeine Rentenanstalt Lebens- und Rentenversicherungs-AG umgewandelt. Als Folge der Errichtung der *Württembergische Versicherungsgruppe* in 1991 wurde die Allgemeine Rentenanstalt Lebens- und Rentenversicherungs-AG in Württembergische Lebensversicherung AG umbenannt.

Die Emittentin ist im Handelsregister des Amtsgerichts Stuttgart unter HRB 280 eingetragen.

Gemäß Artikel 2 ihrer Satzung hat die Emittentin folgenden Unternehmensgegenstand:

- der Betrieb aller Arten der Lebens-, Renten- und Pensionsversicherung;
- der Betrieb der Rückversicherung in allen vorgenannten Zweigen;
- der Betrieb von Kapitalisierungsgeschäften;
- die Vermittlung von Versicherungen in Zweigen, die die Gesellschaft nicht selbst betreibt;
- der Betrieb anderer Geschäfte, die mit dem Versicherungsgeschäft in unmittelbarem Zusammenhang stehen;

sowohl in Deutschland als auch im Ausland.

Die Emittentin gehört zur Wüstenrot & Württembergische Gruppe („**W&W Gruppe**“), die aus der Fusion der *Wüstenrot Gruppe* und der *Württembergische Gruppe* in 1999 hervorging. Die W&W Gruppe besteht aus Versicherungen, Banken und Bausparkassen sowie aus Investmentgesellschaften, die hauptsächlich in den Bereichen Lebens- und Krankenversicherung, Schaden- und Unfallversicherung, Bausparprodukte, private Baufinanzierung und Investment geschäftlich tätig sind. Derzeit hält Wüstenrot & Württembergische AG („**W&W AG**“) 8.744.474 Namensaktien, d. h. 71,81 % des ausgegebenen Aktienkapitals der WürttLeben. Von den verbleibenden ausgegebenen Aktien hält die Landesbank Baden-Württemberg – indirekt über ihre Tochtergesellschaft Erste BW-Schloßplatz Beteiligungen AG & Co. KG – 1.218.290 Namensaktien (etwa 10%), Swiss Re Germany AG 444.220 Namensaktien (etwa 3,65%), und Wüstenrot Holding AG, die eine Mehrheitsbeteiligung von etwa 66% an W&W AG hält, 163.744 Namensaktien (etwa 1,34%); die verbleibenden 1.607.192 Aktien (etwa 13,20%; davon 1.567.192 Namensaktien und 40.000 Inhaberaktien) werden, soweit der Emittentin bekannt, von einer Reihe von Aktionären im Streubesitz gehalten (siehe auch „THE ISSUER – Share Capital“).

Zum 31. Dezember 2004 hatte die WürttLeben 687 Mitarbeiter. Auf Ebene der *Württembergischen Versicherungsgruppe* (zu dem Zeitpunkt bestehend aus WürttLeben, Württembergische Versicherung AG, Württembergische Krankenversicherung AG und Allgemeine Rentenanstalt Pensionskasse AG) waren 2004 insgesamt 4.533 Mitarbeiter tätig. Aus rechtlicher Sicht gehörten diese Mitarbeiter hauptsächlich (3.846) zum verbundenen Unternehmen der Emittentin, der Württembergischen Versicherung AG („**WürttVers**“), die den Hauptteil der nicht zum Lebensversicherungsbereich gehörenden Geschäftsfelder der Württembergischen Versicherungsgruppe abdeckt (mit Ausnahme des Krankenversicherungsgeschäfts, das von der Württembergischen Krankenversicherung AG wahrgenommen wird). Nach dem Betriebsverfassungsgesetz bilden die Unternehmen der Württembergischen Versicherungsgruppe jedoch einen Gemeinschaftsbetrieb.

WürttLeben und ihre wichtigsten Tochtergesellschaften sind hauptsächlich in den Geschäftsfeldern Lebensversicherung und Rentenversicherung tätig. Derzeit liegt der Schwerpunkt der Emittentin im Bereich der Lebensversicherungen, der in Deutschland sowohl von der Emittentin als auch von der erst kürzlich erworbenen Karlsruher Lebensversicherung AG („**KarlsLeben**“) wahrgenommen wird (siehe „BUSINESS OF WÜRTTLEBEN – Recent Developments“), wohingegen Allgemeine Rentenanstalt Pensionskasse AG („**ARA PK**“) ausschließlich Produkte für die betriebliche Altersvorsorge anbietet.

Die Geschäftstätigkeit der WürttLeben und ihrer im Lebensversicherungsgeschäft tätigen Tochtergesellschaften umfasst verschiedene Segmente der Lebens- und Rentenversicherung. Die von WürttLeben und ihren Tochtergesellschaften angebotenen Versicherungsprodukte umfassen Kapitallebensversicherungen, Risikolebensversicherungen, Vermögensbildungs- und Ausbildungsvericherungen, fondsgebundene Lebensversicherungen, Berufsunfähigkeits- und Unfallzusatzversicherungen sowie wei-



tere versicherungsbezogene Produkte. Mit Neugeschäftsbeiträgen<sup>(1)</sup> im Jahre 2004 in Höhe von etwa € 330 Mio. – das entspricht einem Zuwachs von 20,4% im Vergleich zu € 274 Mio. im Jahre 2003 – hat die WürttLeben<sup>(2)</sup> ihre Position unter den 16 führenden deutschen Lebensversicherern weiter verbessert und das durchschnittliche Branchenwachstum um mehr als die Hälfte übertroffen<sup>(3)</sup>. Im zweiten Jahr ihrer Geschäftstätigkeit betrugen die von ARA PK im Jahr 2004 erwirtschafteten Neugeschäftsbeiträge etwa € 26,3 Mio.; das entspricht einem Wachstum von 94,2% im Vergleich zu € 13,6 Mio. im Jahre 2003. Im Geschäftsfeld betriebliche Altersvorsorge und gemessen an den Neugeschäftsbeiträgen in 2004 gehört die WürttLeben (einschließlich ARA PK) zu den 17 führenden Anbietern von Lebensversicherungen in Deutschland<sup>(4)</sup>.

Zum Vorstand der Emittentin gehören derzeit Dr. Wolfgang Oehler (Vorsitzender), Stuttgart, Dr. Michael Gutjahr, Stuttgart, Peter Köhler, Stuttgart, Ruth Martin, Stuttgart, Dr. Hans Bücken, Karlsruhe (seit dem 1. Januar 2006) und Rainer Schlegel, Linkenheim-Hochstetten (seit dem 1. Januar 2006). KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft („KPMG“) war im Geschäftsjahr 2004 und in den vorangehenden zwei Geschäftsjahren als Abschlussprüfer der Emittentin tätig. Seit dem Geschäftsjahr 2005 ist Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft („Deloitte & Touche“) als Abschlussprüfer der Emittentin bestellt, wobei Deloitte & Touche derzeit für die gesamte W&W Gruppe in Deutschland als gesetzlicher Abschlussprüfer tätig ist, mit Ausnahme der kürzlich erworbenen Karlsruher Versicherungsgruppe. Diese Vereinheitlichung war der Grund für den Wechsel von KPMG zu Deloitte & Touche. Sowohl KPMG als auch Deloitte & Touche gehören dem Institut der Wirtschaftsprüfer in Deutschland e. V. und der Wirtschaftsprüfungskammer an.

In der nachstehenden Tabelle sind die wichtigsten Finanzinformationen über die Emittentin aufgeführt:

	2004 HGB	2003 HGB
Bilanzsumme in Mio. EUR . . . . .	13.490,4	13.183,4
Versicherungsbestand – Laufender Beitrag für ein Jahr in Mio. EUR (*) . . . . .	1.168,9	1.113,8
Neuzugang – Beitragssumme in Mio. EUR . . . . .	4.530,1	2.433,7
Gebuchte Beiträge in Mio. EUR . . . . .	1.244,4	1.252,7
Leistungsverpflichtungen gegenüber Versicherten in Mio. EUR . . . . .	12.674,6	12.516,5
Kapitalanlagen in Mio. EUR (**) . . . . .	12.772,7	12.617,0
Nettoverzinsung in % . . . . .	4,8	5,1
Gesamtüberschuss nach Direktgutschrift in Mio. EUR . . . . .	105,7	140,6
Jahresüberschuss in Mio. EUR . . . . .	12,1	9,7
Mitarbeiter (durchschnittlich) (***) . . . . .	4.533,0	4.650,0
Dividende pro Aktie in EUR . . . . .	0,99	0,59

(\*) Statistische Angaben.

(\*\*) Ohne fondsgebundene Lebensversicherung.

(\*\*\*) Auf Ebene der Württembergischen Versicherungsgruppe (ohne W&W Informatik GmbH); davon waren 2004 im Durchschnitt 687 Mitarbeiter direkt bei der Emittentin beschäftigt (im Vergleich zu 718 im Jahr 2003).

## Zusammenfassung im Hinblick auf die Risikofaktoren

### Zusammenfassung der Risikofaktoren im Hinblick auf die Schuldverschreibungen

Eine Anlage in die Schuldverschreibungen ist mit bestimmten Risiken verbunden, die sich aus den Eigenschaften der Schuldverschreibungen ergeben und die zu erheblichen Verlusten bei den Anleihegläubigern bei Verkauf ihrer Schuldverschreibungen oder in Bezug auf den Erhalt von Zinszahlungen führen können. Risiken ergeben sich insbesondere aus der Tatsache, dass die Emittentin vor dem 1. Juni 2026 nicht zur Rückzahlung der Schuldverschreibungen verpflichtet ist und die Anleihegläubiger eine vorzeitige Rückzahlung nicht verlangen bzw. die Schuldverschreibungen nicht zu einem Termin vor diesem Fälligkeitsdatum kündigen können, dass die Emittentin unter bestimmten Voraussetzungen die Zahlung von Zinsen aufschieben kann, dass es sich bei den Zahlungsverpflichtungen der Emittentin in Bezug auf die Schuldverschreibungen um nachrangige Verbindlichkeiten der Emittentin handelt, dass die Schuldverschreibungen nach einem Gross-up Ereignis, einem Steuerereignis oder einem Aufsichtsrechtlichen Ereignis vorzeitig zurückgezahlt werden können, dass es keine ausdrücklichen Kündigungsereignisse (events of default) in den Bedingungen der Schuldverschreibungen gibt und dass Rückkauf und Rückzahlung der Schuldverschreibungen bestimmten für die Emittentin als Versicherungsunternehmen maßgeblichen aufsichtsrechtlichen Einschränkungen unterliegen. Außerdem bestehen bestimmte weitere Risiken im Zusammenhang mit den Schuldverschreibungen, die sich aus den spezifischen Bedingungen an den Kapitalmärkten ergeben, sowie Risiken im Zusammenhang mit den maßgeblichen Steuerbestimmungen und weiteren möglichen Begebungen von Schuldtiteln durch die Emittentin.

<sup>(1)</sup> Neugeschäftsbeiträge im Sinne dieses Prospekts werden auf statistischer Basis ermittelt.

<sup>(2)</sup> Ohne ARA PK.

<sup>(3)</sup> Auf der Grundlage eigener Berechnungen und unter Berücksichtigung der unter „Swiss Re, Geschäftsberichtsanalyse Lebensversicherung, Geschäftsjahr 2004“ Seiten B6 und B7 angegebenen Zahlen.

<sup>(4)</sup> Zeitschrift für Versicherungswirtschaft 2005, Nr. 15, Seite 459.

### *Aufschub der Zinszahlungen*

Die Emittentin hat die Möglichkeit, Zinszahlungen auf die Schuldverschreibungen durch Bekanntmachung an die Anleihegläubiger innerhalb einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen vor dem jeweiligen Zinszahlungstag (gemäß Definition in § 3(3)(a) der Anleihebedingungen) aufzuschieben, wenn (i) weder auf der ordentlichen Hauptversammlung der Emittentin unmittelbar vor diesem Zinszahlungstag noch seit dieser ordentlichen Hauptversammlung der Emittentin für irgendeine Aktiengattung der Emittentin eine Dividende, andere Ausschüttung oder Zahlung festgesetzt wurde und (ii) der nach den Vorschriften des Handelsgesetzbuches (HGB) erstellte Einzelabschluss der Emittentin und der nach internationalen Rechnungslegungsstandards (International Financial Reporting Standards (IFRS)) erstellte Konzernabschluss der Emittentin jeweils für das unmittelbar vor diesem Zinszahlungstag endende Geschäftsjahr keinen Jahresüberschuss ausgewiesen hat. Sofern die Emittentin Zinszahlungen auf die Schuldverschreibungen an einem Zinszahlungstag verschiebt, kann die Zahlung von Zinsrückständen (gemäß Definition in § 3(3)(a) der Anleihebedingungen) nur in den in § 3(3)(b) oder (c) der Anleihebedingungen angegebenen Fällen erfolgen. Die Anleihegläubiger erhalten keine zusätzlichen Zinsen oder Vergütungen auf die Schuldverschreibungen für den Aufschub der Zinszahlungen.

### *Nachrangigkeit*

Die Schuldverschreibungen begründen nachrangige Verpflichtungen der Emittentin. Im Falle eines Insolvenzverfahrens betreffend die Emittentin haben die Zahlungsansprüche aller nicht nachrangigen Verbindlichkeiten der Emittentin in voller Höhe Vorrang vor den Zahlungen auf die Schuldverschreibungen, mit Ausnahme von Verbindlichkeiten, die gleichrangig mit den Schuldverschreibungen sind oder nachrangig zu diesen sind. Bei einem Insolvenzverfahren der Emittentin erhalten die Anleihegläubiger unter Umständen im Vergleich zu den Gläubigern anderer nachrangiger Verbindlichkeiten der Emittentin einen geringeren Anteil des angelegten Kapitals zurück.

### *Kein Anspruch der Anleihegläubiger auf vorzeitige Rückzahlung*

Die Schuldverschreibungen werden, sofern keine vorzeitige Rückzahlung und kein Rückkauf erfolgt, am 1. Juni 2026 zum Nennbetrag zurückgezahlt. Die Schuldverschreibungen können vor diesem Fälligkeitstag nur nach Wahl der Emittentin zurückgezahlt werden. Es gibt daher keine Garantie dafür, dass der Nennbetrag der Schuldverschreibungen bzw. Teile des Nennbetrages vor dem Fälligkeitstag zurückgezahlt werden. Entsprechend sind die Zinszahlungen (sofern kein Aufschub erfolgt) möglicherweise die einzigen Zahlungen, die vor diesem Datum an die Anleihegläubiger auf die Schuldverschreibungen geleistet werden.

### *Risiko vorzeitiger Rückzahlung*

Die Emittentin kann die Schuldverschreibungen (i) am 1. Juni 2016 oder an jedem darauf folgenden Variablen Zinszahlungstag (gemäß Definition in § 3(2)(b) der Anleihebedingungen) oder (ii) bis zum 1. Juni 2016 (ausschließlich) nach Eintritt eines Gross-Up Ereignisses (gemäß Definition in § 4(4)(a) der Anleihebedingungen), eines Steuerereignisses (gemäß Definition in § 4(4)(b) der Anleihebedingungen) oder eines Aufsichtsrechtlichen Ereignisses (gemäß Definition in § 4(4)(c) der Anleihebedingungen) zurückzahlen, wie jeweils im Einzelnen in den Anleihebedingungen beschrieben. Sofern die Emittentin die Rückzahlungsoption ausübt, verringert sich unter Umständen die erwartete Rendite der Anleihegläubiger.

### *Begebung weiterer Schuldtitel*

Es bestehen nach deutschem Versicherungsrecht Beschränkungen für die Begebung weiterer mit den Schuldverschreibungen gleichrangiger Schuldtitel (nachrangige Verbindlichkeiten) durch die Emittentin. Weitere Schuldtitel, die mit den Schuldverschreibungen gleichrangig sind, können nur begeben werden, wenn die aufsichtsrechtlichen Bestimmungen im Hinblick auf freie unbelastete Eigenmittel (§ 53c Versicherungsaufsichtsgesetz (VAG) – Siehe „REGULATION OF INSURANCE COMPANIES IN GERMANY“) eingehalten werden. Darüber hinaus ist nach den für die Emittentin als Versicherungsunternehmen maßgeblichen aufsichtsrechtlichen Bestimmungen die Begebung weiterer Schuldtitel durch die Emittentin, die den Schuldverschreibungen im Rang vorgehen, nur in sehr begrenztem Umfang zulässig. Sollte die Emittentin nach Maßgabe der vorstehenden Beschränkungen weitere nachrangige oder vorrangige Schuldtitel begeben, könnte diese Begebung weiterer Schuldtitel dazu führen, dass sich der durch die Anleihegläubiger bei Abwicklung oder Insolvenz der Emittentin erzielbare Betrag vermindert oder dass sich die Wahrscheinlichkeit erhöht, dass sich die Emittentin für einen Aufschub der Zinszahlungen auf die Schuldverschreibungen entscheidet.

### *Keine ausdrücklichen Kündigungsereignisse (Events of Default)*

Die Anleihegläubiger sollten sich bewusst sein, dass in den Anleihebedingungen keine ausdrücklichen Kündigungsereignisse enthalten sind.

### *Bekanntmachung gemäß deutschem Versicherungsaufsichtsgesetz (VAG)*

Nach dem Begebungstag können der Nachrang der Schuldverschreibungen gemäß § 2 der Anleihebedingungen nicht beschränkt und die Laufzeit bzw. Kündigungsfristen für die Rückzahlung der Schuldverschreibungen nicht verkürzt werden. Eine vorzeitige Rückzahlung, die nicht unter den in § 4(2) bis (7) beschriebenen Voraussetzungen erfolgt, ist der Emittentin ohne Rücksicht auf entgegenstehende Vereinbarungen zurückzugewähren, sofern die Emittentin nicht aufgelöst wurde oder diese Beträge durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden sind.

### *Kein bestehender Markt für die Schuldverschreibungen*

Gegenwärtig besteht kein Sekundärmarkt für die Schuldverschreibungen. Es ist ein Antrag auf Notierung am Markt der Luxemburger Börse gestellt worden, der in der von der Europäischen Kommission ausgegebenen Liste der geregelten Märkte aufgeführt ist. Es kann jedoch keine Garantie gegeben werden, dass sich ein liquider Sekundärmarkt für die Schuldverschreibungen entwickeln wird, bzw. dass ein solcher Markt, sollte er sich entwickeln, bestehen bleiben wird. Bei einem illiquiden Markt ist ein Anleger möglicherweise nicht in der Lage, seine Schuldverschreibungen jederzeit zu angemessenen Kursen zu verkaufen. Die Möglichkeit eines Verkaufs der Schuldverschreibungen kann darüber hinaus auch länderspezifisch beschränkt sein.

### *Festverzinsliche Schuldverschreibungen / Variabel verzinsliche Schuldverschreibungen*

Die Anleihegläubiger sollten sich bewusst sein, dass sich Schwankungen des Marktzinssatzes nachteilig auf die Entwicklung des Preises der Schuldverschreibungen auswirken und für die Anleihegläubiger zu Verlusten führen können, wenn diese die Schuldverschreibungen während der Festzinsperiode verkaufen.

Der Gläubiger einer variabel verzinslichen Schuldverschreibung ist dem Risiko schwankender Zinsniveaus und unsicherer Zinserträge ausgesetzt. Schwankende Zinsniveaus verhindern eine Ermittlung der Rendite der betreffenden Schuldverschreibungen. Die Anleihegläubiger sollten diese Tatsache berücksichtigen.

### *Quellensteuer / Kapitalertragsteuer*

Die Emittentin ist der Auffassung, dass die Schuldverschreibungen weder als Genussrechte noch als partiarische Darlehen gelten und dass in Deutschland auch anderweitig keine Abzüge für Kapitalertragsteuer auf Zinszahlungen für die Schuldverschreibungen vorzunehmen sind. Sofern die Emittentin verpflichtet wäre, steuerliche Abzüge bei den Zinszahlungen auf die Schuldverschreibungen vorzunehmen, wäre sie außerdem verpflichtet, die entsprechenden Zusätzlichen Beträge gemäß § 6 der Anleihebedingungen an die Anleihegläubiger zu zahlen. In diesem Fall wäre die Emittentin allerdings auch berechtigt, die Schuldverschreibungen nach ihrer Wahl zum Rückzahlungsbetrag zurückzuzahlen. Die Emittentin geht weiterhin davon aus, dass die Schuldverschreibungen Schuldinstrumente sind und dass daher, sofern die Schuldverschreibungen in einem Depot des Anleihegläubigers bei einer Zahlstelle gehalten werden, die eine deutsche Niederlassung einer deutschen oder ausländischen Bank oder eines deutschen oder ausländischen Finanzdienstleistungsinstituts ist, diese Zahlstelle grundsätzlich einen Zinsabschlag auf Zinszahlungen auf die Schuldverschreibungen vornehmen muss. Sofern die Zahlstelle zu diesen Abzügen bei Zinszahlungen auf die Schuldverschreibungen verpflichtet ist, ist die Emittentin nicht zur Zahlung entsprechender Gross-Up-Beträge an die Anleihegläubiger (siehe § 6(v) der Anleihebedingungen) verpflichtet. Es gibt keine Zusicherung dafür, dass die zuständige Steuerbehörde dieser Einschätzung der Emittentin zustimmt; zukünftige Anleger sollten sich über diese Angelegenheit ein eigenes Urteil bilden.

### *Zusammenfassung der Risikofaktoren im Hinblick auf die Emittentin*

Die Emittentin und ihre wichtigsten Tochtergesellschaften sind im Geschäftsbereich Lebensversicherung und Rentenversicherung tätig, wobei das Lebensversicherungsgeschäft das Kerngeschäft der Emittentin bildet. Mit der Tätigkeit in diesen Geschäftsbereichen sind verschiedene wirtschaftliche und sonstige Risiken verbunden, zu denen die Abhängigkeit von Bonitätsratings der Emittentin, Zinsschwankungen, Anlagerisiken, versicherungstechnische Risiken, die Zusammensetzung des Versicherungsbestands, potenziell nachteilige Änderungen der für die Emittentin in ihrer Funktion als Versicherungsunternehmen maßgeblichen steuerrechtlichen oder aufsichtsrechtlichen Rahmenbedingungen, andere rechtliche Risiken, IT-Risiken, Risiken im Personalbereich, Risiken in Bezug auf das Vertriebsnetz der Emittentin und Risiken, die sich aus dem Ausfall von Forderungen aus dem Versicherungsgeschäft ergeben, gehören. Darüber hinaus unterliegt die Emittentin Pensionsverpflichtungen

und einer gesamtschuldnerischen Haftung für bestimmte von Wüstenrot & Württembergische AG eingegangene Verbindlichkeiten. Außerdem besteht ferner das Risiko, dass die Integration der KarlsLeben in die WürttLeben nicht in der derzeit vorgesehenen Form durchführbar ist. Sofern sich diese Risiken realisieren, könnte sich dies in erheblichem Maße nachteilig auf die finanzielle Lage und das Betriebsergebnis der Emittentin sowie auf ihre Fähigkeit zur Erfüllung ihrer Verpflichtungen in Bezug auf die Schuldverschreibungen auswirken.

#### *Credit Ratings*

Die Geschäftstätigkeit der Emittentin hängt zu einem gewissen Grad von den Ratings ab, die von verschiedenen Ratingagenturen an die WürttLeben vergeben werden. Eine Verschlechterung des Ratings der WürttLeben kann sich nachteilig auf die Beziehungen zu Kunden und auf den Vertrieb der Versicherungsprodukte der WürttLeben auswirken und zu erhöhten Kreditkosten für die WürttLeben führen.

#### *Zinsschwankungen*

Zinsschwankungen können sich nachteilig auf die Finanzposition und das Betriebsergebnis der WürttLeben auswirken, da das Anlageportfolio der Emittentin zum überwiegenden Teil aus festverzinslichen auf Euro lautenden Anlagen besteht. Entsprechend werden Zinsänderungen in der Eurozone erhebliche Auswirkungen auf den Wert des Anlageportfolios der WürttLeben haben. Ein dauerhaft niedriges Zinsniveau oder kontinuierlich sinkende Zinsen führen möglicherweise zu einem Rückgang der laufenden Erträge aus Neuanlagen in festverzinslichen Wertpapieren, wenn die Anlagen mit höherer Verzinsung fällig werden. Ein Zinsanstieg dagegen könnte zu einer wesentlichen Wertverringerung des Portfolios mit festverzinslichen Anlagen führen, und unerwartete Zinsänderungen wirken sich unter Umständen negativ auf die anleihe- und zinsbezogenen Derivatepositionen der WürttLeben aus. Gleichzeitig würden sich die Aufwendungen der WürttLeben für Zahlung von Rückkaufswerten möglicherweise erhöhen, sofern die Versicherungsnehmer verstärkt ihre Versicherungen kündigen, um die Gelder zu höheren Zinssätzen wieder anzulegen; in einem solchen Fall könnte die WürttLeben gezwungen sein, ihre Anlagen zu Preisen zu veräußern, die unter den zum jeweiligen Zeitpunkt vorherrschenden Marktpreisen liegen.

#### *Anlagerisiken/Marktrisiken*

Das Anlageportfolio der WürttLeben besteht zu einem erheblichen Teil aus Aktienwerten und anderen nicht festverzinslichen Wertpapieren. Entsprechend besteht eine starke Abhängigkeit der Anlagen vom Zins- und Aktienmarkt. Schwankungen der Aktienmärkte können den Marktwert und die Liquidität dieser Aktienwerte und anderer nicht festverzinslicher Wertpapiere beeinflussen.

#### *Versicherungstechnische Risiken*

Versicherungstechnische Erfahrungswerte und andere Faktoren können von den der Berechnung der Deckungsrückstellung zugrunde liegenden Annahmen abweichen. Änderungen dieser Annahmen können zu Änderungen der geschätzten Rückstellungen für Lebensversicherungsleistungen führen, die sich wiederum negativ auf die Finanzposition bzw. das Betriebsergebnis der WürttLeben auswirken könnten.

#### *Auslaufende Versicherungen*

Eine erhebliche Anzahl in den nächsten Jahren fällig werdender Versicherung könnte sich nachteilig auf die Geschäfte von WürttLeben auswirken. WürttLeben bietet Kunden, deren Kapitallebensversicherung ausläuft, unter bestimmten Bedingungen die Option, den auszuzahlenden Versicherungsbetrag in eine Rentenversicherung oder in einen Investmentfonds der WürttLeben anzulegen. Sollte der Umfang der Wiederanlagen in der Zukunft unter der erwarteten Höhe liegen und die Emittentin es versäumen, dieser Entwicklung durch geeignete Maßnahmen entgegenzuwirken, könnte sich dies in erheblichem Maße nachteilig auf die Finanzposition bzw. das Betriebsergebnis der WürttLeben auswirken.

#### *Eventualverbindlichkeiten aus Pensionsverpflichtungen*

Bei der WürttLeben bestehen Eventualverbindlichkeiten aus Pensionsverpflichtungen (in Höhe von etwa € 24 Mio. zum 31. Dezember 2004). Wüstenrot & Württembergische AG haben Pensionsverpflichtungen für die aktiven und im Ruhestand befindlichen Mitarbeiter und Führungskräfte von WürttLeben übernommen. WürttLeben ist jedoch weiterhin für diese Pensionsverpflichtungen gesamtschuldnerisch gegenüber den berechtigten Personen haftbar. Darüber hinaus besteht eine gesamtschuldnerische (jedoch nachgeordnete) Haftung für Pensionsverpflichtungen der betrieblichen Pensionskasse „Pensionskasse der Württembergischen VVaG“. Sofern W&W AG bzw. Pensionskasse der Württembergischen VVaG insolvent werden sollten oder aus

anderen Gründen ihren Zahlungsverpflichtungen im Rahmen der von ihnen übernommenen oder eingegangenen Pensionsverpflichtungen gegenüber ehemaligen Mitarbeitern der Emittentin nicht nachkommen sollten, könnte sich dies in erheblichem Maße nachteilig auf die Finanzposition bzw. das Betriebsergebnis der WürttLeben auswirken.

#### *Änderungen der Steuergesetze*

Änderungen der Steuergesetze können die Attraktivität bestimmter Produkte der WürttLeben, die bis vor kurzem von steuerlichen Vergünstigungen profitiert haben oder derzeit profitieren, beeinträchtigen. Gelingt es der WürttLeben nicht, sich diesen geänderten Rahmenbedingungen anzupassen und neue Lebensversicherungsprodukte zu entwickeln, die den spezifischen Bedürfnissen potentieller Kunden entgegen kommen, könnte sich dies in erheblichem Maße nachteilig auf die Finanzposition bzw. das Betriebsergebnis der WürttLeben auswirken.

#### *Änderungen der staatlichen Vorschriften*

Das Lebensversicherungsgeschäft der WürttLeben unterliegt einer umfassenden Regulierung und Aufsicht in Deutschland und in allen anderen Ländern, in denen die WürttLeben geschäftlich tätig ist. Änderungen der geltenden Gesetze und Vorschriften, bzw. Änderungen in deren Auslegung durch die Gerichte oder zuständigen Behörden können sich auf die Art und Weise, in der die WürttLeben ihre Geschäftstätigkeit ausführt, und auf die von ihr angebotenen Produkte auswirken. Änderungen der Vorschriften im Bereich der Renten, Arbeitsverhältnisse, Sozialversicherung, Versicherungsprodukte und Besteuerung können durch Neustrukturierung ihrer Tätigkeiten, erhöhten Kosten oder aus anderen Gründen zu erheblichen Nachteilen für das Versicherungsgeschäft der WürttLeben führen.

#### *Integration der Karlsruher Lebensversicherung AG*

Sofern es der Emittentin nicht gelingen sollte, die kürzlich (mehrheitlich) erworbene Karlsruher Lebensversicherung AG, derzeit Muttergesellschaft der Karlsruher Versicherungsgruppe, erfolgreich zu integrieren (einschließlich der geplanten neuen Vertriebsstruktur und der „Zwei-Marken-Strategie“), könnte dies erhebliche Auswirkungen auf das Geschäft der WürttLeben haben.

#### *Rechtliche Risiken*

Rechtliche Risiken, die sich zum einen aus gerichtlichen Entscheidungen und der Gesetzgebung (Änderung der gesetzlichen Parameter) und zum anderen aus Rechtsstreitigkeiten und Schiedsgerichtsentscheidungen, bei denen die Emittentin gegebenenfalls Beteiligte ist, ergeben können, könnten sich erheblich auf die Geschäftstätigkeit der WürttLeben auswirken. Im Laufe des Jahres 2005 wurden wichtige Urteile mit Auswirkungen auf Kapitallebensversicherungsverträge gefällt. Die jüngsten Urteile des Bundesverfassungsgerichts und des Bundesgerichtshofs stärken Transparenz und Konsumentenschutz. Das Bundesverfassungsgericht beauftragte den Gesetzgeber, bis Ende 2007 einen gesetzlichen Rahmen für die Berechnung und Ermittlung des Schlussüberschusses zu schaffen. Dazu könnte unter anderem die Einbeziehung stiller Reserven in die Überschussbeteiligung gehören. Obwohl die Emittentin derzeit nicht davon ausgeht, dass sich aus diesem Urteil erhebliche Konsequenzen für ihre Geschäftstätigkeit ergeben werden, ist nicht auszuschließen, dass die Umsetzung einer geänderten Gesetzgebung in dieser Hinsicht von wesentlichem Nachteil für die Finanzposition und das Betriebsergebnis der WürttLeben sein könnte. Darüber hinaus hat der Bundesgerichtshof beim sog. Treuhänderverfahren die nachträgliche Heilung von Intransparenz beschränkt und einen Mindestrückkaufwert in Höhe von 50% der nicht gezillmerten (d.h. nicht um Erwerbskosten verringerten) Deckungsreserve für die betreffenden Versicherungsverträge festgelegt. Für die WürttLeben beschränken sich die Aufwirkungen des Urteils auf einen Betrag von (maximal) € 18,4 Mio.

#### *Risiken im Personalbereich*

Die Risiken im Personalbereich, wie Mangel an qualifizierten Mitarbeitern, unzureichende Personalbestandsanpassung, Demotivation und Verlust von Mitarbeitern könnten sich nachteilig auf die Geschäftstätigkeit der WürttLeben auswirken.

#### *IT-Risiken*

Die intensive Nutzung der Informationstechnologie in entscheidenden Geschäftsabläufen der WürttLeben beinhaltet das Risiko eines unbefugten Datenzugriffs und Datenmissbrauchs. Sofern diese Risiken eintreten, könnten sie die Geschäftstätigkeit der WürttLeben beeinträchtigen.



### *Risiken im Zusammenhang mit der Vertriebsstruktur der Emittentin*

Die mit der Struktur des Vertriebsnetzes der Emittentin verbundenen Risiken könnten nachteilige Auswirkungen auf die Geschäftstätigkeit der WürttLeben haben. Der Vertrieb von Versicherungsprodukten an die Kunden der WürttLeben erfolgt über verschiedene Vertriebskanäle, insbesondere über die Vertriebsorganisation der *Württembergische*, die Vertriebsorganisation der *Wüstenrot*, unabhängige Vermittler (Makler und Mehrfachagenten) sowie Kooperationspartner und Banken. Der Schwerpunkt liegt auf den beiden getrennten unabhängigen Vertriebsorganisationen. Zusammen verfügen beide Organisationen über einen mobilen Stab von Außendienstmitarbeitern mit über 5.500 selbständigen und angestellten Vollzeitmitarbeitern und mehr als 10.000 nebenberuflichen Vertretern. Die Versicherungsvertreter verkaufen W&W Produkte hauptsächlich für verschiedene Unternehmen der W&W Gruppe, unabhängig von dem Namen, unter dem diese Produkte jeweils angeboten werden. Rechtlich gesehen ist der mobile Mitarbeiterstab der *Württembergische* Ausschließlichkeitsorganisation Teil der *Württembergischen* Versicherung AG und der Mitarbeiterstab der *Wüstenrot* Ausschließlichkeitsorganisation Teil der *Wüstenrot* Bausparkasse Aktiengesellschaft.

### *Risiken im Zusammenhang mit dem Ausfall von Forderungen aus dem Versicherungsgeschäft*

Risiken im Zusammenhang mit der Nichtzahlung von Forderungen aus dem Versicherungsgeschäft, insbesondere Nichtzahlung durch Versicherungsvermittler, könnten sich nachteilig auf die Geschäftstätigkeit der WürttLeben auswirken.

### *Sonstige Risiken*

Neben den oben aufgeführten Tatsachen können auch rückläufiges oder verlangsamtes Wirtschaftswachstum bzw. sinkende Verbraucherausgaben (mit entsprechend niedrigerem Volumen an Neuabschlüssen und/oder verstärkten vorzeitigen Kündigungen von Versicherungsverträgen) die Erträge beeinträchtigen und somit einen wesentlichen nachteiligen Einfluss auf die Finanzposition und das Betriebsergebnis der WürttLeben haben.

## RISK FACTORS

The following is a summary of certain risk factors which prospective investors should consider before deciding to purchase the Notes. The sequence in which the following risk factors are listed is not an indication of their likelihood to occur or of the extent of their commercial consequences. The following statements are not exhaustive: prospective investors should consider all of the information provided in this Prospectus or incorporated by reference into this Prospectus and consult with their own professional advisers if they consider it necessary.

### Risks Relating to the Notes

#### *Deferral of Interest*

The Issuer has the option to defer any payment of interest on the Notes by giving not less than 10 nor more than 15 business days' notice to the Noteholders before any Interest Payment Date (as defined in § 3(3)(a) of the Terms and Conditions) if (i) no dividend, distribution or other payment has been declared in respect of any class of shares of the Issuer at the ordinary general meeting (*ordentliche Hauptversammlung*) of the Issuer immediately preceding such Interest Payment Date or since that ordinary general meeting of the Issuer and (ii) the unconsolidated financial statements of the Issuer, prepared in accordance with the provisions of the HGB and the consolidated financial statements of the Issuer, prepared in accordance with the International Financial Reporting Standards (*IFRS*), each for the financial year immediately preceding such Interest Payment Date, have not shown an annual profit (*Jahresüberschuss*). If the Issuer defers a payment of interest on the Notes on an Interest Payment Date, any payment of Arrears of Interest (as defined in § 3(3)(a) of the Terms and Conditions) may only be made in the circumstances set out in § 3(3)(b) or (c) of the Terms and Conditions. Noteholders will not receive any additional interest or compensation for the deferral of payment of interest on the Notes.

#### *Subordination*

The Notes will be subordinated obligations of the Issuer. Upon the occurrence of any winding-up proceedings of the Issuer, payments on the Notes will be subordinated in right of payment to the prior payment in full of all other unsubordinated liabilities of the Issuer, except for liabilities which rank equal or junior to the Notes. In a winding-up proceeding of the Issuer, the Noteholders may recover proportionately less than the holders of unsubordinated liabilities of the Issuer.

Unsubordinated liabilities of the Issuer may also arise from events that are not reflected on the balance sheet of the Issuer, including, without limitation, the issuance of guarantees or the incurrence of other contingent liabilities on an unsubordinated basis. Claims made under such guarantees or such other contingent liabilities will become unsubordinated liabilities of the Issuer that in a winding-up or insolvency proceeding of the Issuer will need to be paid in full before the obligations under the Notes may be satisfied.

#### *No Right of Noteholders of Early Redemption*

Unless previously redeemed or repurchased, the Notes will be redeemed at their principal amount on 1 June 2026. Prior to this Maturity Date, the Notes may only be redeemed at the option of the Issuer in accordance with § 4(3) or (4) of the Terms and Conditions of the Notes. The Terms and Conditions do not provide for a right of termination of the Noteholders with effect prior to the Maturity Date, and are not subject to any mandatory redemption provisions with effect prior to such date. There is, therefore, no guarantee that the principal amount of the Notes or a portion thereof will be repaid prior to the Maturity Date. Thus, prior to such date, the interest on the Notes (if not deferred) may be the only payments the Noteholders receive in respect of the Notes.

#### *Early Redemption Risk*

The Notes may be redeemed at the option of the Issuer (in whole but not in part) (i) at the principal amount of the Notes plus accrued interest until the date of redemption (exclusive) and all outstanding Arrears of Interest (as defined in § 3(3)(a) of the Terms and Conditions) on 1 June 2016 or on any Floating Interest Payment Date (as defined in § 3(2)(b) of the Terms and Conditions) thereafter or (ii) until 1 June 2016 (exclusive) (x) at the Redemption Amount (as defined in § 4(3) of the Terms and Conditions) upon the occurrence of a Gross-up Event (as defined in § 4(4)(a) of the Terms and Conditions) or (y) at the Early Redemption Amount (as defined in § 4(5) of the Terms and Conditions) upon the occurrence of a Tax Event (as defined in § 4(4)(b) of the Terms and Conditions) or upon the occurrence of a Regulatory Event (as defined in § 4(4)(c) of the Terms and Conditions), all as more fully described in the Terms and Conditions of the Notes. In the event that the Issuer exercises the option to redeem the Notes, the Noteholders might suffer a lower than expected yield.



### ***Issuance of Further Debt***

German insurance supervisory law restricts the issuance of further debt by the Issuer which ranks equal to the Notes (subordinated obligations). Further debt ranking equal to the Notes may only be issued as far as the regulatory provisions to hold free uncommitted own funds (*freie unbelastete Eigenmittel*) (Section 53c of the VAG – see “REGULATION OF INSURANCE COMPANIES IN GERMANY”) are complied with. In addition, according to German regulatory provisions applicable to the Issuer as insurance company, the issuance of debt by the Issuer, which ranks senior to the Notes is permissible under very limited circumstances only. If the Issuer, in accordance with the aforementioned restrictions, issued further subordinated or senior debt, such issuance of further debt may reduce the amount recoverable by the Noteholders upon winding-up or insolvency of the Issuer or may increase the likelihood that the Issuer may elect to defer payments of interest under the Notes.

### ***No Express Events of Default***

The Noteholders should be aware that the Terms and Conditions of the Notes do not contain any express events of default.

### ***Notice pursuant to the German Insurance Supervisory Law***

After the Issue Date, the subordination of the Notes as set out in § 2 of the Terms and Conditions may not be limited, and the term or any notice periods for redemption of the Notes may not be shortened. If the Notes are redeemed before the Maturity Date in circumstances other than as described in § 4(2) through (7) of the Terms and Conditions, then, irrespective of any agreement to the contrary, the amount so repaid must be returned to the Issuer unless the Issuer has been dissolved or such amounts have been replaced by other, at least equivalent own funds (*Eigenmittel*).

### ***No Prior Market for the Notes***

There is currently no secondary market for the Notes. Application has been made to list the Notes on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission. However, there can be no assurance that a liquid secondary market for the Notes will develop or, if it develops, that it will continue. In an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons.

### ***Fixed Rate Notes***

A holder of a note (security) with a fixed interest (compensation) rate is exposed to the risk that the price of such note falls as a result of changes in the market interest rate. While the nominal interest rate of a note with a fixed interest rate is fixed during the life of such note or during a certain period of time, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. As the market interest rate changes, the price of such note changes in the opposite direction. If the market interest rate increases, the price of such note typically falls, until the yield of such note is approximately equal to the market interest rate. If the market interest rate falls, the price of a note with a fixed interest rate typically increases, until the yield of such note is approximately equal to the market interest rate. Noteholders should be aware that movements of the market interest rate can adversely effect the price of the Notes and can lead to losses for the Noteholders if they sell Notes during the period in which the interest rate of the Notes is fixed.

### ***Floating Rate Notes***

A holder of a note with a floating interest (compensation) rate is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of such notes. Noteholders should be aware of that fact.

### ***Withholding Tax***

The Issuer believes that the Notes do neither qualify as profit participation rights (*Genussrechte*) nor as profit participating loans (*partiarische Darlehen*) and that it is not otherwise required to make deductions on account of German withholding tax (*Kapitalertragsteuer*) of currently 25% plus a solidarity surcharge of currently 5.5% thereon from interest payments made under the Notes. If the Issuer were obliged to make such deductions from interest payments under the Notes, it would be obliged to pay corresponding Additional Amounts to the Noteholders pursuant to § 6 of the Terms and Conditions of the Notes. In such case, the Issuer would, however, be entitled at its option to redeem the Notes at their Redemption Amount.

The Issuer further believes that the Notes qualify as debt instruments and that, therefore, if the Notes are held in a custodial account which the Noteholder maintains with a paying agent which is a German branch of a German or non-German bank or financial services institution, such paying agent will, generally, have to make a deduction on account of German withholding tax on interest payments (*Zinsabschlag*) of currently 30% plus a solidarity surcharge of currently 5.5% thereon from interest payments made under the Notes. If the paying agent is obliged to make such deductions from interest payments under the Notes, the Issuer will not be obliged to make corresponding gross-up payments to the Noteholders (cf. § 6 (v) of the Terms and Conditions of the Notes).

There can be no assurance that the competent tax authorities will concur with this assessment of the Issuer, and prospective investors should make their own assessment in relation thereto.

## **Risks Relating to WürttLeben's Business**

***The business of WürttLeben is to a certain degree dependent on the credit ratings assigned to WürttLeben by various rating agencies. A downgrade in the ratings assigned to WürttLeben may adversely affect relationships with customers, negatively impact sales of WürttLeben's insurance products and increase WürttLeben's cost of borrowing.***

S&P and Fitch Ratings assign ratings to the financial strength of WürttLeben. In the 2003 and 2004 fiscal year S&P as well as Fitch Ratings assigned to WürttLeben an Insurer Financial Strength (IFS) rating of "A-" (outlook "stable"), each. In August 2005, Fitch Ratings upgraded WürttLeben to Insurer Financial Strength (IFS) "A" (from "A-" (A minus)) with rating outlook "stable". Following the announcement of the Issuer that it would take over a majority share in *Karlsruher insurance group*, Fitch Ratings placed its rating on Rating Watch Negative (RWN) and S&P on CreditWatch Negative. On 6 December 2005, Fitch Ratings has affirmed WürttLeben at IFS "A" and the rating has been removed from RWN to outlook "stable". Fitch Ratings has also assigned a Long-term "A-" rating (outlook "stable") to WürttLeben. On 20 December 2005, S&P has affirmed WürttLeben at IFS "A-" and the rating has been removed from CreditWatch Negative to outlook "stable". The agency has also affirmed the "A-" Counterparty credit rating to WürttLeben and removed the outlook from CreditWatch Negative to "stable".

Rating agencies can be expected to continue to monitor the financial strength of WürttLeben, and no assurance can be given that rating downgrades will not occur, whether due to changes in WürttLeben's performance, changes in rating agencies' industry views or ratings methodologies, the occurrence of a change of control at the level of any of WürttLeben's direct or indirect parent companies, or a combination of such, or other factors. Claims paying ability and financial strength rating are a major factor in establishing the competitive position of insurers. A rating downgrade, or the potential for such downgrade, could, therefore, materially adversely affect WürttLeben's ability to compete in its markets, such as the corporate pension schemes business, and thereby negatively impact sales of its insurance products. Any rating downgrade could also materially adversely affect WürttLeben's cost of raising capital, and could, in addition, give rise to additional financial obligations or accelerate existing financial obligations which are dependent on maintaining specified rating levels. This could have a material adverse effect on the financial position or results of operations of WürttLeben.

***Interest rate volatility may adversely affect the financial position and results of operations of WürttLeben.***

Changes in prevailing interest rates (including changes in the difference between the levels of prevailing short and long term rates) can affect WürttLeben's financial position or results of operations (insurance results). Over the past several years, movements in both short and long-term interest rates have affected the level of gains and losses on securities held by WürttLeben in its investment portfolio. As of 31 December 2004 fixed income investments amounted to approximately € 10.4 billion which represented approximately 81.2% of WürttLeben's entire investment portfolio. Most of these fixed income investments are denominated in euro. Accordingly, interest rate movement in the euro zone will significantly affect the value of WürttLeben's investment portfolio. A sustained low level of interest rates or a further decrease in interest rates may result in a decline in current income from new investments in fixed income securities as higher yielding investments mature. An increase in interest rates could substantially decrease the value of the fixed income portfolio, and any unexpected change in interest rates could materially adversely affect WürttLeben's bond and interest rate derivative positions. At the same time WürttLeben's expenses for payment of surrender values could increase if policyholders increasingly cancel their policies in order to reinvest their monies at higher interest rates, in which case WürttLeben could be forced to sell its investments at prices which are below the then prevailing market rates.

The short-term impact of interest rate fluctuations on WürttLeben's life insurance business may be reduced in part by products such as unit-linked life insurance products designed to partly or entirely transfer WürttLeben's exposure to interest rate movements to the policyholders. While product design can also reduce WürttLeben's exposure to interest rate volatility, reductions in the investment income below the rates assumed in product pricing, or below the guaranteed rates, would reduce or eliminate the profit margins on WürttLeben's life insurance business.

***WürttLeben's investment portfolio is significantly exposed to equity securities and other non-fixed income securities. Market risks could adversely impact the financial position and results of operations of WürttLeben.***

As of 31 December 2004 a significant portion of WürttLeben's investment portfolio consisted of equity securities, investment fund units and other non-fixed interest securities. As is common in this line of business, the structure of financial investment of WürttLeben is dominated by interest-based investments (approximately 80%), to which equity shares (approximately 11%) and investments in real estate (approximately 9%) are added. This results in a very strong dependence of the investments on the interest market and the equity market. WürttLeben faces these market price risks *inter alia* with the continuing monitoring of the sensitivities and, based thereon, the control of the duration of the aggregate portfolio. However, due to the interaction of the investments with the requirements from the liabilities side, this interest-induced market price risk can never be completely eliminated. The market price risk of the equity market is reduced by a consistent hedging strategy determining a cap for losses, but losses within a limited scope cannot be excluded here either. The credit risk, in particular in the field of fixed-income investments, is taken into account by focussing on investment grade investments (more than 94% as per 31 December 2004). Despite these measures, fluctuations in equity markets may affect the market value and liquidity of such equity securities and other non-fixed interest securities and may have a materially adverse impact on the financial position and results of operations of WürttLeben.

***Actuarial experience and other factors could differ from that assumed in the calculation of life actuarial reserves.***

The assumptions WürttLeben makes in assessing its life insurance reserves may differ from the actual developments which WürttLeben may experience in the future. WürttLeben derives its life insurance reserves using well established actuarial practices and prudent assumptions in accordance with the accounting provisions of the HGB. These assumptions include the assessment of the long term development of interest rates, investment returns, the allocation of investments between equity, fixed income and other categories, already credited policyholder bonus rates (most of which are guaranteed), mortality and morbidity rates, policyholder cancellations and future expense levels. WürttLeben monitors its actual experience of these assumptions and to the extent that WürttLeben considers that this experience will continue in the longer term WürttLeben refines its long-term assumptions. However, changes in any such assumptions may lead to changes in the estimates of life insurance reserves, which could in turn have a material adverse effect on the financial position or results of operations of WürttLeben.

***A significant amount of policies maturing in the near future could adversely affect WürttLeben's business.***

Due to the long tradition of WürttLeben, about 1.7% of the overall insurance policies mature yearly within the next years. WürttLeben offers and will continue to offer to the clients whose endowment policies mature, where such policies meet the required criteria, the option of investing their endowment benefit in a WürttLeben annuity policy or one of WürttLeben's investment funds. Should the reinvestment rate<sup>(5)</sup>, which in 2004 amounted to 6.3 %, in the future be lower than expected, and should the Issuer fail to implement other measures, like special sales programs, tailored products and special training for this reinvestment situation, which countervail these developments, the financial position or results of operations of WürttLeben could be materially adversely affected.

***WürttLeben has contingent pension obligations.***

Pursuant to an agreement dated July 1991, as amended from time to time, W&W AG (formerly Württembergische Versicherungs-Beteiligungsgesellschaft AG) has assumed pension commitments for the active and retired staff and executives of WürttLeben (as well as of certain other companies of the W&W Group). WürttLeben remains jointly liable for such pension commitments vis-à-vis the persons entitled to the pensions. As of 31 December 2004, such pension commitments of WürttLeben amounted to approximately € 24 million. Such pension commitments were reflected in the notes to WürttLeben's financial statements for 2004 as contingent liabilities. In addition, WürttLeben is jointly but subsidiarily liable for pension commitments of the company pension fund "Pensionskasse der Württembergischen VVaG". In the event that W&W AG or Pensionskasse der Württembergischen VVaG, respectively, became insolvent or failed for any other reason to meet their payment obligations attributable to former employees of the Issuer under the pension commitments assumed or incurred, as the case may be, by them, the financial position or results of operations of WürttLeben could be materially adversely affected.

***Changes in tax legislation could adversely affect WürttLeben's business.***

Changes to tax laws may affect the attractiveness of certain of WürttLeben's products that until recently have received or currently receive favourable tax treatment. In 2004, for example, the *Gesetz zur Neuordnung der einkommensteuerlichen Behandlung von Altersvorsorgeaufwendungen und Altersbezügen (Alterseinkünftegesetz – "Retirement Income Act")* of 5 July 2004 significantly reduced the favourable tax treatment both in respect of premiums and benefit payouts for life insurance policies issued after 1 January 2005. Under the previous tax regime, payments received at the maturity of a life insurance policy with a

<sup>(5)</sup> Basis for calculating the reinvestment rate is the collectivity of all matured endowment policies.

term of at least 12 years and on which premiums had been paid for at least five years were not taxable, and the life insurance premiums were deductible from the policyholder's income in the year they were paid, subject to certain limitations. The enactment of the Retirement Income Act in 2004 removing most of the tax benefits associated with certain life insurance products (including in particular endowment policies) as of 1 January 2005 led to a significant increase in the demand for WürttLeben's life insurance products in 2004 as the entering into of life insurance contracts prior to 1 January 2005 enabled customers to continue to benefit from the previous more favourable tax regime applicable to life insurance policies. However, the enactment of the Retirement Income Act could in the long-term significantly reduce the attractiveness of certain life insurance products currently offered by WürttLeben. Further changes in tax legislation could have similar effects on WürttLeben's insurance products. If WürttLeben fails to adapt to these changes by developing new life insurance products which meet the specific need of potential customers, this could have a material adverse effect on the financial position and results of operation of WürttLeben.

***Changes in existing, or new, government regulations in Germany or other countries in which WürttLeben operates may materially impact WürttLeben's business.***

Württemberg's insurance business is subject to detailed comprehensive regulation and supervision in Germany and in all other countries in which WürttLeben operates. Changes in existing laws and regulations, or changes in the interpretation of such laws and regulations by the courts or the competent authorities, may affect the way in which WürttLeben conducts its business and the products it may offer. Changes in regulations relating to pensions and employment, social security, insurance products and taxation may materially adversely affect WürttLeben's insurance business by restructuring its activities, imposing increased costs or otherwise.

***A potential failure of the Issuer to integrate KarlsLeben may materially impact WürttLeben's business.***

As of November 2005, WürttLeben had acquired approximately 96.32% of the shares in KarlsLeben and in December 2005 further 0.47% were acquired. As a consequence, the Issuer currently holds approximately 96.78% of the shares in KarlsLeben. The Issuer envisages to fully integrate the life and annuity insurance business currently operated by KarlsLeben (including company pension schemes operated by KarlsLeben's subsidiary, Karlsruher HK AG into WürttLeben. In the future, the cooperation with the current distribution partners of Karlsruher Insurance Group shall be retained and further strengthened. As a consequence, the life and annuity insurance products of WürttLeben in the future shall be sold and promoted both under the brand *Württembergische*, which will be the brand for the distribution through the Issuer's exclusive sales organisation, and *Karlsruher*, which will focus on the distribution through banks, in particular *Volks- und Raiffeisenbanken* in Baden-Württemberg. It cannot be excluded that the Issuer fails to successfully implement the integration of KarlsLeben, *inter alia*, with respect to the envisaged new distribution structure and the "two brand strategy". The banks so far acting as distribution channel for *Karlsruher* life and annuity insurance products may no longer be willing to cooperate after the acquisition of KarlsLeben by WürttLeben and its integration into the Issuer. The Issuer expects that the integration will be successfully implemented. WürttLeben, in particular will try to minimize the risks in relation to the envisaged new distribution structure and the "two brand strategy" by maintaining the good cooperation between the banks and the subsidiaries of KarlsLeben through which the cooperation is currently performed. Should these risks, nevertheless, materialize, this could have a material adverse effect on the financial position and results of operation of WürttLeben.

***Legal risks which may arise on the one hand from court decisions and legislation (changes in legal parameters) and on the other from legal disputes and arbitration proceedings in which the Issuer may be involved could materially impact WürttLeben's business.***

In the course of the year 2005, important judgments were rendered which affect endowment life insurance contracts. Most recent judgements by German Federal Constitutional Court (*BVerfG*) and the German Federal Supreme Court (*BGH*) strengthen transparency and consumer protection. The Issuer is working out solutions in conformity with this aim.

For instance, the German Federal Constitutional Court (*Bundesverfassungsgericht*) in its judgment of 26 July 2005 with respect to the calculation of the surplus amount (*Schlussüberschuss*) criticised the level of product transparency as well as the disadvantages for the customers arising in the event of a termination of the contract or a change of the insurance company due to non-inclusion of hidden reserves (*stille Reserven*) and due to certain cross-nettings (*Querverrechnungen*) upon determining the surplus amount. The Court ordered the legislator to enact new legal regulations until the end of 2007, which could, *inter alia*, comprise the inclusion of hidden reserves into the surplus sharing. Although, the Issuer currently does not expect any material effects on its business planning as a result of this judgment, it cannot be excluded that the implementation of the legislation with respect to this issue could have a material adverse effect on the financial position and results of operation of WürttLeben.

As early as in 2001, the BGH also objected to the lack of transparency of some contractual clauses with regard to the calculation of surrender values, non-contributory insurance sums and the inclusion of acquisition and cancellation costs in life insurance contracts concluded since 1994. As a result of this, the clauses for new contracts were adapted and those for contracts concluded



between 1994 and 2001 were replaced by way of the so-called fiduciary proceedings (*Treuhänderverfahren*). With its judgment of 12 October 2005, the BGH approved of the retroactive replacement of these clauses through the fiduciary proceedings, however was not prepared to accept any retroactive curing of the intransparency existing at the time of the conclusion of the contract if the clauses were merely replaced by clauses with identical content. The court has now established a minimum surrender value in the amount of 50 % of the non-zillmered (i.e. not reduced by any acquisition costs) premium reserve for the contracts concerned. For WürttLeben, the effects of the judgment will be restricted to an amount of. € 18.4 million (at maximum). For 2005, WürttLeben will set up an additional reserve of about € 6 million for expenses of retroactive claim settlement (*Nachregulierungsaufwand*) and reserves (*Nachreservierungsaufwand*), which would reduce the provisions for premium refunds (*Rückstellung für Beitragsrückerstattung*).

***Risks in the human resources sector could adversely affect WürttLeben's business.***

The main human resources risks are: shortages of qualified personnel, insufficient adaption, demotivation and loss of staff. WürttLeben identifies these risks by means of appropriate indicators and metrics. With targeted personnel marketing measures, potential assessment schemes and systematic succession planning, WürttLeben aims at countering the risk of shortages in qualified staff. Individual development planning and suitable training offers shall enable the staff to adapt to current market requirements. Modern management tools and adequate monetary and non-monetary incentives shall ensure high motivation. The Issuer's human resources tools as a whole serve to strengthen its staff's ties with WürttLeben (and the W&W Group) and consequently to safeguard its business knowledge. Should the aforementioned risks, nevertheless, materialize, this could have a material adverse effect on the financial position and results of operation of WürttLeben.

***IT-risks could adversely affect WürttLeben's business.***

The intensive use of information technology in critical business processes of WürttLeben encompasses the risk of unauthorized data access and misuse. If these risks materialize, this could have a material adverse effect on the financial position and results of operation of WürttLeben.

***Risks associated with the structure of the Issuer's distribution channels could adversely affect WürttLeben's business.***

The sale of insurance products to customers of WürttLeben is effected through various distribution channels, in particular the sales organization of *Württembergische*, the sales organization of *Wüstenrot*, independent intermediaries (brokers and multiple agents) and co-operation partners and banks. The focus is on the two separate and independent *sales organisations*, of which one operates under the name "Württembergische" and the other under the name "Wüstenrot". Together, both sales organisations consist of mobile field staff with over 5,500 full-time self-employed and employed staff and over 10,000 part-time staff (*nebenberufliche Vertreter*). The representatives primarily sell W&W products for various companies of the W&W Group regardless of the name under which they operate. Legally, the mobile field staff of the *Württembergische Exclusive Organization* is a part of *Württembergische Versicherung AG* and the *Wüstenrot Exclusive Organization* is part of *Wüstenrot Bausparkasse Aktiengesellschaft*. Consequently, from a legal perspective most members of the Issuer's sales force are not employed with the Issuer itself but only with affiliated companies within the W&W Group.

***Risks arising from the loss of accounts receivable from the insurance business could adversely affect WürttLeben's business.***

In the life insurance business, there is a risk of non-payment of receivables from the insurance business, in particular with respect to non-payments by insurance intermediaries. The exposure to the insurance intermediaries results from the fact that, in accordance with market practice, WürttLeben pays its intermediaries commission fees which have to be repaid if the insurance contract mediated by the relevant intermediary lapses within a certain period of time. In order to cover this risk, WürttLeben concludes a breach-of-contract insurance for its sales representatives. In addition, there are also accounts receivable from reinsurance which, however, due to the reinsurance structure are of minor importance. WürttLeben tries to minimise the risks arising from loss of accounts receivable from agents, brokers, and reinsurers by means of monitoring systems specifically designed to identify changes in the solvency of the intermediaries (EDP-based checks of outstanding accounts) and suitable protective mechanisms. Should these risks, nevertheless, materialize, this could have a material adverse effect on the financial position and results of operation of WürttLeben.

***Other risks could adversely affect WürttLeben's business.***

Besides the above listed facts, an economic downturn, a substantial slowdown in economic growth or a deterioration in consumer spending (resulting in a decrease of the volume of new insurance contracts and/or an increase of early terminations of insurance contracts) could adversely affect revenues which could have a material adverse effect on the financial position and results of operation of WürttLeben.

# THE NOTES

The following is the text of the terms and conditions (the „**Terms and Conditions**“) applicable to the Notes which will be attached to each Global Note. In case of any overlap or inconsistency in the definition of a term or expression in the Terms and Conditions and elsewhere in this Prospectus, the definition in the Terms and Conditions will prevail.

## TERMS AND CONDITIONS

*The German version of the Terms and Conditions is the only legally binding version. The English translation is for information purposes only.*

### Anleihebedingungen

#### § 1 (Verbriefung und Nennbetrag)

- (1) Währung, Nennbetrag und Form.

Die Württembergische Lebensversicherung AG, Gutenbergstraße 30, 70176 Stuttgart, Bundesrepublik Deutschland (die „**Emittentin**“) begibt am 16. Februar 2006 (der „**Begebungstag**“) 130.000 auf den Inhaber lautende, nachrangige, fest- bis variabel verzinsliche Schuldverschreibungen (die „**Schuldverschreibungen**“) im Nennbetrag von je € 1.000 (der „**Nennbetrag**“) und im Gesamtnennbetrag von € 130.000.000.

- (2) Globalurkunden und Austausch.

Die Schuldverschreibungen werden zunächst in einer vorläufigen Globalinhaberschuldverschreibung (die „**Vorläufige Globalurkunde**“) ohne Zinsscheine verbrieft und am oder um den Begebungstag bei einer gemeinsamen Verwahrstelle für Clearstream Banking, société anonyme, Luxemburg und Euroclear S.A./N.V. als Betreiberin des Euroclear-Systems (beide gemeinsam nachstehend als „**Clearing-System**“ bezeichnet) hinterlegt. Die Vorläufige Globalurkunde wird nicht vor Ablauf von 40 und spätestens nach Ablauf von 180 Tagen nach dem Begebungstag gegen Vorlage einer Bestätigung über das Nichtbestehen U.S.-amerikanischen wirtschaftlichen Eigentums (*beneficial ownership*) an den Schuldverschreibungen gemäß den Regeln und Betriebsabläufen des Clearing-Systems gegen eine endgültige Globalinhaberschuldverschreibung (die „**Dauer-Globalurkunde**“) ohne Zinsscheine ausgetauscht. Zahlungen auf eine Vorläufige Globalurkunde erfolgen nur gegen Vorlage einer solchen Bestätigung. Einzelurkunden oder Zinsscheine werden nicht ausgegeben.

#### § 2 (Status)

- (1) Status der Schuldverschreibungen.

Die Schuldverschreibungen begründen nicht besicherte, nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen gegenwärtigen und zukünftigen nicht besicherten und nachrangigen Verbindlichkeiten der Emittentin zumindest gleichrangig sind. Im Fall der Auflösung, der Liquidation, der Insolvenz oder eines der Abwendung der Insolvenz der Emittentin dienenden Verfahrens stehen solche Verbindlichkeiten nicht nachrangigen Ansprüchen aller anderen Gläubiger im Rang nach, so dass Zahlungen auf die Schuldverschreibungen erst erfolgen, wenn alle Ansprüche gegen die Emittentin aus nicht nachrangigen Verbindlichkeiten vollständig befriedigt sind. Für die Rechte der Anleihegläubiger aus den Schuldverschreibungen ist diesen keine Sicherheit durch die Emittentin oder durch Dritte gestellt; eine solche Sicherheit wird auch zu keinem Zeitpunkt gestellt werden.

- (2) Hinweis nach § 53c Absatz 3b Satz 4 Versicherungsaufsichtsgesetz (VAG).

Nachträglich können weder der Nachrang gemäß diesem § 2 beschränkt, noch die Laufzeit der Schuldverschreibungen oder die jeweiligen Kündigungsfristen verkürzt werden. Eine vorzeitige Rückerstattung, die nicht unter den nachstehend in § 4(2) bis (7) beschriebenen Voraussetzungen erfolgt, ist der Emittentin ohne Rücksicht auf entgegenstehende Vereinbarungen zurückzugewähren, sofern die Emittentin nicht aufgelöst wurde und der Betrag nicht durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist oder die Bundesanstalt für Finanzdienstleistungsaufsicht der Rückzahlung zugestimmt hat.

- (3) Aufrechnungsverbot.

Die Inhaber der Schuldverschreibungen (die „**Anleihegläubiger**“) sind nicht berechtigt, Forderungen aus den Schuldverschreibungen mit mög-

### Terms and Conditions

#### § 1 (Form and Denomination)

- (1) Currency, Denomination and Form.

Württembergische Lebensversicherung AG, Gutenbergstraße 30, 70176 Stuttgart, Federal Republic of Germany (the „**Issuer**“) issues on 16 February 2006 (the „**Issue Date**“) 130,000 subordinated fixed to floating rate bearer notes (the „**Notes**“) in a denomination of € 1,000 each (the „**Denomination**“) in the aggregate principal amount of € 130,000,000.

- (2) Global Notes and Exchange.

The Notes will initially be represented by a temporary global bearer note (the „**Temporary Global Note**“) without coupons which will be deposited with a common depositary for Clearstream Banking, société anonyme, Luxembourg and Euroclear S.A./N.V., as operator of the Euroclear System (together hereinafter referred to as the „**Clearing System**“) on or about the Issue Date. The Temporary Global Note will be exchangeable for a permanent global bearer note (the „**Permanent Global Note**“) without coupons not earlier than 40 and not later than 180 days after the Issue Date upon certification as to non-U.S. beneficial ownership in accordance with the rules and operating procedures of the Clearing System. Payments on a Temporary Global Note will only be made against presentation of such certification. No definitive Notes or interest coupons will be issued.

#### § 2 (Status)

- (1) Status of the Notes.

The obligations under the Notes constitute unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and at least *pari passu* with all other present and future unsecured subordinated obligations of the Issuer. In the event of the dissolution, liquidation, insolvency or any proceeding for the avoidance of insolvency of the Issuer, such obligations will be subordinated to the unsubordinated claims of all other creditors of the Issuer such that in any such event no amounts shall be payable under the Notes until the claims against the Issuer arising from unsubordinated obligations shall first have been satisfied in full. No security of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Noteholders under the Notes.

- (2) Notification pursuant to § 53c (3b) sentence 4 of the German Insurance Supervisory Act (VAG).

No subsequent agreement may limit the subordination pursuant to the provisions set out in this § 2 or shorten any applicable notice period (*Kündigungsfrist*) in respect of the Notes. If the Notes are redeemed before the Maturity Date in circumstances other than as described in § 4(2) through (7) below the amounts redeemed must be returned to the Issuer irrespective of any agreement to the contrary unless the Issuer has been dissolved and such amounts have been replaced by other, at least equivalent own funds (*Eigenmittel*) or the Bundesanstalt für Finanzdienstleistungsaufsicht has given its consent to the redemption.

- (3) No right to set-off.

The holders of the Notes (the „**Noteholders**“) may not set off any claims arising under the Notes against any claims that the Issuer may

lichen Forderungen der Emittentin gegen sie aufzurechnen und die Emittentin ist nicht berechtigt, Forderungen gegenüber den Anleihegläubigern gegen ihre Verpflichtungen aus den Schuldverschreibungen aufzurechnen.

### § 3 (Zinsen)

#### (1) Festzinsperiode.

Im Zeitraum ab 16. Februar 2006 (einschließlich) bis 1. Juni 2016 (ausschließlich) werden die Schuldverschreibungen bezogen auf den Gesamt-Nennbetrag mit jährlich 5,375% verzinst. Zinsen sind nachträglich am 1. Juni eines jeden Jahres fällig, erstmals am 1. Juni 2006 (jeweils ein „**Festzinszahlungstag**“), sofern die Emittentin nicht von ihrem Recht gemäß § 3 (3) Gebrauch macht. Die Berechnung von Zinsen für einen Zeitraum, der kürzer als ein Jahr ist, erfolgt auf der Grundlage der tatsächlichen Anzahl von Tagen in diesem Zeitraum dividiert durch die tatsächliche Anzahl von Tagen (365 oder 366) im jeweiligen Jahr.

#### (2) Variable Zinsperiode.

##### (a) Variable Verzinsung.

Im Zeitraum ab dem 1. Juni 2016 (einschließlich) bis zum Fälligkeitstag (ausschließlich) werden Schuldverschreibungen, bezogen auf ihren Gesamtnennbetrag, zu einem von der Berechnungsstelle bestimmten Zinssatz, der dem Variablen Zinssatz entspricht, verzinst. Zinsen werden jeweils vierteljährlich nachträglich an jedem Variablen Zinszahlungstag fällig, erstmals am 1. September 2016, sofern die Emittentin nicht von ihrem Recht gemäß § 3 (3) Gebrauch macht.

##### (b) Variable Zinszahlungstage und Variable Zinsperioden.

„**Variabler Zinszahlungstag**“ bezeichnet den 1. Tag im März, Juni, September und Dezember eines jeden Jahres. Falls ein Variabler Zinszahlungstag auf einen Tag, der kein Geschäftstag ist, fällt, wird dieser Variable Zinszahlungstag auf den nächstfolgenden Geschäftstag verschoben, es sei denn, jener würde dadurch in den nächsten Kalendermonat fallen; in diesem Fall wird der Variable Zinszahlungstag auf den unmittelbar vorausgehenden Geschäftstag vorgezogen. In diesen Anleihebedingungen bezeichnet „**Geschäftstag**“ einen Tag, an dem alle maßgeblichen Stellen des Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) Systems Geschäfte tätigen. Jeder Zeitraum ab dem 1. Juni 2016 (einschließlich) bis zum ersten Variablen Zinszahlungstag und nachfolgend ab jedem Variablen Zinszahlungstag (einschließlich) bis zu dem jeweils nächstfolgenden Variablen Zinszahlungstag (ausschließlich) wird als „**Variable Zinsperiode**“ bezeichnet.

##### (c) Variabler Zinssatz.

Der Zinssatz (der „**Variable Zinssatz**“) für die jeweilige Variable Zinsperiode berechnet sich aus dem Angebotssatz (ausgedrückt als jährlicher Prozentsatz) für Dreimonatseinlagen in Euro für diese Variable Zinsperiode, der am Zinsfestsetzungstag um 11:00 Uhr vormittags (Brüsseler Ortszeit) auf der Bildschirmseite angegeben wird zuzüglich 2,75% (die „**Marge**“). Der jeweils anwendbare Variable Zinssatz wird durch die Berechnungsstelle ermittelt.

„**Zinsfestsetzungstag**“ bezeichnet den zweiten Geschäftstag, der dem Beginn der maßgeblichen Variablen Zinsperiode vorangeht.

„**Bildschirmseite**“ bezeichnet Moneyline Telerate Page 248, die „EURIBOR Bildschirmseite“ (oder eine Moneyline Telerate Bildschirmseite bzw. andere Bildschirmseite, die zum Zwecke der Anzeige solcher Angebotssätze als Nachfolger von Moneyline Telerate Page 248 eingesetzt wurde).

Sollte die maßgebliche Bildschirmseite nicht zur Verfügung stehen, wird die Berechnungsstelle von jeder der von ihr bestimmten fünf Referenzbanken deren jeweilige Angebotssätze (jeweils als Prozentsatz per annum ausgedrückt) für Dreimonatseinlagen in Euro für die betreffende Variable Zinsperiode gegenüber führenden Banken im Interbanken-Markt der Euro-Zone um ca. 11.00 Uhr (Brüsseler Ortszeit) am Zinsfestsetzungstag anfordern. Falls zwei oder mehr Referenzbanken der Berechnungsstelle solche Angebotssätze nennen, ist der Zinssatz für die betreffende Zinsperiode das arithmetische Mittel (falls erforderlich, auf- oder abgerundet auf das nächste ein Tausendstel Prozent,

have against each of them. The Issuer may not set off any claims it may have against any Noteholder against any of its obligations under the Notes.

### § 3 (Interest)

#### (1) Fixed Interest Period.

For the period from and including 16 February 2006 to but excluding 1 June 2016 the Notes bear interest on their aggregate principal amount at the rate of 5.375% per annum. Interest shall be payable annually in arrear on 1 June of each year commencing on 1 June 2006 (each a „**Fixed Interest Payment Date**“), unless the Issuer exercises its right pursuant to § 3 (3). If interest is to be calculated for a period of less than one year, it shall be calculated on the basis of the actual number of days in such period divided by the actual number of days (365 or 366) in the respective year.

#### (2) Floating Rate Interest Period.

##### (a) Floating Rate Interest.

In the period from and including 1 June 2016 to and excluding the Maturity Date the Notes shall bear interest on their aggregate principal amount at a rate determined by the Calculation Agent equal to the Rate of Interest. Interest will be payable quarterly in arrear on each Floating Interest Payment Date, the first such payment to be made on 1 September 2016, unless the Issuer exercises its right pursuant to § 3 (3).

##### (b) Floating Interest Payment Dates and Floating Interest Periods.

„**Floating Interest Payment Date**“ means the 1st day of March, June, September and December in each year. If any Floating Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the Floating Interest Payment Date shall be the immediately preceding Business Day. In these Terms and Conditions, „**Business Day**“ means a day on which all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) system are operational. Each period from and including 1 June 2016 to but excluding the first Floating Interest Payment Date and thereafter from and including each Floating Interest Payment Date to but excluding the next following Floating Interest Payment Date is a „**Floating Interest Period**“.

##### (c) Floating Rate Interest.

The rate of interest (the „**Rate of Interest**“) for each Floating Interest Period will be the offered quotation (expressed as a percentage rate per annum) for three-month deposits in euro for that Floating Interest Period which appears on the Screen Page as of 11:00 a.m. (Brussels time) on the Interest Determination Date plus 2.75% (the „**Margin**“). The respective Rate of Interest shall be determined by the Calculation Agent.

„**Interest Determination Date**“ means the second Business Day prior to the commencement of the relevant Floating Interest Period.

„**Screen Page**“ means Moneyline Telerate Page 248, „EURIBOR Screen Page“ (or such other screen page of Moneyline Telerate or such other information service, which has been designated as the successor to Moneyline Telerate Page 248 for the purpose of displaying such rates).

If the Screen Page is not available the Calculation Agent shall request each of the five Reference Banks selected by it to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for three-month deposits in euro for the relevant Floating Interest Period to leading banks in the interbank market of the Euro-Zone at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date. As long as two or more of the selected Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Floating Interest Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the nearest one thousandth



wobei 0,0005 aufgerundet wird) dieser Angebotssätze zuzüglich der Marge. Falls der Variable Zinssatz nicht gemäß der oben definierten Bestimmungen ermittelt werden kann, ist der Zinssatz der Angebotsatz bzw. das arithmetische Mittel der Angebotssätze auf der Bildschirmseite an dem letzten Tag vor dem Zinsfestsetzungstag, an dem diese Angebotssätze angezeigt wurden, zusätzlich der Marge.

In diesem Absatz bezeichnen „Referenzbanken“ diejenigen Banken, deren Angebotssätze zur Ermittlung des maßgeblichen Angebotssatzes zu dem Zeitpunkt benutzt wurden, als solch ein Angebot letztmals auf der maßgeblichen Bildschirmseite angezeigt wurde

Die Berechnungsstelle wird zu oder baldmöglichst nach jedem Zeitpunkt, an dem der Variable Zinssatz zu bestimmen ist, den auf die Schuldverschreibungen fälligen Zinsbetrag (der „Zinsbetrag“) für die entsprechende Variable Zinsperiode berechnen. Der Zinsbetrag wird ermittelt, indem der Variable Zinssatz und der Zinstagequotient auf den Gesamtnennbetrag der Schuldverschreibungen angewendet werden, wobei der resultierende Betrag auf den nächstliegenden Cent auf- oder abgerundet wird (wobei 0,5 solcher Einheiten aufgerundet werden). „Zinstagequotient“ bezeichnet im Hinblick auf die Berechnung des Zinsbetrages für eine beliebige Variable Zinsperiode oder einen Teil davon (der „Zinsberechnungszeitraum“) die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum dividiert durch 360.

Die Berechnungsstelle wird veranlassen, dass der Variable Zinssatz, der Zinsbetrag für die jeweilige Variable Zinsperiode, die jeweilige Variable Zinsperiode und der relevante Variable Zinszahlungstag der Emittentin und, sofern dies von der Luxemburger Wertpapierbörse oder einer anderen Wertpapierbörse, an der die Schuldverschreibungen notiert sind, vorgesehen ist, der Luxemburger Wertpapierbörse und einer solchen anderen Wertpapierbörse sowie den Anleihegläubigern durch Bekanntmachung gemäß § 10 baldmöglichst nach ihrer Feststellung, aber keinesfalls später als am ersten Tag der maßgeblichen nächstfolgenden Variablen Zinsperiode, bekannt gemacht wird. Im Fall einer Verlängerung oder Verkürzung der Variablen Zinsperiode kann der mitgeteilte Zinsbetrag und Variable Zinszahlungstag ohne Vorankündigung nachträglich angepasst (oder andere geeignete Anpassungsregelungen getroffen) werden. Jede solche Anpassung wird umgehend allen Wertpapierbörsen, an denen die Schuldverschreibungen zu diesem Zeitpunkt notiert sind, sowie den Anleihegläubigern gemäß § 10 bekannt gemacht.

Alle Bescheinigungen, Mitteilungen, Gutachten, Festsetzungen, Berechnungen, Quotierungen und Entscheidungen, die von der Berechnungsstelle für die Zwecke dieses § 4 gemacht, abgegeben, getroffen oder eingeholt werden, sind (sofern nicht ein offensichtlicher Irrtum vorliegt) für die Emittentin, die Hauptzahlstelle, die Zahlstellen und die Anleihegläubiger bindend.

(3) Zinsrückstände.

(a) Aussetzung der Fälligkeit.

Die Emittentin ist berechtigt, die Fälligkeit einer Zinszahlung durch eine unwiderrufliche Bekanntmachung gemäß § 10 innerhalb einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen vor dem jeweiligen Festzinszahlungstag oder Variablen Zinszahlungstag (jeweils ein „Zinszahlungstag“) auszusetzen, wenn

- (i) weder auf der ordentlichen Hauptversammlung der Emittentin unmittelbar vor diesem Zinszahlungstag noch seit dieser ordentlichen Hauptversammlung der Emittentin für irgendeine Aktiengattung der Emittentin eine Dividende, andere Ausschüttung oder Zahlung festgesetzt wurde; und
- (ii) der nach den Vorschriften des Handelsgesetzbuches (HGB) erstellte Einzelabschluss der Emittentin für das unmittelbar vor diesem Zinszahlungstag endende Geschäftsjahr keinen Jahresüberschuss ausgewiesen hat; und
- (iii) der nach internationalen Rechnungslegungsstandards (International Financial Reporting Standards (IFRS)) erstellte Konzernabschluss der Emittentin für das unmittelbar vor diesem Zinszahlungstag endende Geschäftsjahr keinen Jahresüberschuss ausgewiesen hat.

Auf eine demgemäß ausgesetzte Zinszahlung (ein „Zinsrückstand“) werden keine Zinsen geschuldet. Die Emittentin ist jedoch nicht berechtigt, eine Zinszahlung auszusetzen, sofern der Vorstand der

of a percentage point, with 0.0005 being rounded upwards) plus the Margin. If the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be the offered quotation or the arithmetic mean of the offered quotations on the Screen Page on the last day preceding the Interest Determination Date on which such quotations were displayed, plus the Margin.

As used herein, “Reference Banks” means those banks whose offered rates were used to determine the relevant offered quotation when such quotation last appeared on the Screen Page.

The Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, calculate the amount of interest (the “Interest Amount”) payable on the Notes for the relevant Floating Interest Period. The Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction to the aggregate principal amount of the Notes and rounding the resultant figure to the nearest cent, with 0.5 or more of a cent being rounded upwards. “Day Count Fraction” means, in respect of the calculation of the Interest Amount for any Floating Interest Period or part thereof (the “Calculation Period”), the actual number of days in the Calculation Period divided by 360.

The Calculation Agent will cause the Rate of Interest, each Interest Amount for each Floating Interest Period, each Floating Interest Period and the relevant Floating Interest Payment Date to be notified to the Issuer and, if required by the rules of the Luxembourg Stock Exchange or any other stock exchange on which the Notes are from time to time listed, to the Luxembourg Stock Exchange and such other stock exchange, and to the Noteholders by notice in accordance with § 10 as soon as possible after their determination, but in no event later than on the first day of the next relevant Floating Interest Period thereafter. Each Interest Amount and Floating Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements may be made by way of adjustment) without prior notice in the event of an extension or shortening of the Floating Interest Period. Any such amendment will be promptly notified to any stock exchange on which the Notes are then listed and to the Noteholders in accordance with § 10.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 4 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent, the Paying Agents and the Noteholders.

(3) Arrears of Interest.

(a) Suspension of Payment.

The Issuer may elect by giving not less than 10 nor more than 15 Business Days' notice to the Noteholders in accordance with § 10 (which notice will be irrevocable) before any Fixed Interest Payment Date or any Floating Interest Payment Date (each an “Interest Payment Date”) to suspend a payment of interest if

- (i) no dividend, distribution or other payment has been declared in respect of any class of shares of the Issuer at the ordinary general meeting (*ordentliche Hauptversammlung*) of the Issuer immediately preceding such Interest Payment Date or since that ordinary general meeting of the Issuer; and
- (ii) the unconsolidated financial statements of the Issuer, prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*) for the financial year immediately preceding such Interest Payment Date, have not shown an annual profit (*Jahresüberschuss*); and
- (iii) the consolidated financial statements of the Issuer, prepared in accordance with International Financial Reporting Standards (*IFRS*) for the financial year immediately preceding such Interest Payment Date have not shown an annual profit.

The Issuer shall not have any obligation to pay interest regarding any payment so suspended (an “Arrear of Interest”). However, the Issuer may not defer a payment of interest if the Management Board (*Vor-*

Emittentin seit der letzten ordentlichen Hauptversammlung eine Ermächtigung zum Kauf eigener Aktien ausgenutzt hat.

(b) Fakultative Zahlung von Zinsrückständen.

Die Emittentin kann ausstehende Zinsrückstände jederzeit ganz oder teilweise nach Bekanntmachung an die Anleihegläubiger gemäß § 10 bei Einhaltung einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen zahlen (wobei eine solche Bekanntmachung unwiderruflich ist und die Emittentin verpflichtet ist, die jeweiligen Zinsrückstände an dem in dieser Bekanntmachung genannten Zahlungstag zu zahlen).

(c) Obligatorische Zahlung von Zinsrückständen.

Die Emittentin hat ausstehende Zinsrückstände (vollständig, jedoch nicht teilweise) an dem zuerst eintretenden der folgenden Tage zu zahlen:

- (i) am nächsten Zinszahlungstag, an dem eine der in § 3 (3) (a)(i), (ii) und (iii) genannten Voraussetzungen nicht mehr vorliegt;
- (ii) am Fälligkeitstag;
- (iii) an dem Tag, an dem eine Verfügung zur Abwicklung, Liquidation oder Auflösung der Emittentin ergeht (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. der die Emittentin noch zahlungsfähig sind und bei dem bzw. der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin übernimmt); und
- (iv) an dem Tag, an dem entweder die Emittentin Zinsen auf Gleichrangige Wertpapiere oder Zinsen oder Aufgeschobene Zinsen auf Nachrangige Wertpapiere zahlt oder Gleichrangige Wertpapiere oder Nachrangige Wertpapiere vor deren Fälligkeit zurückkauft, wobei:

„**Gleichrangige Wertpapiere**“ eine Wertpapieremission bezeichnet, die die Emittentin oder eine ihrer Tochtergesellschaften begeben hat, die im gleichen Rang mit den Schuldverschreibungen steht;

„**Nachrangige Wertpapiere**“ eine Wertpapieremission bezeichnet, die die Emittentin oder eine ihrer Tochtergesellschaften begeben hat, die im Rang nach den Schuldverschreibungen steht und Aktien jeglicher Aktiengattung der Emittentin miteinschließt; und

„**Aufgeschobene Zinsen**“ sämtliche Zinsen oder Dividenden sind, die für Gleichrangige Wertpapiere oder Nachrangige Wertpapiere an einem vorgesehenen Zins- bzw. Dividendenzahlungstag solcher Gleichrangigen bzw. Nachrangigen Wertpapiere vertragsgemäß nicht bezahlt worden sind.

(d) Zinszahlungen auf Gleichrangige Wertpapiere.

Wenn die Emittentin Aufgeschobene Zinsen auf Gleichrangige Wertpapiere ganz oder teilweise nachzahlt, hat die Emittentin Zinsrückstände an dem Zinszahlungstag nach einer solchen Nachzahlung ebenfalls nachzuzahlen. Im Fall der Nachzahlung nur eines Teilbetrags solcher Aufgeschobener Zinsen hat die Nachzahlung auf Zinsrückstände zu dem Bruchteil zu erfolgen, der dem Quotienten des gezahlten Teilbetrags und dem ausstehenden Betrag an Aufgeschobenen Zinsen entspricht.

(4) Ende der Verzinsung und Verzugzinsen.

Die Verzinsung der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden, oder, sollte die Emittentin eine Zahlung aus diesen Schuldverschreibungen bei Fälligkeit nicht leisten, mit Beginn des Tages der tatsächlichen Zahlung. Der jeweils anzuwendende Zinssatz wird gemäß diesem § 3 bestimmt.

§ 4

(Rückzahlung und Rückkauf)

(1) Rückzahlung bei Endfälligkeit.

Die Schuldverschreibungen werden, sofern keine vorzeitige Rückzahlung gemäß § 4 (3) oder (4) und kein Rückkauf gemäß § 4 (2) erfolgt, am 1. Juni 2026 (der „**Fälligkeitstag**“) zum Nennbetrag zurückgezahlt.

*stand*) of the Issuer has used an authorisation to buy own shares since the date of the last preceding ordinary general meeting (*ordentliche Hauptversammlung*) of the Issuer.

(b) Optional Payment of Arrears of Interest.

The Issuer may pay outstanding Arrears of Interest (in whole or in part) at any time on giving not less than 10 nor more than 15 Business Days' notice to the Noteholders in accordance with § 10 (which notice will be irrevocable and will oblige the Issuer to pay the relevant Arrears of Interest on the payment date specified in that notice).

(c) Mandatory Payment of Arrears of Interest.

The Issuer must pay outstanding Arrears of Interest (in whole but not in part) on the earlier of:

- (i) the next Interest Payment Date on which any of the conditions set forth in § 3 (3) (a)(i), (ii) and (iii) is no longer satisfied;
- (ii) the Maturity Date;
- (iii) the date on which an order is made for the winding up, liquidation or dissolution of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer); and
- (iv) the date on which the Issuer makes any payment of interest on any Parity Securities or makes any payment of interest or Deferred Interest on any Junior Securities or repurchases Parity Securities or Junior Securities prior to their maturity; where:

„**Parity Securities**“ means any securities issued by the Issuer or any of its subsidiaries, ranking *pari passu* with the Notes;

„**Junior Securities**“ means any securities issued by the Issuer or any of its subsidiaries ranking junior to the Notes, including any shares of any class of shares of the Issuer; and

„**Deferred Interest**“ means any interest or dividends deferred pursuant to its terms on any Parity Securities or Junior Securities on any scheduled interest payment date or dividend payment date, as the case may be, of such Parity Securities or Junior Securities.

(d) Payments on Parity Securities.

If the Issuer makes any full or partial payment of Deferred Interest on any Parity Securities, the Issuer shall on the Interest Payment Date immediately following such payment satisfy any Arrears of Interest. In case of only a partial payment of such Deferred Interest the payment on the Arrears of Interest shall be satisfied at such fractional amount equal to the amount resulting from the division of the amount of Deferred Interest actually paid by the amount of Deferred Interest payable.

(4) End of interest bearing period and default interest.

The Notes shall cease to bear interest from the beginning of the day they are due for redemption, or, in case the Issuer fails to make any payment under the Notes when due, from the beginning of the day on which such payment is made. The respective rate of interest shall be determined pursuant to this § 3.

§ 4

(Redemption and Purchase)

(1) Redemption at Maturity.

Unless previously redeemed in accordance with § 4 (3) or (4) or repurchased pursuant to § 4 (2) the Notes will be redeemed at their principal amount on 1 June 2026 (the „**Maturity Date**“).

(2) Rückkauf.

Vorbehaltlich der Regelungen des § 4 (7) können die Emittentin oder jede ihrer Tochtergesellschaften jederzeit Schuldverschreibungen auf dem freien Markt oder anderweitig sowie zu jedem beliebigen Preis kaufen und wieder veräußern.

(3) Vorzeitige Rückzahlung nach Wahl der Emittentin.

Die Emittentin kann die Schuldverschreibungen vorbehaltlich der Regelung des § 4(7) (insgesamt und nicht nur teilweise) am 1. Juni 2016 und an jedem Variablen Zinszahlungstag durch Erklärung gemäß § 4 (6) zum Nennbetrag zuzüglich der bis zu diesem Tag (ausschließlich) aufgelaufener Zinsen sowie zuzüglich aller ausstehender Zinsrückstände (der „**Rückzahlungsbetrag**“) zurückzahlen.

(4) Vorzeitige Rückzahlung nach Eintritt eines Gross-up Ereignisses, eines Steuerereignisses oder eines Aufsichtsrechtlichen Ereignisses.

Die Emittentin ist bis zum 1. Juni 2016 (ausschließlich) berechtigt, durch Erklärung gemäß § 4 (6) und nach Maßgabe von § 4 (7) die Schuldverschreibungen nach Eintritt eines Gross-Up Ereignisses zum Rückzahlungsbetrag und nach Eintritt eines Steuerereignisses oder eines Aufsichtsrechtlichen Ereignisses zum Vorzeitigen Rückzahlungsbetrag (insgesamt und nicht nur teilweise) zurückzuzahlen.

(a) Gross-up-Ereignis.

Ein „**Gross-up-Ereignis**“ liegt vor, wenn die Emittentin aufgrund einer Gesetzesänderung (oder einer Änderung von darunter erlassenen Bestimmungen und Vorschriften) der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder Behörden oder als Folge einer Änderung der offiziellen Auslegung oder Anwendung dieser Gesetze, Bestimmungen oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht oder eine Behörde verpflichtet ist oder verpflichtet sein wird, Zusätzliche Beträge gemäß § 6 zu zahlen, und die Emittentin diese Verpflichtung nicht durch das Ergreifen zumutbarer Maßnahmen abwenden kann.

Die Rückzahlungsbekanntmachung darf nicht früher als 90 Tage vor dem Tag erfolgen, an dem die Emittentin erstmals verpflichtet wäre, Zusätzliche Beträge gemäß § 6 zu zahlen.

(b) Steuerereignis.

Ein „**Steuerereignis**“ liegt vor, wenn aufgrund einer Gesetzesänderung (oder einer Änderung von darunter erlassenen Bestimmungen und Vorschriften) der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder einer ihrer Steuerbehörden, oder als Folge einer Änderung der offiziellen Auslegung oder Anwendung solcher Gesetze, Bestimmungen oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht, eine Regierungsstelle oder eine Aufsichtsbehörde (einschließlich des Erlasses von Gesetzen sowie der Bekanntmachung gerichtlicher oder aufsichtsrechtlicher Entscheidungen), Zinsen, die von der Emittentin auf die Schuldverschreibungen zu zahlen sind, von der Emittentin nicht mehr für die Zwecke der deutschen Ertragsteuer voll abzugsfähig sind und die Emittentin dieses Risiko nicht durch das Ergreifen zumutbarer Maßnahmen abwenden kann.

(c) Aufsichtsrechtlichen Ereignisses.

Ein „**Aufsichtsrechtliches Ereignis**“ liegt vor, wenn die Bundesanstalt für Finanzdienstleistungsaufsicht (oder ein Funktionsnachfolger) schriftlich gegenüber der Emittentin feststellt, dass die Schuldverschreibungen (ganz oder teilweise) nicht länger die Anforderungen an Eigenmittel für Zwecke der Ermittlung der Gruppensolvabilität oder der Einzelsolvabilität der Emittentin oder der Unternehmensgruppe, zu der die Emittentin gehört, erfüllt. Dies gilt nur, wenn die Schuldverschreibungen diese Anforderungen zu einem Zeitpunkt vor dieser Feststellung erfüllt haben.

(5) Vorzeitiger Rückzahlungsbetrag.

Der „**Vorzeitige Rückzahlungsbetrag**“ ist der Aufrechnungsbetrag, mindestens jedoch der Rückzahlungsbetrag (wie von der Berechnungsstelle bestimmt).

Der „**Aufrechnungsbetrag**“ wird durch die Berechnungsstelle bestimmt und entspricht der Summe aus den Aktuellen Werten (i) des Nennbetrags der Schuldverschreibungen und (ii) der verbleibenden vorgesehenen Zinszahlungen auf die Schuldverschreibungen bis zum 1. Juni 2016 (ausschließlich) am Tag der Rückzahlung.

(2) Repurchase.

Subject to § 4 (7), the Issuer or any of its subsidiaries, from time to time, may at any time purchase Notes in the open market or otherwise and at any price and may resell those Notes.

(3) Early Redemption at the Option of the Issuer.

The Issuer may upon giving notice in accordance with § 4 (6), subject to § 4(7), redeem the Notes (in whole but not in part only) on 1 June 2016 and on any Floating Interest Payment Date at their principal amount plus any interest accrued until such date (exclusive) and all outstanding Arrears of Interest to the date of redemption (the „**Redemption Amount**“).

(4) Early Redemption following a Gross-up Event, a Tax Event or a Regulatory Event.

Until 1 June 2016 (exclusive) the Issuer may upon giving notice in accordance with § 4 (6) and subject to § 4 (7) redeem the Notes (in whole but not in part only) following a Gross-Up Event at the Redemption Amount and following a Tax Event or a Regulatory Event at the Early Redemption Amount.

(a) Gross-up Event.

A „**Gross-up Event**“ shall occur if the Issuer has or will become obliged by a legislative body, a court or any authority to pay Additional Amounts pursuant to § 6 as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of the Federal Republic of Germany or any political subdivision or any authority of or in the Federal Republic of Germany, or any change in or amendment to any official interpretation or application of those laws or rules or regulations, and that obligation cannot be avoided by the Issuer taking reasonable measures.

No such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would be for the first time obliged to pay the Additional Amounts pursuant to § 6

(b) Tax Event.

A „**Tax Event**“ shall occur if as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of the Federal Republic of Germany or any political subdivision or any taxing authority thereof or therein, or as a result of any amendment to, or change in, an official interpretation or application of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), interest payable by the Issuer in respect of the Notes is no longer fully deductible by the Issuer for German income tax purposes, and that risk cannot be avoided by the Issuer reasonable measures.

(c) Regulatory Event.

A „**Regulatory Event**“ shall occur if the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) states in writing to the Issuer that the Notes (in whole or in part) no longer fulfil the requirements for own funds for group solvency or solo solvency purposes of the Issuer or the group of companies the Issuer is a member of. This applies only if at any time prior to such statement the Notes did fulfil such requirements.

(5) Early Redemption Amount.

The „**Early Redemption Amount**“ will be the greater of the Redemption Amount and Make-Whole Amount (as determined by the Calculation Agent).

The „**Make-Whole Amount**“ will be calculated by the Calculation Agent, and will equal the sum of the Present Values on the date of redemption of (i) the principal amount of the Notes and (ii) the remaining scheduled payments of interest on the Notes to 1 June 2016 (exclusive).

Die Berechnungsstelle ermittelt die „**Aktuellen Werte**“ durch die Abzinsung pro Jahr des Nennbetrags der Schuldverschreibungen und der verbleibenden berechneten Zinszahlungen bis zum 1. Juni 2016; dabei gilt als Berechnungsgrundlage ein Jahr von 365 bzw. 366 Tagen und die Zahl der tatsächlich in dem Jahr verstrichenen Tage unter Verwendung der Angepassten Vergleichsrendite zuzüglich 0,60%.

Die „**Angepasste Vergleichsrendite**“ ist die Rendite, die am Tag der Rückzahlung für ein Wertpapier mit Euro-Referenzzinssatz zu zahlen wäre, das die Berechnungsstelle unter Berücksichtigung einer vergleichbaren Laufzeit mit der Restlaufzeit der Schuldverschreibungen bis zum 1. Juni 2016 bestimmt hat und welches zum Zeitpunkt der Bestimmung als Berechnungsgrundlage für die Preisgebung neuer Anleihen mit vergleichbarer Laufzeit bis 1. Juni 2016 dienen könnte.

(6) Bekanntmachung der Vorzeitigen Rückzahlung.

Die Emittentin kann ein Recht zur vorzeitigen Rückzahlung gemäß § 4 (3) oder (4) durch eine Bekanntmachung an die Anleihegläubiger gemäß § 10 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen ausüben. Die Emittentin wird die Hauptzahlstelle vor dieser Bekanntmachung von der vorzeitigen Rückzahlung informieren. Die Bekanntmachung und die Information der Hauptzahlstelle sollen in den Fällen des § 4 (4) diejenigen Tatsachen enthalten, auf welche die Emittentin ihr Kündigungsrecht stützt.

(7) Aufsichtsrechtliche Einschränkungen.

(a) Rückkauf und Rückzahlung durch die Emittentin.

Die Emittentin darf das Recht zum Rückkauf gemäß § 4 (2) und zur Rückzahlung gemäß § 4 (3) oder nach Eintritt eines Gross-up-Ereignisses oder eines Steuerereignisses gemäß § 4 (4) nur ausüben, wenn der zurückzuzahlende Nennbetrag durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist oder die Bundesanstalt für Finanzdienstleistungsaufsicht (oder ein Funktionsnachfolger) dem Rückkauf bzw. der Rückzahlung ohne eine solche Ersetzung zuvor zugestimmt hat. Nach Eintritt eines Aufsichtsrechtlichen Ereignisses aufgrund einer Feststellung der Bundesanstalt für Finanzdienstleistungsaufsicht (oder eines Funktionsnachfolgers), dass die Schuldverschreibungen ganz oder teilweise nicht länger die Anforderungen an Eigenmittel für Zwecke der Ermittlung der Einzelsolvabilität der Emittentin oder der Gruppensolvabilität der Unternehmensgruppe, zu der die Emittentin gehört, erfüllen, darf die Emittentin das Recht zur Rückzahlung gemäß § 4 (4) nur ausüben, wenn derjenige Teil der Schuldverschreibungen, der diese Anforderungen nach wie vor für die Zwecke der Ermittlung der Einzelsolvabilität oder der Gruppensolvabilität erfüllt, durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist oder die Bundesanstalt für Finanzdienstleistungsaufsicht (oder ein Funktionsnachfolger) der Rückzahlung ohne eine solche Ersetzung zuvor zugestimmt hat.

(b) Rückkauf und Rückzahlung durch Tochtergesellschaften.

Die in § 4 (7) (a) genannten, auch für Tochtergesellschaften der Emittentin geltenden Einschränkungen gelten nicht für Rückkäufe, soweit Tochterunternehmen der Emittentin die Schuldverschreibungen für fremde Rechnung oder für Sondervermögen (im Sinne des § 2 Abs. 2 und § 30 Investmentgesetz) erwerben, es sei denn (i) die Schuldverschreibungen werden durch das Tochterunternehmen für Rechnung der Emittentin oder einer anderen Tochtergesellschaft der Emittentin erworben oder (ii) die Anteile an dem Sondervermögen werden mehrheitlich von der Emittentin oder einer ihrer Tochtergesellschaften gehalten.

## § 5 (Zahlungen)

- (1) Die Emittentin verpflichtet sich, Kapital und Zinsen auf die Schuldverschreibungen bei Fälligkeit in Euro zu zahlen. Die Zahlung von Kapital und Zinsen erfolgt, vorbehaltlich geltender steuerrechtlicher und sonstiger gesetzlicher Regelungen und Vorschriften, über die Hauptzahlstelle zur Weiterleitung an das Clearing-System oder nach dessen Weisung zur Gutschrift für die jeweiligen Kontoinhaber. Die Zahlung an das Clearing-System oder nach dessen Weisung befreit die Emittentin in Höhe der geleisteten Zahlung von ihren entsprechenden Verbindlichkeiten aus den Schuldverschreibungen. Eine Bezugnahme in diesen Anleihebedingungen auf Kapital oder Zinsen der Schuldverschreibungen schließt jegliche Zusätzlichen Beträge gemäß § 6 ein.

The „**Present Values**“ will be calculated by the Calculation Agent by discounting the principal amount of the Notes and the remaining interest payments to 1 June 2016 on an annual basis, assuming a 365-day year or a 366-day year, as the case may be, and the actual number of days elapsed in such year and using the Adjusted Comparable Yield plus 0.60%.

The „**Adjusted Comparable Yield**“ will be the yield at the date of redemption on the euro benchmark security selected by the Calculation Agent as having a maturity comparable to the remaining term of the Notes to 1 June 2016 that would be utilised at the time of selection in pricing new issues of corporate debt securities of comparable maturity to 1 June 2016.

(6) Notification of Early Redemption.

The Issuer shall give not less than 30 nor more than 60 days' notice to the Noteholders in accordance with § 10 of any Early Redemption pursuant to § 4 (3) or (4). The Issuer shall give notice to the Principal Paying Agent about such Early Redemption before notifying the Noteholders. In the case of § 4 (4) such notices shall set forth the underlying facts of the Issuer's right to Early Redemption.

(7) Regulatory Limitations.

(a) Repurchase and Redemption by the Issuer.

The Issuer may only repurchase the Notes as set forth in § 4 (2) and may only redeem the Notes as set forth in § 4(3) or following a Gross up Event or a Tax Event as set forth in § 4 (4) if the principal amount of the Notes to be repaid has been replaced by other, at least equivalent own funds (*Eigenmittel*) or if the Federal Supervisory Authority for Financial Services (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) has given its prior consent to the repurchase or redemption of the Notes without such replacement. Following a Regulatory Event due to the Federal Supervisory Authority for Financial Services (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) having determined that the Notes in whole or in part no longer fulfil the requirements for own funds (*Eigenmittel*) for solo solvency purposes of the Issuer or for group solvency purposes of the group of companies the Issuer is a member of, the Issuer may only redeem the Notes as set forth in § 4(4) if such portion of the principal amount of the Notes which continues to fulfil such requirements for solo solvency purposes or for group solvency purposes after such determination, has been replaced by other, at least equivalent own funds (*Eigenmittel*) or if the Federal Supervisory Authority for Financial Services (*Bundesanstalt für Finanzdienstleistungsaufsicht*) has given its prior written consent to the redemption of the Notes without such replacement.

(b) Repurchase and Redemption by Subsidiaries.

This restrictions set forth in § 4 (7) (a), which apply also to subsidiaries of the Issuer, do not apply for purchases made by subsidiaries of the Issuer for the account of a third party or funds (as defined for the purposes of § 2 para. 2 and § 30 Investment Act (*Investmentgesetz*)), unless (i) such subsidiary purchases the Notes for the account of the Issuer or one of its other subsidiaries, or (ii) the majority of the shares in the relevant fund are held by the Issuer or one of its subsidiaries.

## § 5 (Payments)

- (1) The Issuer undertakes to pay, as and when due, principal and interest on the Notes in euro. Payment of principal and interest on the Notes shall be made, subject to applicable fiscal and other laws and regulations, through the Principal Paying Agent for on-payment to the Clearing System or to its order for credit to the respective account holders. Payments to the Clearing System or to its order shall to the extent of amounts so paid constitute the discharge of the Issuer from its corresponding liabilities under the Notes. Any reference in these Terms and Conditions of the Notes to principal or interest will be deemed to include any Additional Amounts as set forth in § 6.



- (2) Falls ein Fälligkeitstag für die Zahlung von Kapital und/oder Zinsen kein Geschäftstag ist, erfolgt die Zahlung erst am nächstfolgenden Geschäftstag (außer im Fall von § 3 (2) (b)); die Anleihegläubiger sind nicht berechtigt, Zinsen oder eine andere Entschädigung wegen eines solchen Zahlungsaufschubs zu verlangen.

## **§ 6 (Besteuerung)**

Sämtliche Zahlungen von Kapital und Zinsen in Bezug auf die Schuldverschreibungen werden ohne Einbehalt oder Abzug von Steuern, Abgaben, Festsetzungen oder behördlichen Gebühren jedweder Art („**Steuern**“) geleistet, die von der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder Behörden mit der Befugnis zur Erhebung von Steuern auferlegt, erhoben, eingezogen, einbehalten oder festgesetzt werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In einem solchen Falle wird die Emittentin zusätzliche Beträge zahlen (die „**Zusätzlichen Beträge**“), so dass die Anleihegläubiger die Beträge erhalten, die sie ohne Einbehalt oder Abzug erhalten hätten. Solche Zusätzlichen Beträge sind jedoch nicht zahlbar wegen solcher Steuern:

- (i) denen ein Anleihegläubiger wegen einer anderen Beziehung zu der Bundesrepublik Deutschland unterliegt als der bloßen Tatsache, dass er der Inhaber der betreffenden Schuldverschreibungen ist; oder
- (ii) die einzubehalten oder abzuziehen sind aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Bundesrepublik Deutschland oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt; oder
- (iii) denen der Anleihegläubiger nicht unterläge, wenn er seine Schuldverschreibungen binnen 30 Tagen nach Fälligkeit bzw., falls die notwendigen Beträge der Hauptzahlstelle bei Fälligkeit nicht zur Verfügung gestellt worden sind, nach dem Tag, an dem diese Mittel der Hauptzahlstelle zur Verfügung gestellt worden sind und dies gemäß § 10 bekannt gemacht wurde, zur Zahlung vorgelegt hätte, oder
- (iv) auf Zahlungen aufgrund von Schuldverschreibungen, die von einem Anleihegläubiger oder in dessen Namen zur Zahlung vorgelegt werden, obwohl er einen solchen Einbehalt oder Abzug durch Vorlage eines Formulars oder einer Urkunde und/oder durch Abgabe einer Nichtansässigkeits-Erklärung oder Inanspruchnahme einer vergleichbaren Ausnahme oder Geltendmachung eines Erstattungsanspruches hätte vermeiden können; oder
- (v) auf Zahlungen aufgrund von Schuldverschreibungen, die von einem Anleihegläubiger oder in dessen Namen zur Zahlung vorgelegt werden, der diesen Einbehalt oder Abzug durch Vorlage der Schuldverschreibung bei einer Zahlstelle in einem anderen Mitgliedsstaat der Europäischen Union hätte vermeiden können.

## **§ 7 (Vorlegungsfrist)**

Die Vorlegungsfrist der Schuldverschreibungen wird auf zehn Jahre reduziert.

## **§ 8 (Zahlstellen und Berechnungsstellen)**

- (1) Bestellung.

Die Emittentin hat die Deutsche Bank Aktiengesellschaft, Trust & Securities Services, Frankfurt am Main, Große Gallusstraße 10-14, D-60272 Frankfurt am Main, als Hauptzahlstelle und Berechnungsstelle (die „**Hauptzahlstelle**“ oder „**Berechnungsstelle**“) und Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxemburg, als Zahlstelle (die „**Zahlstelle**“, gemeinsam mit der Hauptzahlstelle, die „**Zahlstellen**“) bestellt.

- (2) Änderung oder Beendigung der Bestellung.

Die Emittentin behält sich das Recht vor, jederzeit die Benennung einer Zahlstelle oder Berechnungsstelle zu verändern oder zu beenden und

- (2) If the due date for any payment of principal and/or interest is not a Business Day, payment shall be effected only on the next Business Day (except as provided in § 3 (2) (b)). The Noteholders shall have no right to claim payment of any interest or other indemnity in respect of such delay in payment.

## **§ 6 (Taxation)**

All payments of principal and interest in respect of the Notes will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature („**Taxes**“) imposed, levied, collected, withheld or assessed by the Federal Republic of Germany (as the case may be) or any political subdivision or any authority of the Federal Republic of Germany (as the case may be) that has power to tax, unless that withholding or deduction is required by law. In that event, the Issuer (as the case may be) will pay such additional amounts (the „**Additional Amounts**“) as will result in receipt by the Noteholders of the same amounts as they would have received if no such withholding or deduction had been required. However, no such Additional Amounts shall be payable with respect to such Taxes:

- (i) to which a Noteholder is liable because of a relationship with the Federal Republic of Germany other than the mere fact of his being the holder of the relevant Notes; or
- (ii) which are to be withheld or deducted pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Federal Republic of Germany or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or
- (iii) to which the Noteholder would not be subject if he had presented his Notes for payment within 30 days from the due date for payment, or, if the necessary funds have not been provided to the Principal Paying Agent when due, from the date on which such funds have been provided to the Principal Paying Agent, and a notice to that effect has been published in accordance with § 10; or
- (iv) on payments under Notes which are presented for payment by or on behalf of a Noteholder although such Noteholder had been able to avoid such withholding or deduction by submitting a form or document and/or by making a declaration of non-residence or claiming a similar exemption or asserting a claim for refund; or
- (v) on payments under Notes which are presented for payment by or on behalf of a Noteholder who had been able to avoid such withholding or deduction by presenting the Note at a paying agent located in another member state of the European Union.

## **§ 7 (Presentation Period)**

The period for presentation of the Notes will be reduced to ten years.

## **§ 8 (Paying and Calculation Agents)**

- (1) Appointment.

The Issuer has appointed Deutsche Bank Aktiengesellschaft, Trust & Securities Services, Frankfurt am Main, Grosse Gallusstrasse 10-14, D-60272 Frankfurt am Main, as principal paying agent and calculation agent (the „**Principal Paying Agent**“ or „**Calculation Agent**“) and Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, as paying agent (the „**Paying Agent**“, together with the Principal Paying Agent, the „**Paying Agents**“).

- (2) Variation or Termination of Appointment.

The Issuer reserves the right at any time to vary or terminate the appointment of any Paying or Calculation Agent and to appoint succes-

Nachfolger bzw. zusätzliche Zahlstellen zu ernennen. Dabei ist jedoch zu gewährleisten, dass die Emittentin jederzeit eine Zahlstelle (die auch Hauptzahlstelle sein kann) in Luxemburg unterhält. Den Anleihegläubigern werden Änderungen in Bezug auf die Zahlstellen, deren angegebene Geschäftsstellen oder die Berechnungsstelle umgehend gemäß § 10 bekannt gemacht.

(3) Status der beauftragten Stellen.

Die Zahlstellen und die Berechnungsstelle handeln ausschließlich als Vertreter der Emittentin und übernehmen keine Verpflichtungen gegenüber den Anleihegläubigern; es wird kein Vertrags-, Auftrags- oder Treuhandverhältnis zwischen ihnen und den Anleihegläubigern begründet. Die Zahlstellen sind von den Beschränkungen des § 181 des Bürgerlichen Gesetzbuchs (BGB) befreit.

**§ 9  
(Weitere Emissionen)**

Die Emittentin kann ohne Zustimmung der Anleihegläubiger weitere Schuldverschreibungen begeben, die in jeder Hinsicht (oder in jeder Hinsicht mit Ausnahme der ersten Zinszahlung) die gleichen Bedingungen wie die Schuldverschreibungen dieser Anleihe haben und die zusammen mit den Schuldverschreibungen dieser Anleihe eine einzige Anleihe bilden.

**§ 10  
(Bekanntmachungen)**

(1) Bekanntmachung in Tageszeitung.

Sämtliche Bekanntmachungen an die Anleihegläubiger gelten als ordnungsgemäß bekannt gemacht, wenn sie in einer führenden Tageszeitung mit allgemeiner Verbreitung in Luxemburg (voraussichtlich *d'Wort* (Luxemburg)), veröffentlicht werden. Jede derartige Bekanntmachung gilt mit dem Tage der ersten Veröffentlichung als wirksam erfolgt.

(2) Bekanntmachung an das Clearing System.

Die Emittentin ist berechtigt, eine Zeitungsveröffentlichung nach § 10 (1) durch eine Bekanntmachung an das Clearing System zur Weiterleitung an die Anleihegläubiger zu ersetzen, vorausgesetzt, dass in Fällen, in denen die Schuldverschreibungen an einer Börse notiert sind, die Regeln dieser Börse diese Form der Bekanntmachung zulassen. Jede derartige Bekanntmachung gilt am siebten Tag nach dem Tag der Bekanntmachung an das Clearing System als den Anleihegläubigern mitgeteilt.

**§ 11  
(Schlussbestimmungen)**

(1) Anzuwendendes Recht.

Die Schuldverschreibungen unterliegen dem Recht der Bundesrepublik Deutschland.

(2) Gerichtsstand.

Ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten aus den in diesen Anleihebedingungen geregelten Angelegenheiten ist, soweit gesetzlich zulässig, Frankfurt am Main, Bundesrepublik Deutschland. Die Emittentin verzichtet unwiderruflich darauf, gegenwärtig oder zukünftig gegen die Gerichte in Frankfurt am Main als Forum für Rechtsstreitigkeiten Einwände zu erheben, und versichert, keines der Gerichte in Frankfurt am Main als ungelegenes oder unangemessenes Forum zu bezeichnen.

(3) Erfüllungsort.

Erfüllungsort ist Frankfurt am Main, Bundesrepublik Deutschland.

(4) Geltendmachung von Rechten.

Jeder Anleihegläubiger kann in Rechtsstreitigkeiten gegen die Emittentin im eigenen Namen seine Rechte aus den ihm zustehenden Schuldverschreibungen geltend machen unter Vorlage der folgenden Dokumente: (a) einer Bescheinigung seiner Depotbank, die (i) den vollen Namen und die volle Anschrift des Anleihegläubigers bezeichnet, (ii) den Gesamtnennbetrag der Schuldverschreibungen angibt, die am Ausstellungstag dieser Bescheinigung dem bei dieser Depotbank bestehenden Depot dieses Anleihegläubigers gutgeschrieben sind, und (iii)

sonst oder additional Paying Agents, provided that the Issuer will at all times maintain a Paying Agent (which may be the Principal Paying Agent) in Luxembourg. Notice of any change in the Paying Agents or in the specified office of any Paying Agent or in the Calculation Agent will promptly be given to the Noteholders pursuant to § 10.

(3) Status of the Agents.

The Paying Agents and Calculation Agent act solely as agents of the Issuer and do not assume any obligations towards or relationship of contract, agency or trust for or with any of the Noteholders. The Paying Agents are exempt from the restrictions of § 181 of the German Civil Code (*Bürgerliches Gesetzbuch*).

**§ 9  
(Further Issues)**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

**§ 10  
(Notices)**

(1) Notices in Newspaper.

Notices to the Noteholders will be valid if published in a leading newspaper having general circulation in Luxembourg (which is expected to be *d'Wort* (Luxembourg)). Any notice so given will be deemed to have been validly given on the date of first such publication.

(2) Notice to the Clearing System.

The Issuer may, in lieu of publication in the newspapers set forth in § 10 (1) above, deliver the relevant notice to the Clearing System, for communication by the Clearing System to the Noteholders, provided that, so long as any Notes are listed on any stock exchange, the rules of such stock exchange permit such form of notice. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to the Clearing System.

**§ 11  
(Final Provisions)**

(1) Applicable Law.

The Notes are governed by the laws of the Federal Republic of Germany.

(2) Place of Jurisdiction.

To the extent legally permissible, exclusive place of jurisdiction for all proceedings arising from matters provided for in these Terms and Conditions shall be Frankfurt am Main, Federal Republic of Germany. The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of Frankfurt am Main being nominated as the forum to hear and determine any proceedings and to settle any disputes, and agrees not to claim that any of those courts is not a convenient or appropriate forum.

(7) Place of Performance.

Place of performance shall be Frankfurt am Main, Federal Republic of Germany.

(8) Enforcement of Rights.

Any Noteholder may in any proceedings against the Issuer protect and enforce in its own name its rights arising under its Notes by submitting the following documents: (a) a certificate issued by its Depositary Bank (i) stating the full name and address of the Noteholder, (ii) specifying the aggregate principal amount of Notes credited on the date of such certificate to such Noteholder's securities account maintained with such Depositary Bank and (iii) confirming that the Depositary Bank has given a written notice to the Clearing System as well as to the Prin-



bestätigt, dass die Depotbank dem Clearing System und der Hauptzahlstelle eine schriftliche Mitteilung zugeleitet hat, die die Angaben gemäß (i) und (ii) enthält und Bestätigungsvermerke des Clearing Systems sowie des jeweiligen Clearing System-Kontoinhabers trägt, sowie (b) einer von einem Vertretungsberechtigten des Clearing Systems oder der Hauptzahlstelle beglaubigten Ablichtung der Globalurkunde.

**§ 12**  
**(Sprache)**

Diese Anleihebedingungen sind in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung dient nur zur Information.

Principal Paying Agent containing the information pursuant to (i) and (ii) and bearing acknowledgements of the Clearing System and the relevant Clearing System accountholder as well as (b) a copy of the Global Note certified by a duly authorised officer of the Clearing System or the Principal Paying Agent as being a true copy.

**§ 12**  
**(Language)**

These Terms and Conditions are written in the German language and provided with an English language translation. The German text shall be the only legally binding version. The English language translation is provided for convenience only.

## THE ISSUER

### Incorporation

Württembergische Lebensversicherung AG (“**WürttLeben**” or the “**Issuer**”) is a stock corporation organised under the laws of Germany and is recorded in the commercial register of the local court of Stuttgart under HRB 280. The roots of WürttLeben go back to the year 1833 when Allgemeine Rentenanstalt zu Stuttgart (“**ARA**”) was founded and, as the first company in Germany, was allowed to engage in the annuity insurance business. After the First World War, ARA concentrated on the life assurance business. In 1923 ARA was transformed into a stock corporation under the name Allgemeine Rentenanstalt Lebens- und Rentenversicherungs-AG. As a result of the creation of *Württembergische Insurance Group* in 1991, Allgemeine Rentenanstalt Lebens- und Rentenversicherungs-AG was renamed in Württembergische Lebensversicherung AG.

### Corporate Seat and Duration

The Issuer has its corporate seat in Stuttgart and its office address at Gutenbergstrasse 30, 70176 Stuttgart, Germany, telephone number: +49 (711) 662-0. The duration of the Issuer is for an indefinite period of time.

### Corporate Purpose

According to article 2 of its articles of association (*Satzung*), the corporate purpose of the Issuer is:

- conducting of all types of life insurance, annuity insurance (*Rentenversicherung*) and retirement pension insurance (*Pensionsversicherung*);
- conducting of re-insurance in all of the aforementioned sectors;
- conducting of capitalisation measures;
- procurement of insurances in sectors in which the Issuer is not directly engaged;
- conducting of all other activities which are directly connected with the insurance business;

be it in Germany or abroad.

### Share Capital

The Issuer has an issued share capital (*Grundkapital*) of € 32,000,000. It is divided into 40,000 non-par value shares in bearer form, and 12,137,920 non-par value shares in registered form. All shares are fully paid-up and form part of a single class. In case of a capital increase non-par value shares in registered form will be issued. The transfer of the shares in registered form requires the consent of the management board, which can be withheld without indicating any reason. WürttLeben may issue global share certificates; the claim to have single share certificates issued shall be excluded.

### Capitalisation and Indebtedness

The following tables set out the capitalisation and indebtedness of the Issuer as of 31 December 2003 and 31 December 2004 (as derived from the audited unconsolidated and consolidated financial statements of the Issuer as of and for the fiscal years ended 31 December 2003 and 31 December 2004) and in addition, certain unaudited financial information as of 30 September 2005 on an unconsolidated basis only:

*WürttLeben – unconsolidated:*

<i>WürttLeben – unconsolidated:</i>			Revenue reserves					Subor- dinated liabili- ties	
	Sub- scribed capital	Capital reserve	Statu- tory reserve	Other revenue reserves	Sub- Total	Balance sheet profit	Equity		Total

(\*) The financial information as of 30 September 2005 is derived from the internal unaudited unconsolidated accounts of WürttLeben.

WüttlLeben – consolidated:

<i>WüttLeben – consolidated:</i>			Revenue reserves				Subor-	
	Sub-	Capital	Statu-	Other	Sub-	Balance	di-	
	scribed	reserve	tory	revenue	Total	sheet	liabili-	Total
	capital		reserve	reserves		profit	ties	
	</							

### No Significant Change in Financial Position/Trend Information

Safe as disclosed in this Prospectus, there has been no material change in the capitalisation and indebtedness and financial position of the Issuer since 30 September 2005 and there has also been no material adverse change in the prospects since 31 December 2004. Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the prospect for at least the current fiscal year do not exist.

### Profit for the year, Dividends and Dividend Policy

The Issuer's balance sheet profit will be distributed to the shareholders as dividend payments, unless the shareholders' meeting decides otherwise.

The following table provides an overview of the Issuer's profit for the year (*Jahresüberschuss*), earnings per share and annual dividends paid out per fully paid-up share for the fiscal years 2002 to 2004 (in each case calculated in accordance with the HGB).

### Württembergische Lebensversicherung AG

	<b>2004 HGB</b>	<b>2003 HGB</b>	<b>2002 HGB</b>
Profit for the year in Euro thousand . . . . .	12,056.1	9,685.0	6,697.9
Earnings per share in Euro . . . . .	0.99	0.80	0.55
Cash dividend per share in Euro . . . . .	0.99	0.59	0.55

Future dividend payments will typically depend on the Issuer's earnings, its financial condition, its cash needs, the general business condition of the markets in which it operates, and on the overall legal, tax and other environment. Although the Issuer expects to make annual dividend payments, no prediction can be made with respect to the amount of such dividends.

### Corporate Bodies

#### Supervisory Board

The current members of the supervisory board (*Aufsichtsrat*) (the "Supervisory Board") of the Issuer are as follows:

Dr. Gert Haller (Chairman) (*)	Chairman of the Management Board of Wüstenrot & Württembergische AG, Stuttgart
Hans-Peter Kappes (Deputy Chairman)	Member of the Management Board of Wüstenrot & Württembergische AG, Stuttgart
Prof. Dr. Peter Albrecht	Lecturer for business studies, risk theory, portfolio management and insurance industry at university of Mannheim
Rolf Henrich (**)	Chairman of Works Council and Chief Authorized Officer ( <i>Leitender Handlungsbevollmächtigter</i> ) of WüttlLeben
Christian Hörtkorn	Managing Director ( <i>Geschäftsführer</i> ) of Dr. Friedrich E. Hörtkorn Versicherungsmakler GmbH, Heilbronn

Michael Horn	Deputy Chairman of the Management Board of LBBW Landesbank Baden-Württemberg, Stuttgart
Wolfgang Prade (**)	Member of the Works Council and Authorized Officer ( <i>Handlungsbevollmächtigter</i> ) of WürttLeben
Dr. Edmund Schwake	Deputy Chairman of the Management Board of Wüstenrot & Württembergische AG, Stuttgart
Peter Ulrich (**)	Member of the Works Council and Chief Authorized Officer ( <i>Leitender Handlungsbevollmächtigter</i> ) of WürttLeben

(\*) Will resign as of the end of February 2006.

(\*\*) Employees' representative.

The members of the Supervisory Board may be contacted at Issuer's business address at Gutenbergstraße 30, 70163 Stuttgart. There are no conflicting interests of the persons listed above between any duties to the Issuer and their private interests and/or other duties.

### **Management Board**

The current members of the management board (*Vorstand*) (the “**Management Board**”) of the Issuer are:

- Dr. Wolfgang Oehler (Chairman)
- Dr. Michael Gutjahr
- Peter Köhler
- Ruth Martin
- Dr. Hans Bücken (as from 1 January 2006)
- Rainer Schlegel (as from 1 January 2006)

The following table sets forth the current principal activities of the members of the Management Board currently performed by them outside the Issuer:

Dr. Wolfgang Oehler	<ul style="list-style-type: none"> <li>– Member of the supervisory board of W&amp;W Asset Management GmbH</li> <li>– Member of the supervisory board of Württembergische Krankenversicherung AG</li> <li>– Chairman of the supervisory board of Allgemeine Rentenanstalt Pensionskasse AG</li> <li>– Chairman of the management board of Karlsruher Lebensversicherung AG (as from 1 January 2006)</li> <li>– Member of the management board of Karlsruher Versicherung AG (as from 1 January 2006)</li> <li>– Member of the supervisory board of BWK GmbH Unternehmensbeteiligungsgesellschaft</li> </ul>
Dr. Michael Gutjahr	<ul style="list-style-type: none"> <li>– Member of the management board of Württembergische Versicherung AG</li> <li>– Member of the supervisory board of W&amp;W Informatik GmbH</li> <li>– Member of the supervisory board of Württembergische Krankenversicherung AG</li> <li>– Member of the management board of Karlsruher Lebensversicherung AG (as from 1 January 2006)</li> <li>– Member of the management board of Karlsruher Versicherung AG (as from 1 January 2006)</li> </ul>
Peter Köhler	<ul style="list-style-type: none"> <li>– Member of the management board of Württembergische Versicherung AG</li> <li>– Member of the supervisory board of W&amp;W Asset Management GmbH</li> <li>– Member of the supervisory board of Württembergische Krankenversicherung AG</li> <li>– Member of the supervisory board of Allgemeine Rentenanstalt Pensionskasse AG</li> <li>– Member of the management board of Karlsruher Lebensversicherung AG (as from 1 January 2006)</li> <li>– Member of the management board of Karlsruher Versicherung AG (as from 1 January 2006)</li> <li>– Member of the supervisory board of Baden-Württembergische Kapitalanlagegesellschaft mbH</li> <li>– Director of Württembergische U. K. Ltd., London</li> </ul>
Ruth Martin	<ul style="list-style-type: none"> <li>– Member of the supervisory board of Allgemeine Rentenanstalt Pensionskasse AG (as from 1 January 2006)</li> <li>– Member of the management board of Karlsruher Lebensversicherung AG (as from 1 January 2006)</li> </ul>

- Member of the management board of Karlsruher Versicherung AG (as from 1 January 2006)
- Member of the management board of Karlsruher HK AG (as from 1 January 2006)

- Dr. Hans Bücken
- Member of the supervisory board of Karlsruher Beamten-Versicherung AG
  - Member of the supervisory board of Karlsruher Rechtsschutzversicherung AG
  - Member of the management board of Württembergische Versicherung AG (as from 1 January 2006)
  - Member of the management board of Karlsruher Lebensversicherung AG
  - Member of the management board of Karlsruher Versicherung AG
  - Member of the management board of Karlsruher HK AG
- Rainer Schlegel
- Member of the management board of Württembergische Versicherung AG (as from 1 January 2006)
  - Member of the management board of Karlsruher Lebensversicherung AG
  - Member of the management board of Karlsruher Versicherung AG

Members of the Management Board may be contacted at the Issuer's business address at Gutenbergstrasse 30, 70163 Stuttgart. There are no conflicting interests of the persons listed above between any duties to the Issuer and their private interests and/or other duties.

### ***Shareholders' Meeting***

A general shareholders' meeting of WürttLeben may be convened by the Management Board and, if so stipulated by law, by the Supervisory Board, or by shareholders whose aggregate shareholdings equal at least 5% of WürttLeben's share capital. The annual shareholders' meeting which, among other things, formally resolves on the approval of the activities of the members of the Management Board and the Supervisory Board in the preceding fiscal year, the allocation of net profits, and the election of members of the Supervisory Board, must be held during the first eight months of each fiscal year. When convening the shareholders' meeting the place at which it shall be held will be indicated. As a rule, the shareholders' meeting are being held at the registered office of WürttLeben in Stuttgart. Each (non-par value) share confers the right to one vote at a shareholders' meeting.

Unless otherwise required by mandatory statutory provisions or by the Issuer's articles of association, shareholders' resolutions are passed pursuant to the Issuer's articles of association by a simple majority of votes cast and, if the majority of the share capital represented is required, by a simple majority of the share capital represented. Shareholders may grant written proxies. Specific statutory provisions of the Stock Corporation Act govern the exercise of proxies granted to banks.

### ***Corporate Governance***

Under Article 161 of the German Stock Corporation Act (*AktG*), the Management Board and the Supervisory Board of WürttLeben are required to issue an annual declaration that the company has been, and is, in compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (*Bundesanzeiger*) or to advise of any recommendations that have not been, or are not being, applied. The Management Board and the Supervisory Board of WürttLeben declared that the recommendations of the Government Committee for the German Code of Corporate Governance have been and will be conformed with, except for the following recommendations:

- Code section 3.8, P. 3, Agreement of an appropriate level of self-retention of liability with D&O insurance for members of the Management and Supervisory Board.
- Code section 4.2.4, P. 2, Individualisation of the information relating to payments made to the Management Board in the notes to the consolidated financial statements.
- Code section 5.3.2, P. 1, Establishment of an Audit Committee.
- Code section 5.4.7, P. 4, Success-oriented payment for the Supervisory Board in addition to fixed payment.
- Code section 5.4.7, P. 6 (previously section 5.4.5, P. 6), Individualisation of the payments made to the Supervisory Board in the Corporate Governance Report, broken down into component parts.
- Code section 7.1.1, P. 3, Presentation of the consolidated financial statements and the interim reports (*Zwischenberichte*) in accordance with internationally recognised principles of presenting accounts. Since the fiscal year 2005, this recommendation is being conformed with for the consolidated financial statements, however not with respect to the interim reports.
- Code section 7.1.2, P. 3 (previously section 7.1.2, P. 2), Publication of the consolidated financial statements within 90 days after the end of the fiscal year and the interim reports within 45 days after the end of the period reported on. From the fiscal year 2006 onwards, it is planned to publish the consolidated financial statements within 90 days. The interim reports in the fiscal year 2005 have been published within the recommended period of 45 days.



With respect to the period as from the previous declaration of conformity of December 2004 until 20 July 2005, the preceding declarations refer to the version of 21 May 2003 of the German Corporate Governance Codex, and with respect to the period thereafter they refer to the version of the German Corporate Governance Codex published in the electronic Federal Gazette as of 2 June 2005. The latest declaration has been issued in December 2005. No further declaration has been issued thereafter.

#### ***Audit Committee***

The Issuer does not maintain a so-called “audit committee”. Control over and responsibilities of the Issuer's management are derived from German corporate law, the articles of association, internal rulings and other regulations.

## Subsidiaries

The companies in which the Issuer held directly or indirectly 10% or more of the shares or interests as of 31 December 2005 are listed in the table below:

<b>Name and seat of company</b>	<b>Share in Capital</b> (in %)	<b>Direct participation</b> (in %)	<b>Indirect participation</b> (in %)
Allgemeine Rentenanstalt Pensionskasse AG	100.00	100.00	—
Beteil. GmbH Württ. (ex DRE. PUNCT)	100.00	100.00	—
Stuttgarter Baugesellschaft von 1862 AG	100.00	100.00	—
TÜ28 Grundbesitz GmbH und Co KG	99.99	99.99	—
Karlsruher Lebensversicherung AG, Karlsruhe	96.78	96.78	—
Karlsruher Rechtsschutzversicherung AG, Karlsruhe	96.78	—	96.78
Karlsruher Beamten-Versicherung AG, Karlsruhe	96.78	—	96.78
Karlsruher Versicherung AG, Karlsruhe	96.78	—	96.78
Schwarzwaldhotel Rothaus GmbH & Co. KG, Reutlingen	96.78	—	96.78
Weißensee, BWS. Grundstücksverwaltungs GmbH & Co. KG, Hamburg	96.78	—	96.78
KLV Erste Grundstücksverw. GmbH & Co. KG	96.78	—	96.78
Karlsruher Rechtsschutz-Schadenregulierungs-GmbH, Karlsruhe	96.78	—	96.78
W. B. I. Verwaltungsgesellschaft mbH, Hamburg	96.78	—	96.78
Karlsruher Rendite Immobiliengesellsch. mbH, KA	96.78	—	96.78
Schwarzwaldhotel Rothaus Verwaltungs-GmbH, Reutlingen	96.78	—	96.78
KLV Verwaltungsgesellschaft mbH, Karlsruhe	96.78	—	96.78
Schloßhotel Eyba GmbH & Co. KG, Karlsruhe	96.66	—	96.66
Schloßhotel Eyba Verwaltungs GmbH, Karlsruhe	96.58	—	96.58
Wohnpark Caputh, WPC. Grundstücksverwaltungs GmbH & Co. KG, HH	95.79	—	95.79
Wohnpark Potsdam, WPP. Grundstücksverwaltungs GmbH & Co. KG, HH	95.79	—	95.79
IVB – Institut f. Vorsorgeber., Risiko- u. Finanzierungsanalyse GmbH, KA	95.79	—	95.79
KLV BAKO Dienstleistungs-GmbH	86.91	—	86.91
Karlsruher Hinterbliebenenkasse AG, Karlsruhe	79.41	—	79.41
KLV BAKO Vermittlungs-GmbH	70.55	—	70.55
Eschborn Gbr mbH	51.00	51.00	—
Berlin Leipziger Platz Grundbesitz GmbH	50.00	50.00	—
PWR Holding GmbH	33.33	33.33	—
Tertianum- Projektentwicklungs GmbH, MUC, Jahnstr. i. L.	33.33	33.33	—
Tertianum- Besitzgesellschaft München mbH	33.33	33.33	—
Tertianum Betriebsgesellschaft München	33.33	33.33	—
Tertianum- Besitzgesellschaft Berlin mbH	25.00	25.00	—
Tertianum- Besitzgesellschaft Konstanz mbH	25.00	25.00	—
Tertianum Betriebsgesellschaft Konstanz	25.00	25.00	—
Property Fund Italy GmbH i. L.	23.81	23.81	—
VV Immobilien GmbH & Co. US City KG, München	22.36	—	22.36
PBW Real Estate N. V., Amsterdam	19.68	10.00	9.68
BVMW-Versorgungswerk GmbH	19.00	19.00	—
PE Technology Partners III	18.52	8.89	9.63
BW Unternehmensbeteiligungs-Gesellschaft mbH	17.50	17.50	—
PEEUP II Beteiligungs GmbH	16.46	6.99	9.47
W&W Asset Management GmbH, LB	16.04	16.04	—
Odewald & Compagnie GmbH & Co. KG, Berlin	13.28	6.01	7.27
Gil GmbH & Co. Messturm Holding KG, München	12.00	—	12.00
Württembergische Metallwarenfabrik AG	11.33	11.33	—
Bausparkasse Wüstenrot AG	10.00	10.00	—

## Auditors

The Issuer's statutory auditor for the fiscal year 2004 and in the two previous fiscal years had been KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Heßbrühlstrasse 21, 70565 Stuttgart ("KPMG"). KPMG has audited the Issuer's annual financial statements and group financial statements as of and for the years ended on 31 December 2003 and 31 December 2004, each prepared in accordance with the HGB, providing an unqualified auditor's opinion in each

case. As from the fiscal year 2005, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft Rosenheimer Platz 4, 81699 Munich (**“Deloitte & Touche”**) has been appointed as the Issuer’s statutory auditor. Today, Deloitte & Touche is the statutory auditor of the whole W&W Group in Germany, except for the companies of the newly acquired Karlsruher insurance group. This harmonization was the motivation for the change of the auditor from KPMG to Deloitte & Touche.

Both KPMG as well as Deloitte & Touche are members of the Institut der Wirtschaftsprüfer in Deutschland e. V. (institute of public auditors in Germany) and the Wirtschaftsprüfungskammer (chamber of public accountants).

### **Fiscal Year**

The Issuer’s fiscal year is the calendar year.

# BUSINESS OF WÜRTTLEBEN

## Overview

Today, WürttLeben forms part of the Wüstenrot & Württembergische Group (“**W&W Group**”) which was formed by way of a merger between the *Wüstenrot Group* and the *Württembergische Group* with legal effect as of the beginning of 1999. The W&W Group consists of insurance companies, banks and building societies as well as investment companies, which are primarily engaged in the business areas of life and health insurance, general and personal-accident insurance, building savings, private housing finance and investment products. Besides the Issuer, Württembergische Krankenversicherung AG, TÜ 28 Grundbesitz GmbH & Co. KG and Allgemeine Rentenanstalt Pensionskasse AG (“**ARA PK**”) (all three Stuttgart) as well as the life assurance section of Erasmus Groep B.V. Rotterdam are contained in the segment of life and health insurance of the W&W Group. The general and personal-accident insurance of W&W Group primarily comprises Württembergische Versicherung AG (Stuttgart) (“**WürttVers**”) as well as the W&W Group’s subsidiary in the Netherlands, Erasmus Schaden.

Following the creation of W&W Group, the life assurance company Wüstenrot Lebensversicherungs-AG was integrated into WürttLeben in 2000 by way of merger. ARA PK was established by WürttLeben as a pension fund (*Pensionskasse*) in 2002 and, since then, is a wholly-owned subsidiary of WürttLeben. In November 2005, WürttLeben acquired approximately 96.2% of the shares in Karlsruher Lebensversicherung AG (“**KarlsLeben**”) from the Munich Re Group (approximately 90%) and from Landesbank Baden-Württemberg (approximately 6%). As at 31 December 2004, measured by premium income, WürttLeben was one of the 16 largest life assurance companies in Germany<sup>(6)</sup>. As a consequence of the acquisition of KarlsLeben, the (direct and indirect) life insurance business of WürttLeben, measured by premium income, is expected to increase by approximately 100%, making WürttLeben the no. 8 in the German life assurance business<sup>(7)</sup>.

Württemberg is primarily engaged in the life insurance and annuity insurance business, whereas its current focus is on the *life insurance* business. WürttLebens subsidiary ARA PK offers only products for company pension schemes (*betriebliche Altersvorsorge*), whereas the newly acquired subsidiary KarlsLeben – majority-owned by the Issuer since November 2005 – is, the same as the Issuer itself, primarily engaged in the life insurance business.

The activities of WürttLeben and its subsidiaries engaged in the insurance business comprise *various segments* of life insurance and annuity insurance. The insurance products offered by WürttLeben and its subsidiaries include endowment insurance, term life insurance, formation-of-capital-wealth-insurance, educational endowment insurance, unit-linked life insurance, supplementary occupational disability insurance, supplementary nursing insurance, annuity insurance (old-age pension insurance, unit-linked annuity insurance, basic pension and unit-linked basic pension) and other additional insurance related products like savings and loan risk insurance. With new business premiums (*Neugeschäftsbeiträge*) amounting to approximately € 330 million in 2004 which corresponds to an increase by 20.4% compared to € 274 million in 2003, WürttLeben<sup>(8)</sup> has further improved its position among the top 16 German life insurers surpassing the average growth in this industry by more than a half<sup>(9)</sup>. This made 2004 the best new business year in the history of the company. The increase took place in the classical tariffs as well as in unit-linked business. WürttLeben in 2004 was once again one of the stable profit makers within the W&W Group. In the second year of its business, the new business premiums generated by ARA PK in 2004 amounted to approximately € 26.3 million which corresponds to an increase by almost 94.2% compared to € 13.55 million in 2003. In the segment of company pension schemes (*betriebliche Altersvorsorge*) and based on new business premiums in 2004, WürttLeben (including ARA PK) is among the 17 leading providers in Germany<sup>(10)</sup>.

Currently W&W AG holds 8,744,474 shares in registered form, which corresponds to 71.81% of the issued share capital of WürttLeben. Out of the remaining issued shares, currently Landesbank Baden-Württemberg AG indirectly – through its subsidiary Erste BW-Schloßplatz Beteiligungen AG & Co. KG – holds 1,218,290 shares in registered form (approximately 10%), Swiss Re Germany AG holds 444,220 shares in registered form (approximately 3.65%), Wüstenrot Holding AG, which to approximately 66% majority-owns W&W AG, holds 163,744 shares in registered form (approximately 1.34%), and the remaining 1,607,192 shares (approximately 13.20%, thereof 1,567,192 shares in registered form and 40,000 shares in bearer form) are, to the Issuer’s knowledge, held by a wide range of shareholders (free float) (see also “THE ISSUER – Share Capital”).

<sup>(6)</sup> Zeitschrift für Versicherungswirtschaft 2005, No. 15, page 459.

<sup>(7)</sup> Based on own calculations taking into account the figures set forth in Zeitschrift für Versicherungswirtschaft 2005, No. 15, page 459.

<sup>(8)</sup> Without ARA PK

<sup>(9)</sup> Based on own calculations taking into account the figures set forth in “Swiss Re, Geschäftsberichtsanalyse Lebensversicherung, Geschäftsjahr 2004”, pages B6 and B7.

<sup>(10)</sup> Zeitschrift für Versicherungswirtschaft 2005, No. 15, page 459.

The following table sets out certain key financial data of WürttLeben which have been extracted from the annual reports of WürttLeben for the fiscal years ended on 31 December 2003 and 2004:

	<b>2004</b>		<b>2003</b>	
	(in million EUR)	(change in %)	(in million EUR)	(change in %)
Premium Income . . . . .	1,244.4	– 0.7	1,252.7	2.3
New business Premiums . . . . .	330.0	20.4	274.0	21.8
Claim and benefit expenses . . . . .	1,551.5	– 4.3	1,620.7	– 0.9
Of which . . . . .				
Claims and benefits paid ( <i>ausgezählte Leistungen</i> ) . . .	1,362.4	– 3.4	1,410.5	15.2
Increase in technical reserves . . . . .	142.1	1.2	141.0	1.2
Net investment result (excluding unit-linked life insurance) . . . . .	610.1	– 3.9	634.9	2.1
Investments . . . . .	12,772.7	1.2	12,617.0	2.3
Allocation to provision for premium refunds . . . . .	93.6		130.9	
Provision for premium refunds after allocation . . . . .	902.2		944.8	
Income before tax . . . . .	24.3		44.9	
Income after tax . . . . .	12.1		9.7	
Capital and reserves . . . . .	161.9		157.0	

The following table shows the financial ratios of WürttLeben for the fiscal years ended on 31 December 2003 and 2004:

	<b>2004</b>	<b>2003</b>
<b>Financial ratios</b>		
Net interest return in % . . . . .	4.8	5.1
Net interest return on the last 3 years in % . . . . .	5.0	5.1
Administration costs rate in % . . . . .	3.2	3.5
Acquisition costs rate in % . . . . .	4.9	5.7
Cancellation rate in % . . . . .	4.7	4.8
Employees (in the average) (*) . . . . .	4,533	4,650

(\*) At the level of *Württembergische Insurance Group* (without W&W Informatik GmbH); thereof an average of 687 employees was directly employed with the Issuer in 2004 (compared to 718 in 2003).

## Description of Business Segments and Products

WürttLeben offers a comprehensive range of life insurance and life insurance-related products for both private as well as corporate clients.

### *Life Insurance and Private Pension Provision*

The main insurance classes which WürttLeben offers to its customers are the following:

- *Life insurance*, comprising:
  - endowment life insurance (*Kapitallebensversicherung*)
  - term life insurance (*Risikolebensversicherung*)
  - formation-of-capital-wealth and educational endowment insurance (*Vermögensbildungs- und Ausbildungsversicherung*)
  - unit-linked life insurance (*fondsgebundene Lebensversicherung*)
  - supplementary occupational disability insurance (*Berufsunfähigkeits-Zusatzversicherung*)
  - supplementary nursing insurance (*Unfall-Zusatzversicherung*)
  - savings and loan risk insurance (*Bausparrisikoversicherung*)
- *Annuity insurance (Rentenversicherung)*, comprising:
  - old-age pension insurance (*Alters-Rentenversicherung*)
  - unit-linked annuity assurance (*fondsgebundene Rentenversicherung*)



- “Riester” pension insurance (in accordance with the law governing provisions for old age (*Altersvermögensgesetz – AvmG*))
- unit-linked “Riester” pension insurance (in accordance with *AvmG*)
- basic pension (in accordance with the Retirement Income Act (*Alterseinkünftegesetz – AltEinkG*))
- unit-linked basic pension (in accordance with *AltEinkG*))
- supplementary occupational disability insurance (*Berufsunfähigkeits-Zusatzversicherung*)
- supplementary insurance for surviving dependants (*Hinterbliebenenrenten-Zusatzversicherung*)

In the area of private pension provision, the products offered by WürttLeben include tailor made and market-g geared standard annuity and endowment policies, a range of unit-linked policies, attractive term policies and supplementary occupational disability insurance. The new business premium income of WürttLeben in the private pension provision sector increased by 24 % and amounted to approximately € 300.4 million in 2004. One of the factors which contributed to this significant increase in new business premium income in 2004 was a change in the tax treatment in Germany of both premiums and benefit payouts for certain life insurance policies (including in particular endowment policies) which came into effect as of 1 January 2005. Pursuant to the Retirement Income Act certain tax benefits will no longer be available for life insurance policies issued after 1 January 2005 (see also “RISK FACTORS – Risks relating to WürttLeben’s Business – Changes in tax legislation could adversely affect WürttLeben’s business”). This caused many customers in Germany to enter into life insurance contracts before the end of 2004 in order to take advantage of the more favourable tax treatment under the tax regime applicable to life insurance policies issued prior to 1 January 2005. In order to support these “closing sales”, WürttLeben successfully designed and implemented a new, special insurance product named “TR”, a sort of endowment life insurance with a low risk sum (paid premiums) in case of death in the beginning years.

Württemberg offers to the clients whose endowment policies mature, where such policies meet the required criteria, the option of investing their endowment benefit in a WürttLeben annuity policy or one of WürttLeben’s investment funds. The reinvestment rate increased from 5.2 % in 2003 to 6.3 % in 2004.

### **Company Pension Schemes**

Württemberg offers the following employee benefit options:

- direct insurance (employer-purchased life insurance) (*Direktversicherung*)
- pension trust (*Pensionskasse*)
- pension commitment (*rückgedeckte Pensionszusage*)

This flexible range of products enables WürttLeben to offer clients a company-specific customised pension scheme as well as its management by WürttLeben. The activities as pension trust are conducted through WürttLeben’s wholly owned subsidiary ARA PK subject to the specific provisions of the Insurance Supervisory Act (*Versicherungsaufsichtsgesetz*) applicable to pension trusts (*Pensionskassen*).

### **Business Strategy**

In the life insurance segment WürttLeben seeks to increase its profitability by, *inter alia*:

- focusing on the development and marketing of profitable insurance products, particularly in the potential growth area of flexible investment policy products, such as ART (“*Aufgeschobene Rente mit Todesfallschutz*”), which is a special tax law optimised annuity insurance with prevention in case of death and deferred payment of pension;
- expanding its position as supplier of company pension schemes in Germany in order to benefit from the significantly growing demand for private and occupational pension schemes resulting from the continuing strains on the state pension system;
- increasing the performance of its multi-channel sales organisation, in particular by expanding the distribution of its insurance products through brokers (*Makler*) and independent intermediaries;
- improving both profit margins as well as absolute profit by continued focussing on efficiency increase program with WürttVers and cost savings by the implementation of further cost-controlling measures.

### **Business Development in 2004**

The financial information contained in this section is derived from the audited unconsolidated and consolidated financial statements of WürttLeben as of and for the financial year ended 31 December 2004 prepared in accordance with the HGB.

### ***Development of Total Premium Income of WürttLeben***

In 2004 the total amount of premiums written by clients decreased by 0.7% to € 1,244 million (compared to € 1,252 million in 2003) despite a significant increase in premium income from new business (see “Development of New Business Premiums (*Neugeschäftsbeiträge*)” below). In 2004 the income from single premiums, following the general market trend, decreased to € 137.2 million (compared to € 151.5 million in 2003) while revolving premium income increased by 0.6% to € 1,107.1 million.

The decrease in total premium income can be attributed to a significant amount of policies maturing in 2004 as well as to the fact that most premium income under policies entered into recently will largely be generated only in 2005. Moreover, the revolving premium income under certain insurance policies entered into in 1999 (so called “5-12er-Verträge”) expired in 2004 since these policies were to become non-contributory after a term of five years.

### ***Development of New Business Premiums (Neugeschäftsbeiträge)***

The total new business premium income from WürttLeben’s insurance business in 2004 amounted to approximately € 330 million which corresponds to an increase by 20.4% compared to a new business premium income of € 274 million in 2003. Taking into account the new business premium generated by WürttLeben’s wholly-owned subsidiary ARA PK (in the amount of € 26.3 million), the total new business premium income amounted to approximately € 356.3 million in 2004, which corresponded to an increase by 24% compared to new business premium income of € 288 million in 2003. Overall, WürttLeben sold 237,910 new insurance policies in 2004, accounting for an increase of 64% as compared to 2003.

New business premium income from insurance products forming part of the *private pension business* increased from approximately € 244 million in 2003 by 23% to approximately € 300.4 million in 2004. New business premium income from the private pension business thus accounted for 84% of the total new business premium income of WürttLeben (including ARA PK). A part of this increase in new business premium income from the private pension business can be attributed to the premium increase from unit-linked life insurance products (*fondsgebundene Lebensversicherungsprodukte*) which accounted for approximately € 37.4 million (10.5%) of the total new business premium income of WürttLeben (including ARA PK) in the year 2004. This corresponds to an increase of 123.9% compared to new business income from unit-linked life insurance products of approximately € 15.4 million in 2003. The following table shows the breakdown of new business premiums by area of operation within the private pension provision segment in 2004:

	Share in new business aggregate premium within the private pension provision segment in 2004
Endowment life insurance .....	49.7 %
Unit-linked life insurance .....	22.0 %
Annuity insurance .....	25.5 %
Other .....	2.8 %

In 2004 the new business aggregate premium income of WürttLeben from *company pension schemes* increased by 1.2% from approximately € 29.3 million in 2003 to approximately € 29.6 million in 2004. Taking into account the new business premium generated by WürttLeben’s wholly owned subsidiary ARA PK, the total new business premium amounted to approximately € 56 million in 2004 (compared to approximately € 42.8 million in 2003) and accounted for 30.6% of the total new business income of WürttLeben (including ARA PK). The following table shows the breakdown of new business premiums by area of operation within the company pension schemes segment:

	Share in new business premium within the company pension schemes segment 2004
Direct insurance (employer-purchased life insurance) .....	18.2 %
Pension trust .....	44.3 %
Pension commitment .....	37.5 %

### ***Development of Administration and Underwriting Expenses of WürttLeben***

In 2004, in spite of a lower level of premium income as a measurement basis, the *administrative cost ratio* (expressing the administrative costs in relation to the booked premium income), thanks to high cost discipline and the systematic harnessing of other synergies (namely resulting from the merger of the distribution channels with Württembergische Versicherung AG), decreased by 0.3 percentage points from 3.5% (in 2003) to 3.2% (in 2004).

In 2004, the total (future) aggregate premium income from new business (*Beitragssumme*) increased by 86.1 %, while, due to sustained successful sales channel and cost management (such as combination of the sales activities with WürttVers through joint distribution channels), the acquisition costs related thereto only increased by 59.3 %. As a consequence, the *acquisition cost ratio* of WürttLeben decreased further by 0.8 percentage points from 5.7 % to 4.9 % of the total premium income from new business.

#### ***Development of Benefit Expenditure and Surrenders of WürttLeben***

In 2004, the total benefit expenditure decreased by 3.4 % to € 1,362 million as compared to € 1,410 million in the previous year. As in the preceding years, approximately two thirds of the payments resulted from policies maturing (2004: € 905 million; 2003: € 962 million). Maturing policies do not depress results for the period in question because the amounts payable are available at maturity as premium reserves. Annuity payments amounted to € 114.1 million (2003: € 114.6 million). Payments in relation to death amounted to 86 million in 2004 (2003: 94.5 million). The remaining amount was attributable to marriages and surrenders. Surrenders in 2004 increased by 9.9 % and amounted to 2 % of the premium reserves.

In 2004, the traditionally low lapse rate of WürttLeben decreased further to 4.7 % (compared to 4.8 % in 2003) against the current trend in the industry with a current market average of 5.6 %<sup>(11)</sup>.

#### ***Development of Investment Income of WürttLeben***

Compared to the preceding year, the results on investment decreased slightly in 2004. The net investment result, which takes into account current earnings and expenditure as well as depreciation and other results, decreased from € 634.9 million in 2003 by 3.9 % to € 610.1 million<sup>(12)</sup>. The main reason for this decrease in income was the sustained low level of interest rates prevailing in the bond markets and the resulting low level of interest coupons available for reinvestment in fixed-interest securities. In absolute terms, the current income from investments amounted to € 609.9 million in 2004 (compared to € 681.8 million in 2003). As a result, and in spite of an increase of the other results by € 51 million, the net interest in 2004 fell to 4.81 % as compared to 5.09 % in the preceding year.

#### ***Development of Surplus Bonuses for Policyholders***

Württemberg registered a surplus (*Rohüberschuss*) of € 195.1 million in 2004. The surplus comprises profits generated in excess of the guaranteed minimum return on participating policyholders' funds and before deduction of any direct credits. The significant decrease in the amount of surplus compared to 2003 when the surplus (before deduction of any direct credits) amounted to € 273.5 million can be primarily attributed to the investments in the highly increased new business, mainly in the revaluation of annuity insurance as well as the lower total return on investments as compared to the preceding year.

Out of the registered surplus, a partial amount of € 89.5 million (as compared to € 132.9 million in 2003) was directly credited to the policyholders. A direct credit (*Direktgutschrift*) is a direct interest credit generally amounting – together with any guaranteed interest – to approximately 4 % of the participating policyholder's funds.

Out of the remaining surplus (after the deduction of such direct credits) in the amount of 105.7 million (2003: 140.6 million) a partial amount of € 93.6 million was credited to the provision of premium refunds (*Rückstellung für Beitragsrückerstattung*). Thus, the policyholders participated at a level of approximately 93.6 % in the surplus generated in 2004.

#### ***Provision for Premium Refunds***

After allocation and withdrawal of funds, the provision for premium refunds (*Rückstellung für Beitragsrückerstattung*) totalled approximately € 902 million as of 31 December 2004 (2003: € 945 million). The provision for premium refunds includes the fixed amounts set for surplus bonuses to policyholders for 2005 as well as a provision for terminal bonuses (*Schlussgewinnanteile*) after 2005. The latter is used to finance commitments relating to the term of the policies and is calculated in accordance with principles set out in the business plan. The fixed provision is computed net of direct interest generally at 4 % of the participating policyholders' funds less actuarial interest as well as direct risk and cost credits of 80 % of the surplus bonuses for unit-linked and term policies. The funds in the provision for premium refunds in excess of those relating to fixed and earmarked surplus bonuses are intended for bonus share payments in and beyond 2006. This so-called free provision for premium refunds (*freie Rückstellung für Beitragsrückerstattung*) accounted for 2.2 % of the premium reserve funds (*Deckungsrückstellung*) in 2004, for 2.2 % in 2003 and for 2.0 % in 2002.

<sup>(11)</sup> "Swiss Re, Geschäftsberichtsanalyse Lebensversicherung, Geschäftsjahr 2004", pages KA8 and KA9.

<sup>(12)</sup> Without unit-linked life insurance.

Like investment valuation reserves (*Bewertungsreserven der Kapitalanlagen*) the free provision for premium refunds basically serves the purpose of securing policyholders' surplus bonuses when capital markets are weak. Despite the weak interest rates at the market, the surplus bonuses for 2004 remained stable.

## Business Development until 30 September 2005

At 30 September 2005 the total premium income of WürttLeben amounted to € 884.2 million<sup>(13)</sup> (compared to € 863.6 million<sup>(14)</sup> in the same period of the previous year). The premium income from new business amounted to € 113.0 million<sup>(15)</sup> (compared to € 155.1 million<sup>(16)</sup> at 30 September 2004). The fact that new business premium income at 30 September of 2004 was significantly higher than at 30 September 2005 reflects the extraordinary demand for life insurance products throughout 2004 which can mainly be attributed to the fact that following the enactment of the Retirement Income Act certain tax benefits are no longer available for life insurance policies issued after 1 January 2005 (see also "RISK FACTORS – Risks Relating to WürttLeben's Business – Changes in tax legislation could adversely affect WürttLeben's business" and "Description of Business Segments and Products – Life Insurance and Private Pension Provision"). New business premium income from the *private insurance* business amounted to approximately € 97.1 million<sup>(17)</sup> at 30 September 2005 (compared to approximately € 141.3 million<sup>(18)</sup> at 30 September 2004) and accounted for approximately nearly 80 % of the new business premium income at the end of the third quarter of 2005. New business premium income for the *company pension* schemes business amounted to approximately € 27.3 million at 30 September 2005 (compared to approximately € 33.0 million at 30 September 2004) and accounted for approximately 20.0 % of the new business premium income at the end of the third quarter of 2005. The share of ARA PK in the new business premium income for the aforementioned period increased to approximately 10.0 %.

## Risk Management

### Risk Management System

The risk management system of WürttLeben concentrates on those risks which endanger the continued existence of the company or can have a significant influence on its assets, finances and profit. Risk management at WürttLeben is in accordance with requirements of the Corporate Sector Supervision and Transparency Act ("**KonTraG**").

Risk management at WürttLeben is the responsibility of the Management Board and also of all specialists and those in management positions. The risk management system with its early warning function helps them to carry out their duties in this respect.

Risks are reported by those responsible for the risks to the central risk controlling office for recording in the risk manual. Apart from describing and evaluation the risks, a record is kept of control measures for reducing the risk. Risks mainly arise due to the exploitation of opportunities. The relationship between risk and opportunity is also documented in the risk manual.

Risks that are especially important and currently relevant are also regularly recorded in a risk report or as ad-hoc information.

The central risk controlling office ensures ongoing communication and cross-coordination of the risk situation, the recognition of cumulative risks, regular reporting to the management and supervisory boards as well as coordination with the risk management system of W&W Group. There are audits of the risk management system on a regular basis by internal auditors. External auditors audit the risk detection system in accordance with the *KonTraG*.

On the level of the W&W Group, the Group Risk Controlling department aggregates the risks observed on a company level to form an overall risk assessment, controls the risks and, if necessary, elaborates corresponding measures. The W&W Group risks are also analysed by inter-company committees (including the Group Risk Controlling Commission, investment committees in the insurance companies and finance committees in the credit institutions) and implementation of the measures is measured on individual-company level. Regular reports concerning the risk situation are made to the Supervisory Boards, the Management of Boards of the consolidated companies and the Management Board of the holding. This is based on the German accounting standards. Important risks or unusual changes in the risk situation are reported to the W&W Management Board by the consolidated companies on an ad hoc basis.

<sup>(13)</sup> Without ARA PK; WürttLeben together with ARA PK: € 917.5 million.

<sup>(14)</sup> Without ARA PK; WürttLeben together with ARA PK: € 879.6 million.

<sup>(15)</sup> Without ARA PK; WürttLeben together with ARA PK: € 124.9 million.

<sup>(16)</sup> Without ARA PK; WürttLeben together with ARA PK: € 168.6 million.

<sup>(17)</sup> WürttLeben together with ARA PK

<sup>(18)</sup> WürttLeben together with ARA PK

## Risk Categories

On the basis of the German standard for publishing business accounts (German Accounting Standard DRS 5-20), an insurance company's overall risk can be divided into the following categories:

### Underwriting risks

For life insurance companies, the insurance risk mainly arises from the costing of future pay-out obligations. The following risks can occur in this context:

The so-called *reserve risk* (*Reserverisiko*) relates to underwriting provisions (*versicherungstechnische Rückstellungen*). Provision is made to meet liabilities which exist but the magnitude of which and date of accrual is unknown. The assumptions WürttLeben makes in assessing its life insurance reserves may differ from the actual developments which WürttLeben may experience in the future. The reserve risk materializes if the underwriting provisions prove to be insufficient to meet the liabilities of the insurance company. In order to avoid this, the underwriting provisions are constantly monitored by *actuarial methods* and adjusted as required. Conservative methods of forming provisions provide a reliable basis for meeting contractual guarantees throughout the term of a policy. WürttLeben derives its life insurance reserves using well established actuarial practices and prudent assumptions in accordance with the accounting provisions of the HGB. These assumptions include the assessment of the long term development of interest rates, investment returns, the allocation of investments between equity, fixed income and other categories, already credited policyholder bonus rates (most of which are guaranteed), mortality and morbidity rates, policyholder cancellations and future expense levels. WürttLeben monitors its actual experience of these assumptions and to the extent that WürttLeben considers that this experience will continue in the longer term WürttLeben refines its long-term assumptions.

The biometric actuarial data used as a basis for calculating the insurance reserves include sufficient safety margins from today's point of view. This assessment is based on individual company observations and on the knowledge of the Supervisory Authority and the German association of actuaries. The mortality tables, recommended to German life insurance companies by the German association of actuaries as of 2004, take into account life expectation, which has risen in the last few years, and a safety buffer for future developments. The existing portfolio as well as new business are based on the mortality tables. WürttLeben and ARA PK revalued the annuity insurance portfolio on 31 December 2004 and correspondingly increased the premium funds. The insurance reserves of WürttLeben built in the amount of € 61 million have been calculated in accordance with the new mortality tables and such that, for each individual policy, the amount to be repaid in the case of cancellation does not exceed the reserve.

*Premium/benefit risk* in life insurance is defined as the risk of having to pay insurance benefits over a long period of time from a constant level premium set in advance whereby it must be taken into account that the amount of the insurance benefits may be influenced by future developments. This is why insurance premiums are calculated by WürttLeben on the basis of conservative assumptions.

As in other primary life insurance companies, the calculation of the underwriting provisions and premiums for the life insurance business is monitored by the responsible actuary, whose actuarial confirmation certifies that premium reserves have been calculated in line with statutory requirements. In an accompanying report, the responsible actuary delivers an opinion on whether the premium reserve and the accounting bases on which it was calculated – for interest, biometric and cost risks – were assessed with sufficient caution to ensure that all future benefits arising from the policies are covered, taking into account agreed guarantees. The safety margins built into the accounting assumptions are also appraised and an opinion is delivered on their future development and investment risks. The responsible actuary's report is presented to the Management Board and the BaFin.

As regards insurance products with guaranteed interest payments, there is an *interest guarantee risk*. European solvency regulations for life insurance companies, which, among other things, set out minimum requirements for interest guarantees and cost risk provisions, are generally observed. As explained above, it is the actuary's responsibility to ensure that the commitments resulting from interest guarantees can be met in the long term.

Appropriate stress scenarios for the capital market and the development of the guaranteed pay-out obligations are calculated in order to assess and control the interest-guarantee risk. The stress scenarios include the stress tests of the Supervisory Authority and the German association of actuaries. WürttLeben has passed all variants of these tests. In addition to this, extrapolations over several years are carried out in order to estimate whether the interest guarantees can be met if careful assumptions are made concerning developments in the future. According to these analyses, the interest rate used for calculating the premium funds can be regarded as sufficient and appropriate from today's point of view.

The *interest rate change risk* pertaining to fixed-interest securities is controlled not only by the WürttLeben exercising statutory accounting options available under Section 341 b HGB but also by economic monitoring.



### *Risks arising from investments*

Investment risks result from uncertainty regarding the change in share prices, interest (rates) or the financial status of an issuer. If interest levels remain low for a long time, result risks can occur for WürttLeben because the new investments and re-investments can only be made at lower rates of interest but the previously promised interest rates or interest obligations to its customers still have to be fulfilled.

With regards to investments, improving profitability while keeping the risk down to appropriate levels as well as sufficient liquidity at all times have been and still are main aspects of WürttLeben's strategy. Therefore the investments are mixed and spread-out according to type, regions and risk classes.

As regards the securities, WürttLeben continually carries out simulations in order to evaluate market risks. These simulations show the change in value of WürttLeben's portfolio in relation to market fluctuations. When doing this, the following stress factors are assumed:

- For WürttLeben's *share portfolios* (including the safeguarding instruments to be assigned to them), index fluctuations of  $\pm 10\%$  and  $\pm 20\%$  (figures as per 30 September 2005)

Change in share price	Change in market value of shares
	(in Euro million)
Increase of 20% . . . . .	+ 163.7
Increase of 10% . . . . .	+ 86.0
Decrease of 10% . . . . .	- 91.3
Decrease of 20% . . . . .	- 168.3

- For WürttLeben's *fixed-interest securities*, a change in the respective interest-structure curve of  $\pm 50$  or  $\pm 100$  basis points (figures as per 30 September 2005)

Change in interest	Change in market value of all bonds
	(in Euro million)
Increase of 100 BP . . . . .	- 516.4
Increase of 50 BP . . . . .	- 268.2
Decrease of 10 BP . . . . .	285.2
Decrease of 20 % BP . . . . .	+ 594.8

In the fiscal year 2004, WürttLeben again made use of derivative financial instruments such as options, swaps and forward exchange transactions. These types of business were aimed at safeguarding the portfolios. At the same time, the regulations of the Insurance Supervisory Law and the circular of the BaFin were complied with.

In order to delimit the risks relating to financial standing, credit assessment of the respective individual investments is of central importance. A very large majority (more than 94%) of bonds, including fixed income securities, have a rating of A and better. Most of these investments are also protected by public guarantor liability or other safeguarding systems.

In order to control the liquidity risks, WürttLeben has introduced a standardised reporting system between operative money traders and money planners and, in this way, ensures the necessary liquidity so that all payment flows can be serviced.

WürttLeben sees its investments as well diversified, profitably and securely placed and assumes that the opportunities and risks are balanced.

### *Sales risks*

WürttLeben aims to ensure the successful sale of its insurance policies in Germany mainly by the exclusive sales organisations of *Württembergische* and *Wüstenrot* (see "BUSINESS OF WÜRTTLEBEN – Distribution"). WürttLeben's risk managers therefore pay special attention to all the risks which could impair the sales performance and counters the risks with intensive and

practical training courses, with extensive information, as well as with the quality and functionality of the locally used EDP technologies.

#### *Risks arising from the loss of accounts receivable from the insurance business*

In life insurance, the risk is essentially one of non-payment of receivables from insurance intermediaries. The exposure to the insurance intermediaries results from the fact that, in accordance with market practice, WürttLeben pays its intermediaries commission fees which have to be repaid if the insurance contract mediated by the relevant intermediary lapses within a certain period of time. In order to cover this risk, WürttLeben concludes a breach-of-contract insurance for its sales representatives. In addition, there are also accounts receivable from reinsurance which, however, due to the reinsurance structure are of minor importance.

WürttLeben minimises the risks arising from loss of accounts receivable from agents, brokers, and reinsurers by means of monitoring systems specifically designed to identify changes in the solvency of the intermediaries (EDP-based checks of outstanding accounts) and suitable protective mechanisms.

#### *Operational risks*

Operational risks occur in connection with business systems or processes, predominantly as business process risks or legal risks. Business process risks may be rooted in human error, technical failure or external factors; legal risks result from contracts or underlying legal conditions. For all processes, mandatory security standards are in place to reduce business process risks. These standards are considered a minimum requirement for ensuring smooth business operations. One important element of security is the internal monitoring system, comprising the whole catalogue of finely tuned checks, measures and rules.

*Risks of information technology.* Efficient and secure data processing is a matter of particular importance for the operational processes. All application development departments and computer centres of the W&W Group have been put together in W&W Informatik GmbH (**"IT GmbH"**). IT GmbH uses its own risk management system, which describes the important risks from the point of view of WürttLeben.

The IT risks landscape for WürttLeben has always been characterised by a very high standard of safety. Consistent test and back-up procedures for application and computing systems, redundant design of the internal and external telecommunications structure and additional protective measures minimise the risk of IT failure.

*Legal risks.* Risks arising from contractual agreements or the general legal situation are continually monitored by Wüstenrot & Württembergische AG's corporate legal department and checked to find out whether any action is necessary.

#### *Liquidity risks*

Liquidity risk is the risk of not being able to meet payment obligations – especially obligations arising from insurance policies because of time lags between incoming and outgoing cash flows. The operative and strategic cash management system calls for liquidity plans to be drawn up at regular intervals for all the companies of the W&W Group as a means of monitoring current liquidity. These plans are updated daily and adjusted on a monthly basis.

#### ***Summary as to the risk management***

WürttLeben is integrated in the procedure used by W&W Group for the early detection and control of risks. WürttLeben limits its risks with a fixed long-term business policy, consistent implementation of the requirements of the insurance supervisory law and the use of appropriate risk management systems. In addition, WürttLeben has developed a model aiming at the support of risk-appropriate control of the company on both the assets and liabilities sides. Through WürttLeben's asset liability management the opposing targets of profit maximisation and guaranteed obligations shall be brought in line.

Proper account shall be taken of the risks referred to by ensuring adequate equity. The solvability requirement of the insurance supervisory law is more than complied with by WürttLeben due to the balance sheet equity that is ensured.

## Distribution

The sale of insurance products to customers of WürttLeben is effected through various distribution channels, in particular:

- the sales organization of Württembergische
- the sales organization of Wüstenrot
- independent intermediaries (brokers and multiple agents)
- co-operation partners and banks.

The focus is on the two separate and independent *sales organisations*, of which one – the Württembergische Exclusive Organization – operates under the name “Württembergische”, and the other – the Wüstenrot General Organization – under the name “Wüstenrot”. Both sales organisations consist of mobile field staff with over 5,500 full-time self-employed and employed staff and over 10,000 part-time staff (*nebenberufliche Vertreter*). The representatives primarily sell W&W products (“Exclusive Organization”) for various companies of the W&W Group regardless of the name under which they operate. Legally, the mobile field staff of the Württembergische Exclusive Organization is a part of WürttVers under the name “Württembergische” and the Wüstenrot Exclusive Organization is part of Wüstenrot Bausparkasse Aktiengesellschaft under the name “Wüstenrot”. Regionally, both exclusive organisations operate primarily in the South of Germany, especially Baden-Württemberg, but also Bavaria. Here the Württembergische sales organization achieved approximately 64 % of its new business in 2004 and the Wüstenrot sales organization approximately 48 %, both together 59 %. Both sales organisations have offices throughout Germany which support the sales staff and in addition enable customers to directly contact the companies offering such products. Together, both sales organisations accounted for approximately 87 % of WürttLeben’s new business premium in 2004, whereas *Württembergische* contributed approximately 57 % and *Wüstenrot* approximately 30 % of this new business premium.

A further distribution channel is provided by *independent intermediaries*, comprising brokers (*Handelsmakler*) and multiple agents (*Agenten*). Independent intermediaries accounted for approximately 8 % of WürttLeben’s new business premium in 2004.

Finally, *co-operation partners and banks* are important sales agents which provided another 5 % of WürttLeben’s new business premium in 2004. The Württembergische Group has maintained a sales co-operation with Baden-Württembergische Bank, which has been one of the major partners for many years. This sales co-operation also covers the distribution of life insurance products of WürttLeben and has been continued after the integration of this bank into Landesbank Baden-Württemberg which took effect as of 1 August 2005.

## Employees

In 2004 WürttLeben had an average of 687 employees (including employees with part time arrangements) compared to 718 in 2003.

At the level of *Württembergische Insurance Group* (then comprising WürttLeben, WürttVers, WürttKranken and ARA PK), the total number of employees decreased from 4650 in 2003 to 4,533 in 2004. Thereof, office staff amounted to 3,066 persons, including 269 trainees and 98 blue-collar workers. The number of salaried salesmen in the field was 1,467. This decrease was largely due to the re-organisation of the regional administrative structure of WürttLeben and WürttVers. In October 2004, WürttVers and WürttLeben implemented their new regional branch structure (see above). From a legal perspective, more than 80 % of these employees are employed with WürttVers. However, according to the law on management of labour relations (*Betriebsverfassungsgesetz*) the companies of Württembergische Insurance Group form a *common enterprise* (*Gemeinschaftsbetrieb*).

For the permanent employed staff of *Württembergische*, a total personal expenditure of € 249.6 million (2003: € 253.6 million) was paid out in 2004, including provisions for old age.

In order to achieve synergetic benefits, the SAP software was introduced in the Württembergische personnel management apparatus. After the SAP time management and organization management systems were started, Württembergische was able to successfully introduce the SAP payroll accounting system successfully in 2005. Württembergische uses these systems jointly with Wüstenrot Bausparkasse AG, the W&W Group’s buildings savings company.

In 2004, a company pension scheme which is uniform throughout the Württembergische Insurance Group was introduced for the first time. This is a contribution-oriented system into which the employer pays 3 % of that part of the employee’s monthly income which is eligible for pension consideration whereas the employee pays an obligatory contribution of 1 %. The scheme is being managed by ARA PK. The Issuer believes that this new pension scheme is an important step toward harmonization of

company social benefits within the Württembergische Insurance Group and an important contribution to provisions for old age for the employees.

WürttVers and WürttLeben came to an agreement with the overall employees' works council (*Gesamtbetriebsrat*) on a new arrangement regarding voluntary payments by the employer. Without forgetting the employer's principle of employee welfare, both companies succeeded in adapting the range of social payments more closely to current needs (e. g. linking bonus payments to the economic results).

## Relations with Affiliated Companies

### General

WürttLeben and its subsidiaries maintain a variety of relationships with affiliated companies within the W&W Group. WürttLeben and its subsidiaries, for example, use the services rendered by the legal department, tax department and the public relations departments at W&W AG based on an outsourcing and services agreement (*Funktionsausgliederungs- und Dienstleistungsvertrag*); on the basis of such outsourcing and services agreement also other members of the W&W Group render certain services to WürttLeben (or its subsidiaries). Conversely, WürttLeben renders certain services to other companies of the W&W Group. The Management Board of WürttLeben has stated in its report on relations with affiliated companies (*Abhängigkeitsbericht*) pursuant to § 312 of the German Stock Corporation Act (*Aktiengesetz*) for the fiscal years ended 31 December 2003 and 2004 that, under the circumstances known at the time at which WürttLeben entered into a transaction with an affiliated company, WürttLeben received a fair and reasonable consideration under such transaction.

### Assumption of Pension Commitments by W&W AG

Pursuant to an agreement dated July 1991, as amended from time to time, W&W AG (formerly Württembergische Versicherungs-Beteiligungsgesellschaft AG) has assumed pension commitments for the active and retired staff and executives of WürttLeben (as well as of certain other companies of the W&W Group). WürttLeben remains jointly liable for such pension commitments vis-à-vis the persons entitled to the pensions. As of 31 December 2004, such pension commitments of WürttLeben amounted to approximately € 24 million, as determined in accordance with the accounting provisions of the HGB. Such pension commitments were reflected in the notes to WürttLeben's financial statements for 2004 as contingent liabilities. In addition, WürttLeben is jointly but subsidiarily liable for pension commitments of the company pension fund "Pensionskasse der Württembergischen VVaG". This pension fund was closed for employees who have joined WürttLeben after 31 December 2002. Such employees, however, are eligible for a company pension scheme offered by ARA PK, based on fixed contributions by both the respective employee and the Issuer. See also "RISK FACTORS – Risks Relating to WürttLeben's Business – WürttLeben has contingent pension obligations".

### Inter-company Loans

The Issuer has extended the following loans to companies of the W&W Group:

Borrower	Outstanding amount as of 30 September 2005 (in € million)
Erasmus Leben .....	7.9
Wüstenrot Bank AG Pfandbriefbank .....	100.6 (*)

(\*) Additional fixed-term deposits in the amount of € 57.8 million (as of 30 September 2005)

All loans are extended at market rates on an arms length basis.

### Reinsurance Agreements with W&W AG

In January 2000, W&W AG assumed the reinsurance agreements which WürttLeben had entered into with Allianz (acting as reinsurer). Pursuant to these reinsurance agreements W&W AG assumed 3.2% of WürttLeben's insurance liabilities. In the context of the regularly review of the reinsurance program, WürttLeben and W&W AG adjusted these reinsurance agreements in the fourth quarter of 2005. The quota share treaty was terminated and the remaining surplus treaty is now on a risk premium basis with an estimated premium for 2005 of about € 1.3 million.

## Material Contracts

The Issuer did not enter into any contracts which could result in itself or any of its subsidiaries being under an obligation or entitlement that would be material to the Issuer's ability to meet its obligations to Noteholders under the Notes.

## Ratings

S&P and Fitch Ratings assign ratings to the financial strength of WürttLeben. In the 2003 and 2004 fiscal year S&P as well as Fitch Ratings assigned to WürttLeben an Insurer Financial Strength (IFS) rating of "A-" (outlook "stable"), each. In August 2005, Fitch Ratings upgraded WürttLeben to Insurer Financial Strength (IFS) "A" (from "A-" (A minus)) with rating outlook "stable". Following the announcement of the Issuer that it would take over a majority share in *Karlsruher insurance group*, Fitch Ratings placed its rating on Rating Watch Negative (RWN) and S&P on CreditWatch Negative. On 6 December 2005, Fitch Ratings has affirmed WürttLeben at IFS "A" and the rating has been removed from RWN to outlook "stable" Fitch Ratings has also assigned a Long-term "A-" rating (outlook "stable") to WürttLeben. On 20 December 2005, S&P has affirmed WürttLeben at IFS "A-" and the rating has been removed from CreditWatch Negative to outlook "stable". The agency has also affirmed the "A-" Counterparty credit rating to WürttLeben and removed the outlook from CreditWatch Negative to "stable".

## Investments

The following table shows the composition of the investment portfolio of WürttLeben as of 31 December 2003 and 2004, as well as of 30 September 2005 (\*), according to HGB:

	<b>30 September 2005</b>	<b>31 December 2004</b>	<b>31 December 2003</b>
	(in Euro thousand)	(in Euro thousand)	(in Euro thousand)
Land, leasehold rights and buildings . . . . .	700,060	684,949	634,791
Investment in affiliated companies an participations . . . . .	541,593	584,682	741,620
Shares, investment certificates and other variable-interest securities . . . .	2,527,759	2,263,064	2,395,094
Bearer bonds ands other fixed-interest securities . . . . .	1,000,027	798,801	2,105,213
Mortgages . . . . .	1,217,105	1,226,600	1,243,753
Other loans . . . . .	6,478,208	6,744,506	5,264,048
Other investments . . . . .	409,402	470,121	232,450
<b>Total . . . . .</b>	<b>12,874,154</b>	<b>12,772,723</b>	<b>12,616,969</b>

(\*) Derived from the internal unaudited accounts of the Issuer as of 30 September 2005.

## Litigation and Arbitration Proceedings

Württemberg and its subsidiaries are involved in legal, regulatory and arbitration proceedings in Germany involving claims by and against them, which arise in the ordinary course of their businesses, including in connection with their activities as insurers, employers, investors and taxpayers. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened proceedings, the management of WürttLeben does not believe that the outcome of these proceedings will have a material adverse effect on the financial position or results of operations of WürttLeben.

## Recent Developments

As of 23 November 2005, WürttLeben had acquired approximately 90.12 % of the shares in Karlsruher Lebensversicherung AG ("**KarlsLeben**") from the Munich Re Group; already in October 2005, the Issuer had acquired 0.09 % of the shares in KarlsLeben. As a consequence of the acquisition, the (direct and indirect) life insurance business of WürttLeben, measured by premium income, will increase by nearly 100 %, making WürttLeben the no. 8<sup>(19)</sup> in the German life assurance business (prior to the acquisition ranking as no. 16<sup>(20)</sup>). In addition thereto, WürttLeben acquired further 6.11 % of the shares in KarlsLeben from Landesbank Baden-Württemberg in November 2005. These acquisitions were subject to the approval of the Federal Cartel Office (*Bundeskartellamt*) and the BaFin. Both regulatory authorities have granted such approval meanwhile. In Decem-

<sup>(19)</sup> Based on own calculations taking into account the figures set forth in Zeitschrift für Versicherungswirtschaft 2005, No. 15, page 459.

<sup>(20)</sup> Zeitschrift für Versicherungswirtschaft 2005, No. 15, page 459.



ber 2005, the Issuer has acquired further 0.47% of the shares in KarlsLeben. The purchase price allocated to the so acquired shares has been fully paid. As a consequence of the aforementioned acquisitions, the Issuer currently holds approximately 96.78% of the shares in KarlsLeben. The remaining 3.22% are, to the Issuer's knowledge, currently held by a wide range of shareholders (free float).

KarlsLeben is the parent company of the *Karlsruher insurance group*, which mainly consists of five insurance companies (KarlsLeben, its wholly-owned subsidiaries Karlsruher Versicherung AG, Karlsruher Rechtsschutzversicherung AG and Karlsruher Beamten-Versicherung AG, as well as the majority-owned Karlsruher HK AG) operating in life insurance, in almost all areas of indemnity and accident insurance as well as legal expenses insurance. Thus, KarlsLeben is operating both in life insurance and, via certain of its subsidiaries, in property and casualty insurance. The products offered are predominantly for private customers and medium-sized business enterprises. The distribution is based on a nationwide exclusive agency as well as on brokers. In addition, a successful cooperation exists with banking partners predominantly from the cooperative sector (*Volks- und Raiffeisenbanken*) selling life insurance products via their branch offices, with the focus on the south-west region of Germany, particularly in Baden, Rhineland-Palatinate, Saarland and North Rhine-Westphalia.

Following the aforementioned acquisition of approximately 96% of the shares in KarlsLeben, it is contemplated that WürttVers buys the wholly-owned subsidiary of KarlsLeben, Karlsruher Versicherung AG ("**KarlsVers**") (being primarily engaged in the general and personal-accident-insurance). Subsequently, as a third step, KarlsLeben shall be merged onto WürttLeben and KarlsVers shall be merged onto WürttVers.

From an economic point of view, the Issuer sees itself as a good partner for KarlsLeben and believes that KarlsLeben's operations fit well into W&W Group as they complement W&W Group's insurance operations both in distribution channels and in geography. The different regional orientation of WürttLeben on the one hand and KarlsLeben on the other hand are expected to complement one another. The same is true for the mix of the distribution channels of *Karlsruher* and *Württembergische*. Whereas, the distribution channel of *Württembergische* currently has a focus on the exclusive sales organisation (operating under the name *Württembergische* – see above under "Distribution"), the sale through brokers and the cooperation with banks are dominating KarlsLeben's distribution with respect to insurance products. The cooperation with the current distribution partners (agents and, in particular, banks) of Karlsruher Insurance Group shall be retained and further strengthened in the future. In particular, the Issuer will use its best efforts to maintain the close cooperation currently practised between Karlsruher insurance companies on the one side and banks predominantly from the cooperative sector (*Volks- und Raiffeisenbanken*) on the other side.

The brand "Karlsruher", with its current focus of the distribution through banks, shall be retained. Thus, the three distribution channels – exclusive sales organisation, brokers and banks – shall be managed and developed independently in the future. This systematic separation of the distribution channels and the "two brand strategy" shall advance high efficiency. The Issuer expects significant synergies in IT, branch infrastructure and distribution structure (e.g. through centralisation of headquarters/directorates, integrations in the IT and administration departments) of and, at the same time, a consequent focussing on the customers. As a consequence, the life and annuity insurance products of WürttLeben in the future will be sold and promoted under the brands *Württembergische*, which will be the brand for the distribution through the Issuer's exclusive sales organisation, and *Karlsruher*, which will focus on the distribution through banks. The Issuer also expects that its wholly-owned subsidiary, ARA PK, will benefit from cross-selling activities out of Karlsruher Insurance Group.

In the fiscal year 2004, the Karlsruher insurance group wrote gross premiums of € 1,311.1 million (constituting a decrease by 2.7% as compared to 2003), about 80% of which derive from the life insurance business. In the life insurance area, especially the business in respect of non-recurring contributions decreased, whereas the decline in contributions in the indemnity and accident insurance is the consequence of its profit-oriented consolidation course of management.

The financial investment portfolio of Karlsruher insurance group has increased by 2.1% to € 12.15 billion in 2004, while simultaneously the net valuation reserves to be disclosed rose from € 226.9 million in the previous year to € 319.8 million in 2004.

At the end of 2004, the Karlsruher insurance group employed a total of 7,382 (2003: 7,128) employees, 1,575 (2003: 1,659) of whom provide inside services and 5,807 (2003: 5,469) mainly are outside sales representatives (including brokers).

W&W Group's parent company, W&W AG, is currently involved in legal proceedings in Germany in relation to the creation of the W&W Group by way in merger in 1999. In February 2005, the Stuttgart district court arrived at a surprising judgement in an adjudication process relating to the 1999 merger of Wüstenrot Beteiligungs-AG and Württembergische AG Versicherungs-Beteiligungsgesellschaft ("**WürttAG**") by awarding a cash settlement to the shareholders of the former WürttAG. An appeal against this judgement was submitted immediately and the case is now pending at the Stuttgart court of appeals. W&W AG is of the opinion that the judgement is not in line with previous judicial decisions. Nevertheless, the risk that the judgement of the Stuttgart district court will be confirmed has been taken into account in the annual accounts of W&W AG for 2004 in that a suitable reserve has been formed specifically for this purpose. While it is not feasible to predict or determine the ultimate out-

come of this pending proceeding, the management of WürttLeben does not believe that the outcome of these proceedings will have any material adverse effect on the financial position or results of operations of WürttLeben. The outcome of the proceeding will not *directly* affect the Issuer, since potential payment obligations would only impair W&W AG and not the Issuer as W&W AG's subsidiary. However, a negative outcome of the lawsuit might *indirectly* affect the Issuer.

## Outlook

### *Overall investment strategy*

The Issuer will try make use of opportunities in the market environment in 2006 in order to achieve a stable investment result even in times of historically low interest rates and thus safeguard the guarantee obligations at all times. The focus of the investment strategy in 2006 will be on the stabilisation of the current results from investments in the bond markets, in particular focussing on spread products such as subordinated bonds and silent participations. As in former years, the Issuer will predominantly invest in bond products with a rating of A and better. Corporate bonds will remain underweighted, whereas the investments in valuable real estate shall further increase in order to profit from the currently weak real estate market. Furthermore, the Issuer envisages to increase the quota of investments in shares within its portfolio. As in former years, this will be done in accordance with risk-appropriate control. Finally, a further increase of private equity investments up to 2.5 % of the investment portfolio is planned for 2006.

### *Increased importance of private old age provision – Implementation of new insurance products*

The level of the state pension financed by the contributions of people in work is gradually diminishing. The legislators have recognised that individual provisions for old age covered by capital need to be strengthened. This is being increasingly realised by the population and the readiness to provide privately for old age is growing. The process of re-thinking in the direction of more private provisions for old age is supported by the Retirement Income Act (*AltEinkG*) which came into effect as of 1 January 2005. It divides provision for old age into three layers. The *first layer* includes the state pension and the new private basic pension. Certified, subsidised contracts for old age (Riester pensions) and the varied products of corporate pension schemes make up the *second layer*. The two layers render to the customer the advantage of postponed taxation. The capital used to make provisions for old age is built up from non-taxed income in a manner beneficial to the saver. Only the pension paid later is taxed. Due to tax allowance effects and a lower tax rate in old age, capital for old age can be built up advantageously. The two layers represent mutually independent special expenditure so that provision for old age with tax allowances is possible in both layers at the same time. The products of the *third layer* are less regulated and are characterised by a high level of flexibility. They are generated from taxed income and are therefore mostly tax-free during the payment phase. For the duration of their contract, they offer numerous possibilities. At the end of their deferral time, a choice can be made between flexible payment phases, partial conversion into pension and phases of complete conversion into pension. When the pension is paid, the profit component is taxed. Due to considerably reduced profit components, the actual payment also becomes more attractive.

In 2005, WürttLeben has made consistent use of this market environment. Within the *first layer*, the new basic pension accounted for new premium income amounting to € 1.9 million until 30 November 2005. Within the *second layer*, especially the number of new Riester pension policies increased by 24.1 % to 3,252 until 30 November 2005 as compared to from 2,621 in the same period of the previous year. As regards the *third layer*, a number 1,171 policies, accounting for new premium income amounting to € 0.9 million, of the newly implemented product named ART ("Aufgeschobene Rentenversicherung mit Todesfallschutz") was sold until 30 November 2005. The Issuer assumes, based on the legal and fiscal parameters currently existing or coming into force as of the start of 2006, besides company pension schemes, traditional annuity insurances and "basic" and "Riester" pensions will increase in importance. Also for 2006 and the future, the Issuer's objective is to further increase the premium income allocated to this business segment.

At the start of 2005, WürttLeben launched some new insurance products on the market:

- The *new basic pension* of WürttLeben is covered by capital, i. e. it has guaranteed payments. It is associated with special tax relief and, according to the Issuer's view, is attractive above all for self-employed people.
- The Issuer sees its pension fund tariffs continuously to be well received on the market.
- The Issuer considers the direct insurance on an annuity basis to be also an equally attractive option due to the new regulations effective as of 1 January 2005.
- The new product named ART, a flexibly deferred annuity with life assurance, shall focus on the trend towards private pensions. It offers many possibilities in the saving period, in the phase of capital payment and annuity transition and during the annuity payment period.
- The implementation of new, gender-neutral tariffs for "Riester" pension products is envisaged for the start of the year 2006.

### ***Measures to be implemented in the near future***

The Issuer intends to strengthen its position as one of Germany's leading life assurance companies in the future. With a view to supporting this aim, the Issuer plans to implement the following measures in the short and medium-term future:

- Continued acquisition of companies for corporate pension schemes either through ARA PK or direct insurance contracts of WürttLeben.
- Qualification of Issuer's sales forces with a view to enable them to provide customers with an optimised consulting service: the right layer for each personal situation – basic pension, Riester pension, pension from salary/payment conversion, classic annuity and supplementary provisions. The advice shall be in line with each individual's particular needs.
- Intensive processing of maturing endowment insurance contracts and need-oriented support of customers with regard to re-investment.
- Consistent continuation of WürttLeben's profit enhancement program with which the Issuer wants to improve sales and administration efficiency by 2007.
- Successful implementation of new products.
- Successful integration of the life and annuity insurance business currently being conducted by KarlsLeben (and certain of its subsidiaries) into WürttLeben. In this context, the Issuer sees significant synergies in IT, branch infrastructure and distribution structure. In particular, the Issuer will use its best efforts to maintain the close cooperation currently practised between Karlsruher insurance companies on the one side and banks on the other side.

### ***Expected overall development of WürttLeben's business in 2006***

As expected, the bring-forward effects of the end-of-year spurt in 2004 impacted new business in 2005. The newly acquired business of WürttLeben, together with KarlsLeben and ARA PK, in the year 2005 has therefore been considerably below that of the previous year. Corporate provision for old age in 2005 has again proven as a reliable engine of growth. The other business reached an especially high level in 2004 due to the second Riester phase on 1 January 2004. Combined with the bring-forward effects from 2004, the lack of a Riester phase in 2005 has had a dampening effect in 2005. However, the Issuer is proceeding on the assumption that the level of new business has gradually returned to normal in the fourth quarter of 2005, after the decline in the first three quarters of 2005. Nevertheless, the Issuer is of the opinion that the legal and fiscal parameters existing for policyholders in Germany are certainly still attractive. Overall, the Issuer's planning for the year 2006 is based on the assumption that new business of WürttLeben together with ARA PK will increase as compared to 2005.

# EXCERPT FROM THE AUDITED UNCONSOLIDATED FINANCIAL STATEMENTS OF WÜRTTEMBERGISCHE LEBENSVERSICHERUNG AG 2004

## *Balance Sheet as at 31 December 2004*

Assets	2004	2004	2004	2003
		(in Euro)		
<b>A. Intangible assets</b> .....			<b>200,941</b>	271,601
<b>B. Investments</b>				
I. Land, leasehold rights and buildings, including buildings on non-owned land .....		<b>684,948,920</b>		634,791,175
II. Investments in affiliated companies and participations				
1. Shares in affiliated companies .....	<b>200,518,855</b>			194,518,249
2. Loans to affiliated companies .....	<b>108,932,677</b>			76,930,151
3. Participations .....	<b>221,389,868</b>			367,415,392
4. Loans to companies related through participation .....	<b>53,840,998</b>			102,756,117
		<b>584,682,398</b>		741,619,909
III. Other investments				
1. Shares, investment certificates and other non-fixed interest securities .....		<b>2,263,064,106</b>		2,395,094,070
2. Bearer bonds and other fixed-interest securities .....		<b>798,801,244</b>		2,105,213,216
3. Mortgages .....		<b>1,226,600,014</b>		1,243,753,114
4. Other loans .....		<b>6,744,505,522</b>		5,264,047,837
5. Deposits with credit institutions .....		<b>322,536,652</b>		80,775,650
Including deposits with affiliated companies EUR 67,140,302 (55,775,650)				
6. Other investments .....		<b>147,584,117</b>		151,674,452
Including subordinate loans EUR 81,342,010 (85,432,345) .....		<b>11,503,091,655</b>		11,240,558,339
			<b>12,772,722,973</b>	12,616,969,423
<b>C. Investments for the account and risk of holders of life assurance policies</b> .....			<b>242,064,716</b>	173,992,916
<b>D. Accounts receivable</b>				
I. Accounts receivable on direct business from:				
1. Policyholders .....	<b>121,647,363</b>			79,348,228
2. Insurance agents .....	<b>4,241,572</b>			2,222,358
		<b>125,888,935</b>		81,570,586
II. Accounts receivable on reinsurance business .....		<b>5,946,014</b>		5,129,349
III. Other receivables .....		<b>80,369,988</b>		85,633,016
Including: EUR 6,768,154 (33,589,467) owed to affiliated companies EUR 2,536,118 (9,076,195) owed to participations .....			<b>212,204,937</b>	172,332,951
<b>E. Other assets</b>				
I. Equipment and stock .....		<b>208,822</b>		231,142
II. Current accounts with credit institutions, checks and cash in hand Including amount with participations .....		<b>25,239,921</b>		21,523,197
III. Other assets .....		<b>45,216,211</b>		11,418,055
			<b>70,664,954</b>	33,172,394
<b>F. Deferred assets</b>				
I. Deferred interest and rents .....		<b>158,407,018</b>		176,057,669
II. Other deferred assets .....		<b>34,179,543</b>		10,554,860
			<b>192,586,561</b>	186,612,529
<b>Total assets</b> .....			<b>13,490,445,082</b>	13,183,351,814

In accordance with § 73 VAG (German Law on the Supervision of Insurance Undertakings), I hereby confirm that the collateral assets have been invested and kept as required.

Stuttgart, 1 March 2005

Trustee

Dr. G. Zagst, notary

# **Balance Sheet as at 31 December 2004**

Liabilities	2004	2004	2004	2003
		(in Euro)		
<b>A. Equity</b>				
I. Called-up capital		32 000 000		32 000 000
II. Capital reserve		58 165 675		58 165 675
III. Retained profit reserves				
1. Legal reserve	207 496			207 496
2. Other retained profit reserves	59 434 882			59 434 882
		59 642 378		59 642 378
IV. Balance-sheet profit		12 056 141		7 184 973
			161 864 194	156 993 026
<b>B. Insurance reserves</b>				
I. Premium reserve				
1. Gross	132 606 477			133 324 932
2. Less share ceded to reinsurance	10 307 673			10 696 046
		122 298 804		122 628 886
II. Aggregate reserve				
1. Gross	11 481 464 992			11 303 754 335
2. Less share ceded to reinsurance	388 808 773			396 818 061
		11 092 656 219		10 906 936 274
III. Reserve for insurance claims				
1. Gross	47 735 771			47 705 503
2. Less share ceded to reinsurance	4 624 508			3 779 469
		43 111 263		43 926 034
IV. Reserve for bonus payments to clients dependent on results and independent of results – gross		902 219 434		944 754 715
V. Other insurance reserves – gross		1 299 548		1 303 688
			12 161 585 268	12 019 549 597
<b>C. Insurance reserves in the field of life assurance, for own account in so far as the investment risk is borne by the policyholders</b>			242 064 716	173 992 916
<b>D. Other reserves</b>				
I. Tax reserves		36 992 148		32 183 457
II. Other reserves		37 602 932		20 040 035
			74 595 080	52 223 492
<b>E. Deposits retained from reinsurers</b>			397 638 144	406 143 286
<b>F. Other liabilities</b>				
I. Accounts payable on direct insurance business to				
1. Policyholders	341 008 039			282 768 710
2. Insurance agents	42 063 488			24 889 525
Including EUR 14 684 395 (3 880 288) owed to affiliated companies		383 071 527		307 658 235
II. Accounts payable on reinsurance business		1 683 120		4 122 648
Including EUR 909 764 (1 258 166) owed to affiliated companies				
III. Other liabilities		61 771 511		54 745 691
Including EUR 207 100 (781 262) arising from taxes			446 526 158	366 526 574
EUR 44 268 343 (36 126 051) owed to affiliated companies				
<b>G. Deferred liabilities</b>			6 171 522	7 922 923
<b>Total liabilities</b>			13 490 445 082	13 183 351 814

It is hereby confirmed that the aggregate reserves posted in the balance-sheet under items B.II. and C. of liabilities have been calculated in accordance with §§ 341 f HGB as well as with the regulations decreed due to § 65 Section 1 VAG. For the old portfolio in the sense of § 11c VAG and article 16 § 2 Section 2 of the law transposing the third EU directive into the VAG, the aggregate reserves have been calculated in accordance with the tariff submission last approved on 21 February 2005.

Stuttgart, 1 March 2005

Actuary responsible

Ruth Martin



**Income Statement (Profit and Loss Account) for the period 1 January to 31 December 2004**

	2004	2004	2004	2003
			(in Euro)	
<b>I. Insurance account</b>				
1. Earned premium for own account				
a) Gross written premiums	1,244,356,040			1,252,692,500
b) Reinsurance premiums ceded	49,627,274			57,107,971
		1,194,728,766		1,195,584,529
c) Change in gross premium reserve	718,455			2,769,341
d) Change in the share of reinsurers in the gross premium reserve	- 388,373			- 590,255
		330,082		2,179,086
			1,195,058,848	1,197,763,615
2. Premiums from the gross reserve for bonus payments to clients			39,557,456	43,974,067
3. Income from investments				
a) Income from participations		26,765,983		28,901,870
Including EUR 13,361,999 (10,337,423) from affiliated companies				
b) Income from other investments				
Including EUR 9,347,025 (6,428,973) from affiliated companies				
aa) Income from land, leasehold rights and buildings, including buildings on non-owned land	46,915,679			44,582,569
bb) Income from other investments	537,920,433			609,639,088
		584,836,112		654,221,657
c) Income from the revaluation of investments		36,207,373		9,170,875
d) Profits from the disposal of investments		119,388,293		188,686,535
			767,197,761	880,980,937
4. Non-realized profits on investments			7,389,279	17,553,877
5. Other income relating to insurance business for own account			76,246,586	34,074,593
6. Incurred losses for own account				
a) Payments for insurance losses				
aa) Gross	1,260,772,156			1,294,391,777
bb) Share of reinsurers	56,148,199			51,209,416
		1,204,623,957		1,243,182,361
b) Change in the reserve for insurance claims				
aa) Gross	30,268			- 862,669
bb) Share of reinsurers	845,039			86,476
		- 814,771		- 949,145
			1,203,809,186	1,242,233,216
7. Change in the remaining net insurance reserves				
a) Aggregate reserves				
aa) Gross	245,782,457			244,283,138
bb) Share of the reinsurers	- 8,009,288			- 2,903,858
		253,791,745		247,186,996
b) Other net insurance reserves		291,481		370,142
			254,083,226	247,557,138
8. Expenses for bonus payments to clients dependent on results and independent of results for own account			93,597,202	130,930,375
9. Underwriting expenses for own account				
a) Acquisition expenses	221,792,900			139,236,910
b) Administration expenses	40,254,088			43,636,631
		262,046,988		182,873,541
c) Less commission and profit participations received from ceded reinsurance business		2,624,893		2,576,523
			259,422,095	180,297,018
10. Expenses related to investments				
a) Investment management expenses, interest and other expenses related to investments		28,166,370		23,683,494
b) Depreciation on investments		84,881,390		161,481,014
c) Loss on the disposal of investments		42,314,686		59,544,340
			155,362,446	244,708,848
11. Non-realized losses on investments			1,281,448	382,919
12. Other expenses relating to insurance business for own account			76,296,802	66,188,269
13. Insurance result for own account			41,597,525	62,049,306
<b>II. Non-technical account</b>				
1. Other income		11,517,774		10,852,986
2. Other expenses		28,857,017		28,050,516
			- 17,339,243	- 17,197,530
3. Result of normal business activity			24,258,282	44,851,776
4. Taxes on income and profits		10,777,759		34,031,206
5. Other taxes		1,424,382		1,135,597
			12,202,141	35,166,803
6. Profit for the year			12,056,141	9,684,973
7. Transfers to the retained profit reserves				
Transfers to other retained profit reserves			-	2,500,000
8. Balance-sheet profit			12,056,141	7,184,973

**EXCERPT FROM THE INTERNAL UNAUDITED ACCOUNTS OF  
WÜRTTEMBERGISCHE LEBENSVERSICHERUNG AG AS OF 30 SEPTEMBER 2005**

*Balance Sheet as of 30 September 2005*

	<b>30 September 2005 HGB</b>	<b>31 December 2004 HGB</b>
	(in EUR million)	(in EUR million)
<b>Assets</b>		
A. Intangible Assets . . . . .	0.2	0.2
B. Investments . . . . .	12,874.2	12,772.7
C. Investments for the account and risk of holders of life assurance policies . . . . .	335.9	242.1
D. Accounts receivable . . . . .	219.7	212.2
E. Other Assets . . . . .	37.0	70.7
F. Deferred Assets . . . . .	205.9	192.6
<b>Total</b> . . . . .	<u>13,672.7</u>	<u>13,490.4</u>
 <b>Equity and Liabilities</b>		
A. Equity . . . . .	158.8	161.9
B. Insurance Reserves . . . . .	12,343.2	12,161.6
C. Insurance reserves in the area of life assurance . . . . .	335.9	242.1
D. Other Reserves . . . . .	35.6	74.6
E. Deposits retained from reinsurers . . . . .	392.3	397.6
F. Other Liabilities . . . . .	402.7	446.5
G. Deferred Liabilities . . . . .	4.2	6.2
<b>Total</b> . . . . .	<u>13,672.7</u>	<u>13,490.4</u>

**Income Statement (Profit and Loss Account) for the period 1 January to 30 September 2005**

	<b>30 September 2005</b>	<b>30 September 2004</b>
	(HGB in EUR million)	
<b>I. Insurance Account</b>	<b>12.7</b>	<b>23.6</b>
1. Earned premium for own account	874.1	858.1
2. Premiums from the gross reserve for bonus payments to clients	31.7	24.5
3. Income from investments	492.4	488.6
4. Non-realized profits on investments	48.3	3.6
5. Other income relating to insurance business for own account	23.4	19.7
6. Incurred losses for own account	– 862.1	– 794.6
7. Change in the remaining net insurance reserves	– 246.2	– 266.6
8. Expenses for bonus payments to clients dependent on results	– 111.7	– 62.4
9. Underwriting expenses for own account	– 94.2	– 131.0
10. Expenses related to investments	– 35.0	– 88.7
11. Non-realized losses on investments	– 0.0	– 2.4
12. Other expenses relating to insurance business for own account	– 107.9	– 25.2
<b>II. Non-technical account</b>	<b>– 3.7</b>	<b>– 14.6</b>
1. Other income	21.4	7.8
2. Other expenses	– 17.3	– 15.7
3. Taxes on income and profit	– 5.7	– 5.7
4. Other taxes	– 2.1	– 1.0
<b>Profit for the year</b>	<b>9.0</b>	<b>9.0</b>

These interim figures have been prepared in accordance with the legal standards (HGB) valid in Germany as used in the annual reports. They present the cumulative figures from the beginning of the year to date (30 September of the respective year). Ordinary activities which only occur towards the end of the fiscal year are included by a time-apportioned basis (*pro rata temporis*). Extraordinary gains are only reported when they are realized, losses, however, are reported to the moment by which they have been caused.

The business development until 30 September 2005 is described on page 56.

**Cash Flow Statement as of 30 September 2005**  
**(figures in EUR million)**

	<b>(in EUR million)</b>
<b>1. Net result</b> .....	<b>9.0</b>
2. Change in technical provisions .....	236.4
3. Changes in deposits with ceding undertakings .....	– 5.3
4. Change in accounts receivable and payable relating to reinsurance business .....	4.3
5. Change in other receivables and payables .....	– 55.7
6. Gain/loss on the disposal of investments .....	– 22.1
7. Change in other balance sheet items .....	20.2
8. Other non- cash income and expenses and adjustments to the result of period .....	– 116.2
9. Receipts and payments for extraordinary items .....	0.0
<b>10. Cash flows from operating activities</b> .....	<b>70.7</b>
11. Cash receipts from the disposal of subsidiaries and other business units .....	0.0
12. Cash payments from the acquisition of subsidiaries and other business units .....	0.0
13. Cash receipts from the disposal of investments and receipts on their maturity .....	2,164.2
14. Cash payments from the acquisition of other investments .....	– 2,175.5
15. Cash receipts from the disposal of investments held on account and the risk of life insurance policyholders .....	– 47.6
16. Other receipts .....	0.0
17. Other payments .....	0.0
<b>18. Cash flow from investment activities</b> .....	<b>– 58.9</b>
19. Cash receipts from the issue of capital .....	0.0
20. Cash payments to owners .....	0.0
21. Dividends paid .....	– 12.1
22. Receipts and payments from other financing activities .....	0.0
<b>23. Cash flow from financing activities</b> .....	<b>– 12.1</b>
<b>24. Change in cash funds from cash relevant transactions (Sum of 10, 18 and 23)</b> .....	<b>0.6</b>
26. Change in cash funds from exchange movements, changes in group structure and in valuation procedures for cash funds .....	0.0
27. Cash funds at the beginning of the period .....	25.2
<b>28. Cash funds at the end of the period</b> .....	<b>24.9</b>

# REGULATION OF INSURANCE COMPANIES IN GERMANY

## General

Since 1973, the EU has adopted a series of directives on life insurance and direct insurance other than life insurance. These directives have been implemented in Germany. Under the directives, the regulation of insurance companies, including insurance operations outside their respective home countries (whether direct or through branches), is the primary responsibility of the home country insurance regulatory authority, which is, in particular, responsible for monitoring compliance with applicable regulations and monitoring maintenance of the solvency and actuarial reserves of insurers and the assets supporting those reserves. The EU insurance directives generally permit an insurance company licensed in any jurisdiction of the EU to conduct insurance activities, directly or through branches, in all other jurisdictions of the EU, without being subject to additional licensing requirements.

The supervision of insurance companies in Germany is governed by the Insurance Supervisory Act (*Versicherungsaufsichtsgesetz* (the “VAG”)), newly adopted on 17 December 1992 and subsequently amended, *inter alia*, as a result of the implementation of the various EU insurance directives. Under the VAG, insurance companies are subject to detailed requirements with respect to the administration of their assets and liabilities. In general, the actuarial and claims reserves of each insurer must be adequate to allow the insurer to fulfil its relevant policies.

In order to ensure that their liabilities under insurance contracts can be permanently fulfilled, German insurance companies (except for reinsurance companies) are obliged, by virtue of Section 53c of the VAG, to hold free uncommitted own funds (*freie unbelastete Eigenmittel*) in an amount not less than a prescribed solvency margin (*Solvabilitätsspanne*), which depends on the total volume of business. Different rules apply for the calculation of the solvency margin to non-life and life insurance companies. One third of the solvency margin is defined as the guarantee fund (*Garantiefonds*).

Regulatory own funds include in particular, (i) the insurance company's share capital less the amount of own shares, (ii) capital reserves, (iii) profit reserves, (iv) retained profits, and (v) with approval of the BaFin, 50% of the not yet paid-in share capital and certain hidden reserves. Additionally, payments received by the insurance company as consideration for the issuance of profit participation rights (*Genussscheine*) and the incurrence of subordinated obligations (*nachrangige Verbindlichkeiten*), will count as own funds under certain conditions, provided that the total own funds represented by profit participation rights and subordinated obligations do not exceed 25% of the total of (i) the insurance company's paid in share capital less own shares, (ii) capital reserves, and (iii) profit reserves and 50% of the required solvency margin (*Solvabilitätsspanne*). On 2 September 2005, the 7th Act amending the VAG (*Siebttes Gesetzes zur Änderung des Versicherungsaufsichtsgesetzes*) has come into force. As a result of this amendment, the VAG now, *inter alia*, provides that up to 50% of the company's own funds (*Eigenmittel*) and 50% of the prescribed solvency margin (*Solvabilitätsspanne*) may consist of proceeds from the issuance of profit participation rights and subordinated obligations provided that subordinated loans with a fixed term may only account for 25% of such own funds or such prescribed solvency margin, as the case may be.

Since 2001, solvency requirements have to be met not only on a single insurance company basis but also on a group level. If an insurance company is a subsidiary of a parent insurance holding company (or reinsurance company), the parent insurance holding company (or reinsurance company) is, for purposes of calculating the group solvency, treated as if it were an insurance company.

With respect to assets necessary to be maintained for securing relevant policies, the law limits the proportion of assets which German insurers may invest in certain categories of investments and imposes restrictions with respect to particular investments.

Private insurance companies in Germany are subject to the supervision by the BaFin. Subsequent to deregulation of the insurance industry in 1994, the principal task of the BaFin has been solvency control and financial monitoring. Insurance companies are required to submit quarterly interim reports, audited annual accounts and statutory annual returns to the BaFin. The BaFin may appoint special agents to protect the interests of policyholders and issue orders relating to the insurers' conduct of business. For insurance companies registered in another EU member state, some exemptions exist.

New insurance products and policies may be offered in Germany without prior approval of the BaFin. Insurers must file a description of new products and policies, and the BaFin may require the modification of terms and conditions or the withdrawal from the market or modification of any contract that does not comply with applicable laws and regulation. The terms of, *inter alia*, all health and life insurance policies are also subject to German consumer protection legislation.

According to the VAG, life and health insurance must be transacted by separate companies from those writing non-life insurance. The combination of composite and life business in one company is not allowed in Germany, although this is permitted for different companies within the same group. Insurance companies are not allowed to carry out non-insurance business, but primary insurers may write reinsurance subject to the respective regulations concerning reinsurance.



For companies which are exclusively involved in reinsurance business these principles do not apply. They are subject to the supervision of the BaFin to a lesser extent.

## Life Insurance

Under German law, German life insurance companies are required, after receiving the authorization to conduct life insurance business, to notify the BaFin of the principles they use to set premium rates and establish actuarial provisions, and of any intention to alter or amend these principles. German life insurance companies are also required to appoint a chief actuary responsible for reviewing and ensuring appropriateness of actuarial calculation methods. Prior to the appointment, the insurer must provide the BaFin with the name and the facts required to determine the professional qualification and the reliability of the envisaged actuary. Before and after the appointment, the BaFin is entitled to request that the insurer appoints another actuary if the BaFin has doubts as to the professional qualifications of the appointed actuary. In case the second appointee does not meet the professional requirements expected, or the insurer does not appoint another actuary, the BaFin may appoint an appropriate actuary.

The BaFin closely monitors the calculation of actuarial reserves and the allocation of assets covering actuarial reserves. Assets covering actuarial reserves are also monitored by an independent trustee (*Treuhänder*). The rules governing the appointment of the trustee are similar to those governing the appointment of the actuary. The BaFin may issue supplemental instructions to an insurer if deemed necessary to safeguard the interests of policyholders.

For policies issued until 1994, German life insurance companies are obliged by the relevant regulations to allocate at least 90 % of their annual surplus for the benefit of policyholders. In 1994 and 1996, the laws and regulations were modified, and for policies written since 30 June 1994, German life insurance companies are obliged by the modified regulations to allocate at least 90 % of their net interest yield on assets corresponding to technical reserves for the benefit of the policyholders. In addition, holders of policies written after 30 June 1994 are entitled to participate in “appropriate amounts” of profit from sources other than assets, mainly from earnings related to risk management and cost management. The amount required to be allocated to policyholders may be used to increase directly a policyholder's profit participation or to contribute to the reserves for premium refunds (*Rückstellung für Beitragsrückerstattung*). In general, the amount contributed to the reserves for premium refunds may be used only for the policyholders' profit participation. In the event of an overall loss and to avoid an emergency situation, the insurer may use parts of the reserves for premium refunds to cover the loss with the approval of the BaFin if doing so is in the interest of the policyholders. The reserves for premium refunds are accordingly included in the calculation of the life insurer's solvency margin. The respective determinations and calculations are based on German statutory accounting principles. These statutory accounting principles were amended in March 2002 with respect to impairment charges for equity, investment funds and other fixed-interest rate and non-fixed-interest rate securities. This amendment had a stabilizing effect on statutory profits and profit participation.

## Accounting Provisions

Insurance companies are also subject to the specific accounting provisions contained in Sections 341 *et seq.* of the HGB. Generally, an insurance company is obliged to form actuarial reserves (*versicherungstechnische Rückstellungen*) also to the extent that this is necessary, according to reasonable business judgment, in order to ensure lasting performability of obligations arising from the insurance contracts entered into by it.

Actuarial reserves are to be formed pursuant to Section 341 e(2) HGB particularly (i) for that part of the premiums which constitutes yield for a certain time after the execution date (premium carry-forwards), (ii) for success-dependent and success-independent premium returns, to the extent that statutory law, articles of association, declaration according to the business plan or contractual agreement secures exclusive use of the reserve for the purpose (reserve for premium return) and (iii) for losses anticipated after the close of the fiscal year out of contracts concluded up to the end of the fiscal year (reserve for threatened losses from insurance business). Pursuant to § 341 f HGB premium reserve funds (*Deckungsrückstellungen*) must be created for the obligations arising from life insurance business and insurance business operated as life insurance in the amount of their actuarially calculated value including surplus bonuses already assigned (excluding interest-bearing accumulated surplus bonuses) and after deduction of the actuarially calculated cash value of future premiums (prospective method). If calculating the value of future obligations and of future premiums is not possible, the calculation is to be performed on the basis of accrued interest receipts and outlays of the previous fiscal years (retrospective method). In forming the premium reserve funds (*Deckungsrückstellungen*), the interest rate obligations incurred in respect of the policyholders are also to be considered to the extent that current or expected asset yields of the insurance company are not sufficient to cover such obligations. In addition, Section 341 g HGB requires insurance companies to form reserves for obligations from insurance cases that have arisen up to the end of the fiscal year from but have not yet been settled; for insurance cases which have arisen by the close of the fiscal year but which have not yet been reported in inventory capture, the reserve is to be assessed as a lump sum, taking into account previous experience in respect of the number of insurance cases reported after the close of the fiscal year and the extent of the expenses associated therewith.

## **RATING**

The Notes have been rated “BBB” by S&P on 14 February 2006 and “BBB+” by Fitch Ratings on 13 February 2006.

The rating of the Notes addresses the likelihood of full and timely payments of interest and the ultimate repayment of principal to the holders of the Notes, as described herein. The rating takes into consideration the structural, legal, tax and Issuer-related aspects associated with the Notes. However, the ratings assigned to the Notes do not represent any assessment of the likelihood of principal prepayments. The ratings do not address the possibility that the Noteholders might suffer a lower than expected yield due to prepayments.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency.

The Issuer has not requested a rating of the Notes by any rating agency other than S&P and Fitch Ratings; there can be no assurance, however, as to whether any other rating agency will rate the Notes or, if it does, what rating would be assigned by such other rating agency. The rating assigned to the Notes by such other rating agency could be lower than the rating assigned by S&P and Fitch Ratings.

## TAXATION

The following is a general summary description of certain tax considerations relating to the Notes. It is not intended as tax advice and does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their tax advisers as to the consequences, under the tax laws of the country in which they are resident for tax purposes and any other tax laws which may apply to them and/or their holding, including laws of Luxembourg and the Federal Republic of Germany, of acquiring, holding and disposing of Notes and receiving payments of principal, interest and other amounts under the Notes. This summary is based upon the laws in force and their interpretation on the date of this Prospectus and is subject to any change in law or interpretation that may take effect after such date.

### Luxembourg

#### *Withholding Tax*

##### *Non-Residents*

Under Luxembourg tax law currently in effect and *except* as provided for by the law of 21 June 2005 (the “**June 2005 Law**”) implementing the Directive 2003/48/EC on taxation of savings income in the form of interest payments (the “**EU Savings Directive**”), there is no withholding tax for non-resident holders of the Notes on payments of interest (including accrued but unpaid interest) and on payments received upon redemption or repayment of the principal or upon an exchange of the Notes.

On 3 June 2003, the European Council approved the EU Savings Directive and under the related Accords with certain independent or associated territories and certain non-EU Member States (together the “**relevant States**”), EU Member States will be required to provide to the fiscal authorities of another EU Member State and all the relevant States details of payments of interest or similar income made by a person within its jurisdiction to an individual resident in that other EU Member State or a State, except that Austria, Belgium and Luxembourg will instead operate a withholding system for a transitional period in relation to such payments unless during such period they elect otherwise.

Under the June 2005 Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual or certain residual entities as defined by law, who as a result of an identification procedure implemented by the paying agent are identified as *residents* or are deemed to be *residents* of an EU Member State or a relevant State other than Luxembourg, will be subject to a withholding tax unless the relevant beneficiary has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her country of residence or deemed residence or has provided a tax certificate from his/her fiscal authority in the format required by law to the relevant paying agent.

Where withholding tax is applied, payments of interest and similar income will be subject to a withholding to be made by the relevant paying agent at the initial rate of 15 % during the first three-year period starting 1 July 2005, at a rate of 20 % for the subsequent three-year period and at a rate of 35 % thereafter.

When used in the preceding three paragraphs “**interest**” and “**paying agent**” have the meaning given thereto in the June 2005 Law (or the relevant Accords). “**Interest**” will include accrued or capitalised interest at the sale, repayment or redemption of the Notes. “**Paying Agent**” is defined broadly for this purpose and in the context of the Notes means any economic operator established in Luxembourg who pays interest on the Notes to or ascribes the payment of such interest to or for the immediate benefit of the beneficial owner, whether the operator is, or acts on behalf of, the Issuer or is instructed by the beneficial owner to collect such payment of interest.

Payments of interest or similar income under the Notes to the clearing systems and payments by or on behalf of Clearstream Banking, *société anonyme*, Luxembourg, to financial intermediaries will not give rise to a withholding tax under Luxembourg law.

##### *Residents*

Interest on Notes paid by a Luxembourg paying agent to an individual holder who is a resident of Luxembourg will be subject to withholding tax of 10 % which will operate a full discharge of income tax due on such payments.

Interest on Notes paid by a Luxembourg paying agent to residents of Luxembourg, which are not individuals, will not be subject to any withholding tax.

## ***Income deriving from the Notes***

### ***Non-Resident Holders***

Noteholders, who are non-residents of Luxembourg and who do not hold the Notes through a permanent establishment (including a Luxembourg based partnership with an active business or trade in Luxembourg) or a permanent representative in Luxembourg are not liable to any Luxembourg income tax, whether they receive payments of interest (including accrued but unpaid interest), or payments upon redemption, repayment of principal or exchange of the Notes, or realise capital gains on the sale of any Security.

### ***Residents – General***

Holders of the Notes will not become residents, or be deemed to be resident in Luxembourg by reason only of the holding of the Notes.

Noteholders who are tax residents of Luxembourg or non-residents who have a permanent establishment (including a Luxembourg based partnership with an active business or trade in Luxembourg) or a permanent representative in Luxembourg with which the holding of the Notes is connected or to which the Notes are attributable, must for income tax purposes include any interest and other income received or accrued in their taxable income. Individuals who are tax residents in Luxembourg are deemed having been taxed on net income if the withholding tax at the payment rate of 10% referred to above has been levied. These Holders will not be liable to any Luxembourg income tax on repayment of principal of the Notes.

### ***Luxembourg Resident Individuals***

Luxembourg resident individual Noteholders who do not hold Notes as business assets are not subject to taxation on capital gains upon the disposal of the Notes, unless the disposal of the Notes precedes the acquisition of the Notes, or the Notes are disposed of within six months of the date of their acquisition. Upon a repurchase, redemption or exchange of the Notes, individual Luxembourg resident Noteholders must however include the portion of the repurchase, redemption or exchange price corresponding to accrued but unpaid interest in their taxable income. Luxembourg resident individual holders of Notes who hold the Notes as business assets are subject to tax as described below under “Luxembourg Resident Companies”.

### ***Luxembourg Resident Companies***

Luxembourg resident companies (*sociétés de capitaux*) holding Notes, Noteholders or foreign entities of the same type which have a permanent establishment or a permanent representative in Luxembourg to which or to whom the Notes are attributable or with which or whom the holding of the Notes is connected, must include in their taxable income interest accrued in the Notes and, on a sale repurchase, redemption or exchange, the difference between the sale, repurchase, redemption or exchange price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold, repurchased, redeemed or exchanged.

### ***Luxembourg Resident Companies with Special Tax Regime***

Luxembourg resident Noteholders who are holding companies subject to and benefiting from the law of 31 July 1929 or undertakings for collective investment subject to the laws of 30 March 1988, 19 July 1991 and 20 December 2002 are not subject to any Luxembourg tax on income received or accrued on the Notes or gains realized upon their sale or disposal.

### ***Net Wealth Tax***

Luxembourg net wealth tax will not be levied on a Noteholder unless such Notes are connected with or attributable to an enterprise or part thereof which is carried on in Luxembourg or through a permanent establishment or a permanent representative of a non-resident company in Luxembourg. In such a case, the Noteholder must take the Notes into account for the purposes of Luxembourg wealth tax, except if the Noteholder is governed by any of the following: (i) the law of 31 July 1929 on pure holding companies; (ii) the laws of 30 March 1988, 19 July 1991 and of 20 December 2002 on undertakings for collective investment; (iii) the law of 22 March 2004 on securitization; and (iv) the law of 15 June 2004 on the investment company in risk capital.

## ***Other Tax Consequences***

### ***Stamp Taxes and Transfer Taxes***

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, repurchase or redemption of the Notes.

### ***Gift Taxes***

No estate or inheritance tax is levied on the transfer of Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes and no gift tax is levied upon a gift of Notes if the gift is not passed in front of a Luxembourg notary or recorded in a deed registered in Luxembourg. Where a Noteholder is a resident for tax purposes of Luxembourg at the time of his death, the Notes are included in its taxable estate for inheritance tax or estate tax purposes.

## **Federal Republic of Germany**

The following is a general discussion of certain German tax consequences of the acquisition and ownership of Notes. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of Germany currently in force and as applied on the date of this prospectus, which are subject to change, possibly with retroactive or retrospective effect.

**PROSPECTIVE PURCHASERS OF NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES, UNDER THE TAX LAWS OF GERMANY AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS.**

### ***Tax Residents***

Payments of interest on the Notes to persons who are tax residents of Germany (*i. e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) are subject to German personal or corporate income tax (plus solidarity surcharge (*Solidaritätszuschlag*)). Such interest may also be subject to trade tax if the Notes form part of the property of a German trade or business.

Upon the disposition of a Note carrying interest a holder of the Note will also have to include in his taxable income any consideration invoiced separately for such portion of the interest of the current interest payment period which is attributable to the period up to the disposition of the Note (“**Accrued Interest**”). Accrued Interest paid upon the acquisition of the Notes may be declared as negative income if the Note is held as a non-business asset.

If for the determination of the issue price of the Note the redemption amount is reduced by a discount or if the redemption amount is increased as compared with the issue price of the Note (as, for example, in the case of a discounted Note or a Note with accrued interest added), the difference between the redemption amount and the issue price of the Note (“**Original Issue Discount**”) realized when a Note held as a non-business asset is redeemed to its initial subscriber will be taxable investment income, however, only if the Original Issue Discount exceeds certain thresholds; in such case, the Note qualifies as a financial innovation under German tax law.

If the Note qualifies as a financial innovation (*Finanzinnovation*) (including, among other things, zero coupon Notes or other discounted Notes or Notes with accrued interest added as well as floating rate Notes) and is disposed of while outstanding or redeemed at maturity, such portion of the proceeds from the disposition of the Note or of the redemption amount of the Note which equals the yield to maturity of the Note attributable to the period over which the holder has held such Note, minus interest, including Accrued Interest, already taken into account, will be subject to income tax (plus solidarity surcharge), provided the holder of the Note is an individual. The yield to maturity is determined by taking into account the Original Issue Discount. If the Notes do not have a predetermined yield to maturity (e. g. in the case of floating rate Notes) or the holder does not give proof thereof, the difference between the proceeds from the disposition, assignment or redemption and the issue or purchase price of the Note is subject to income tax (plus solidarity surcharge) in the year of the disposition, assignment, or redemption of the Note. Where a Note forms part of the property of a German trade or business, in each fiscal year the yield to maturity of the Note to the extent attributable to such period has to be taken into account as interest income by the initial subscriber of the Note and is subject to personal or corporate income tax (plus solidarity surcharge) and trade tax.



Capital gains from the disposition of Notes, other than income described in the preceding paragraph, are only taxable to a German tax-resident individual if the Notes are disposed of within one year after their acquisition or form part of the property of a German trade or business. In the latter case the capital gains may also be subject to trade tax.

Capital gains derived by German-resident corporate holders of Notes will be subject to corporate income tax (plus solidarity surcharge) and trade tax, even if the Notes do not qualify as financial innovations.

If the Notes are held in a custodial account which the Noteholder maintains with a German branch of a German or non-German bank or financial services institution (the “**Disbursing Agent**”) a 30% withholding tax on interest payments (*Zinsabschlag*), plus 5.5% solidarity surcharge on such tax, will be levied, resulting in a total tax charge of 31.65% of the gross interest payment. Withholding tax is also imposed on Accrued Interest. If the Notes qualify as financial innovations, as explained above, withholding tax at the aforementioned rate will also be withheld from the difference between the proceeds from the disposition, assignment or redemption and the issue or purchase price of the Notes if the Note has been kept in a custodial account with such Disbursing Agent since the time of issuance or acquisition, respectively. If the Notes have been transferred into the custodial account of the Disbursing Agent only after such point in time, withholding tax at the aforementioned rate will be levied on a lump-sum basis on 30% of the proceeds from the disposition, assignment or redemption of the Notes.

In computing the tax to be withheld the Disbursing Agent may deduct from the basis of the withholding tax any Accrued Interest paid by the holder of a Note to the Disbursing Agent during the same calendar year. In general, no withholding tax will be levied if the holder of a Note is an individual (i) whose Note does not form part of the property of a German trade or business nor gives rise to income from the letting and leasing of property, and (ii) who filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent but only to the extent the interest income derived from the Note together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the holder of the Note has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office.

Withholding tax and the solidarity surcharge thereon are credited as prepayments against the German personal or corporate income tax and the solidarity surcharge liability of the German resident. Amounts overwithheld will entitle the holder of a Note to a refund, based on an assessment to tax.

### ***Nonresidents***

Interest, including Accrued Interest and (in the case of financial innovations) Original Issue Discount, and capital gains are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder of a Note or (ii) the interest income otherwise constitutes German source income (such as income from the letting and leasing of certain German-situs property). If the non-resident of Germany is subject to German taxation with income from the Notes, a tax regime similar to that explained above at “Tax Residents” applies; capital gains from the disposition of Notes are, however, only taxable in the case of (i).

Nonresidents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a Disbursing Agent, withholding tax is levied as explained above at “Tax Residents”.

### ***Inheritance and Gift Tax***

No inheritance or gift taxes with respect to any Note will arise under the laws of Germany, if, in the case of inheritance tax, neither the decedent nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

### ***Other Taxes***

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax is not levied in Germany.

## ***EU Savings Tax Directive***

On 3 June 2003 the Council of the European Union approved a directive regarding the taxation of savings income in the form of interest payments (the “**EU Savings Tax Directive**”). Accordingly, each EU Member State must require paying agents (within the meaning of such directive) established within its territory to provide to the competent authority of this state details of the payment of interest made to any individual resident in another EU Member State as the beneficial owner of the interest. The competent authority of the EU Member State of the paying agent (within the meaning of the EU Savings Tax Directive) is then required to communicate this information to the competent authority of the EU Member State of which the beneficial owner of the interest is a resident.

For a transitional period, Austria, Belgium and Luxembourg may opt instead to withhold tax from interest payments within the meaning of the EU Savings Tax Directive at a rate of 15% for the first three years from application of the provisions of such directive, of 20% for the subsequent three years, and of 35% from the seventh year after application of the provisions of such directive.

In conformity with the prerequisites for the application of the EU Savings Tax Directive, Switzerland, Liechtenstein, San Marino, Monaco and Andorra have confirmed that from 1 July 2005 they will apply measures equivalent to those contained in such directive, in accordance with agreements entered into by them with the European Community. It has also been confirmed that certain dependent or associated territories (the Channel Islands, the Isle of Man and certain dependent or associated territories in the Caribbean) will apply from that same date an automatic exchange of information or, during the transitional period described above, a withholding tax in the described manner. Consequently, the Council of the European Union noted that the conditions have been met to enable the provisions of the EU Savings Tax Directive to enter into force as from 1 July 2005.

By legislative regulations dated 26 January 2004 the German Federal Government enacted the provisions for implementing the EU Savings Tax Directive into German law. These provisions apply as from 1 July 2005.

Noteholders who are individuals should note that the Issuer will not pay additional amounts under § 6 (ii) of the Terms and Conditions of the Notes in respect of any withholding tax imposed as a result of the EU Savings Tax Directive.

The following is a summary of certain material German tax consequences of purchasing, owning and disposing of the Notes. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own or dispose of the Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary does not allow any conclusions to be drawn with respect to issues not specifically addressed. This summary is based on the laws of Germany currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

## SUBSCRIPTION AND SALE

### Subscription of the Notes

Pursuant to a subscription agreement dated 14 February (the **"Subscription Agreement"**) between the Issuer and the Managers, the Managers have agreed, subject to certain customary closing conditions, to subscribe for and purchase the Notes on 16 February at a price of 99.48 % of their aggregate principal amount (equivalent to € 994.8 per Note) (the **"Issue Price"**) less certain management and underwriting commissions as agreed in the Subscription Agreement. The Issue Price is to be determined in a book building process. The Issuer has furthermore agreed to reimburse the Managers for certain expenses incurred in connection with the issue of the Notes.

In the Subscription Agreement, the Issuer has made certain representations and warranties in respect of its legal and financial matters. The Subscription Agreement entitles the Managers to terminate its obligations thereunder in certain circumstances prior to payment of the purchase price of the Notes. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes. The Issuer has also agreed to reimburse the Managers for certain of their expenses incurred in connection with the management of the issue of the Notes. The Subscription Agreement is governed by German law.

The Managers (or their affiliates) have provided from time to time, and expect to provide in the future, investment services to the Issuer (or its affiliates), for which the Managers (or their affiliates) have received or will receive customary fees and commissions.

There are no interests of natural and legal persons involved in the issue, including conflicting ones, that are material to the issue.

### Selling Restrictions

#### *European Economic Area*

In relation to each Member State of the European Economic Area<sup>(1)</sup> which has implemented the Prospectus Directive (each, a **"Relevant Member State"**), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the **"Relevant Implementation Date"**) it has not made and will not make an offer of Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last fiscal year; (2) a total balance sheet of more than € 43,000,000 and (3) an annual turnover of more than € 50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **"Prospectus Directive"** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

#### *United States of America and its Territories*

The Notes have not been and will not be registered under the Notes Act and may not be offered, or sold within the United States or to, or for the account or benefit of, U. S. persons except in accordance with Regulation S under the Notes Act. Each Manager has represented and agreed that it has offered and sold the Notes, and will offer and sell the Notes (i) as part of its distribution at

<sup>(1)</sup> The EU plus Iceland, Norway and Liechtenstein.

any time and (ii) otherwise until 40 days after the completion of the distribution of all the Notes only in accordance with Rule 903 of the Regulation S under the Notes Act. Neither the Managers, their affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S under the Notes Act. Each Manager has also agreed that at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by each Manager, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them in Regulation S under the Securities Act.”

Terms used in the preceding paragraphs have the meaning given to them by Regulation S under the Securities Act.

In addition, each Manager has represented and agreed that:

- (a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5 (c)(2)(i)(D) (the “**TEFRA D Rules**”), (i) it has not offered or sold, and during the restricted period will not offer or sell, directly or indirectly, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and will not deliver, directly or indirectly, within the United States or its possessions definitive Notes in bearer form that are sold during the restriction period;
- (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by a TEFRA D Rules;
- (c) if it was considered a United States person, that is acquiring the Notes for purposes of resale in connection with their original issuance and agrees that if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of TEFRA D Rules; and
- (d) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period that it will either (i) repeat and confirm the representations and agreements contained in sub-clauses (a), (b) and (c); or (ii) obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-clauses (a), (b) and (c).

Terms used in the preceding paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA D Rules.

### ***United Kingdom***

Each Manager has represented and agreed that:

- (a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (“**FSMA**”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

As used herein, “**United Kingdom**” means the United Kingdom of Great Britain and Northern Ireland.

## France

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, Notes to the public in France and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France the Prospectus or any other offering material relating to the Notes and that any offer, sale and distribution has been and will only be made in France to qualified investors (*investisseurs qualifiés*) acting for their account, all as defined in, and in accordance with, articles L.411-1 and L.411-2 of the French *Code monétaire et financier* and décret n°98-880 dated 1 October 1998. Notes may only be issued, directly or indirectly, to the public in France in accordance with articles L.411-1, L.411-2, L.412-1 and L.621-8 of the French *Code monétaire et financier*.

Prospective investors are hereby informed that: (i) this Prospectus has not been submitted for clearance to the French financial market authority (*Autorité des Marchés Financiers*); (ii) in accordance with the décret n°98-880 dated 1 October 1998 any investors subscribing the Notes in France should be acting for their own account.

## Italy

The offering of the Notes has not been and will not be registered pursuant to the Italian securities legislation and the Notes – be it in the primary or in the secondary market – may not be offered, sold and/or delivered to any individuals in Italy, nor may any document relating to the Notes be distributed to any individuals in Italy. Accordingly, the Managers have represented that they have not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in a solicitation to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations.

The Managers have represented that they will not offer, sell or deliver either in the primary or secondary market any Notes or distribute copies of the Prospectus or any other document relating to the Notes in the Republic of Italy except to “Professional Investors” (which does not include individuals), as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1st July 1998 (“**Regulation No. 11522**”), as amended, pursuant to Articles 30.2 and 100 of Legislative Decree No. 58 of 24th February 1998, as amended (“**Decree No. 58**”), or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided by Decree No. 58 or CONSOB Regulation No. 11971 of 14th May 1999, as amended, applies, provided however, that any such offer, sale or delivery of Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1st September 1993, as amended (“**Decree No. 385**”), Decree No. 58, Regulation No. 11522 and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy (*Istruzioni di vigilanza della Banca d'Italia*), pursuant to which the issue, offer or placement of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending, *inter alia*, on the aggregate amount of the Notes, offered or placed in Italy and their characteristics, applies; and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

## General

In addition to the specific restrictions set out above, the Managers agree that they will, to their best knowledge and belief, observe all applicable provisions of law in each jurisdiction in or from which it may offer Notes or distribute any offering material.



## USE OF PROCEEDS

The net proceeds from the issuance of the Notes will amount to approximately € 129,324,000 and are intended to be used for general corporate purposes and to enhance the Issuer's capitalisation, in particular with a view to support compliance with future regulatory and rating requirements (*inter alia* with respect to Solvency II), and support future growth.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into this Prospectus:

- the following elements of the English language Excerpt from the Annual Report of the Issuer of 2003
- the audited *consolidated* financial statements of the Issuer for the fiscal year ended on 31 December 2003 prepared in accordance with the German Commercial Code (*Handelsgesetzbuch* – “HGB”) consisting of:
  - Balance Sheet (pages 38 to 41 in the English language Excerpt from the Annual Report of 2003),
  - Income Statement (pages 42 to 44 in the English language Excerpt from the Annual Report of 2003),
  - Cash Flow Statement (page 74 in the English language Excerpt from the Annual Report of 2003),
  - Notes (pages 53 to 82 in the English language Excerpt from the Annual Report of 2003),
- the Auditors’ Report on the audited consolidated financial statements of the Issuer for the fiscal year ended on 31 December 2003 (pages 131 to 132 in the English language Excerpt from the Annual Report of 2003),
- the audited *unconsolidated* financial statements of the Issuer for the fiscal year ended on 31 December 2003 prepared in accordance with the HGB consisting of:
  - Balance Sheet (pages 46 to 49 in the English language Excerpt from the Annual Report of 2003),
  - Income Statement (pages 50 to 52 in the English language Excerpt from the Annual Report of 2003),
  - Notes (pages 53 to 82 in the English language Excerpt from the Annual Report of 2003),
- the Auditors’ Report on the audited unconsolidated financial statements of the Issuer for the fiscal year ended on 31 December 2003 (pages 131 to 132 in the English language Excerpt from the Annual Report of 2003),
- the following elements of the English language Annual Report of the Issuer of 2004
- the audited *consolidated* financial statements of the Issuer for the fiscal year ended on 31 December 2004 prepared in accordance with the HGB consisting of:
  - Balance Sheet (page 34 to 37 in the English language Annual Report of 2004),
  - Income Statement (pages 38 to 40 in the English language Annual Report of 2004),
  - Cash Flow Statement (page 68 in the English language Annual Report of 2004),
  - Notes (pages 49 to 74 in the English language Annual Report of 2004),
- the Auditors’ Report on the audited consolidated financial statements of the Issuer for the fiscal year ended on 31 December 2004 (page 127 in the English language Annual Report of 2004),
- the audited *unconsolidated* financial statements of the Issuer for the fiscal year ended on 31 December 2004 prepared in accordance with the HGB consisting of:
  - Balance Sheet (pages 42 to 45 in the English language Annual Report of 2004),
  - Income Statement (pages 46 to 48 in the English language Annual Report of 2004),
  - Notes (pages 49 to 74 in the English language Annual Report of 2004),
- the Auditors’ Report on the audited unconsolidated financial statements of the Issuer for the fiscal year ended on 31 December 2004 (page 127 in the English language Annual Report of 2004).

Any information not listed in the cross-reference table but included in the documents incorporated by reference is given for information purposes only. The English language Annual Report of 2004 is an abridgement of its German language original. The English language Excerpt from the Annual Report of 2003 is a partial English language translation of the German language original of the Annual Report of 2004, comprising only the audited consolidated and unconsolidated statements of the Issuer for the fiscal year ended on 31 December 2003 as well as the Auditors’ Report in relation thereto. With respect to and limited to the documents incorporated by reference herein, the Issuer accepts the responsibility for the accurate preparation of the translation of the English language Annual Report of 2004 from its German original and of the English language Excerpt from the Annual Report of 2003 from the corresponding parts of the German language original of the Annual Report of 2003. Copies of the documents incorporated by reference as well as this Prospectus (including any supplements thereto) are available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). In addition, the documents incorporated by reference and the articles of association (*Satzung*) of the Issuer may be inspected and are available free of charge at Deutsche Bank Luxembourg S.A., 2, Boulevard Konrad Adenauer, L-1115 Luxembourg as long as any Notes are listed on the market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission and the rules of such stock exchange so require.

## GENERAL INFORMATION

### Authorisation

The issue of the Notes has been authorised by resolutions of the Management Board (*Vorstand*) of the Issuer on 7 October 2005, as reaffirmed on 24 January 2006, and the Supervisory Board (*Aufsichtsrat*) of the Issuer on 9 October 2005.

### Legal and Arbitration Proceedings

Save as disclosed in this Prospectus, there are currently no, and the Issuer or any of its subsidiaries has or have not been involved in any, governmental, legal or arbitration proceedings during the period of the last twelve months, against or affecting the Issuer or any of its subsidiaries, nor is the Issuer aware of any pending or threatened proceedings, which (in either case) may have or have had in the recent past significant effects on the Issuer's or the Issuer's group's financial position or profitability.

### Material Change

Save as disclosed in this Prospectus, there has been no material adverse change in the prospects of the Issuer since 31 December 2004 and 30 September 2005.

### Payment Information

For as long as any of the Notes are listed on the Luxembourg Stock Exchange, the Luxembourg Stock Exchange will be informed by the Issuer of all notifications regarding payments.

Payments and transfers of the Notes will be settled through Euroclear and Clearstream Luxembourg.

All notices to the Noteholders regarding the Notes will be published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be "*d'Wort*") or in such other publication or manner conforming to the rules of the Luxembourg Stock Exchange.

### Luxembourg Listing

Application has been made to list the Notes on the Luxembourg Stock Exchange. The Notes are expected to be traded on the regulated market from 16 February 2006.

The Issuer has appointed Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, Grand Duchy of Luxembourg, as the initial listing agent for the Luxembourg Stock Exchange and as initial Luxembourg paying agent in the City of Luxembourg. For as long as any of the Notes are listed on the Luxembourg Stock Exchange the Issuer will maintain a Luxembourg listing and paying Agent in Luxembourg.

### Securities Codes

The Notes have been accepted for clearing by Euroclear and Clearstream Luxembourg with the following security identification numbers:

ISIN Code:	XS0244204003
Common Code:	024420400
WKN ( <i>German Securities Code</i> ):	A0H5QT

### Availability of Documents

For so long as any Notes are outstanding, copies of the following documents may be inspected during normal business hours at the specified office of each Paying Agent and as long as the Notes are listed on the regulated market of the Luxembourg Stock Exchange the documents set out under (iii) and (iv) below will be available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)):

- (i) the Articles of Association (*Satzung*) of the Issuer;
- (ii) the confirmation of the authorisation of the issue of the Notes by the Issuer;
- (iii) this Prospectus;
- (iv) the documents incorporated by reference herein (see “DOCUMENTS INCORPORATED BY REFERENCE”);
- (v) the Subscription Agreement;
- (vi) the Agency Agreement.

### **Documents on Display**

For the life of this Prospectus, the Articles of Association and the documents incorporated by reference into this Prospectus (see “DOCUMENTS INCORPORATED BY REFERENCE”) are available in electronic form under [www.wuerttembergische.de](http://www.wuerttembergische.de).

### **Legend of the Notes**

The Temporary Global Note and the Permanent Global Note will each bear the following legend:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

### **Yield of the Notes**

The initial return on the issue (yield) is expected to be approximately 5.446 %, calculated in accordance with the ICMA (International Capital Market Association) Rule 251 (Act/Act).

### **Expenses of the Issue**

The expenses of the issue of the Notes will be approximately € 715,000.

#### **ISSUER**

Württembergische Lebensversicherung AG  
Gutenbergstrasse 30  
D-70176 Stuttgart  
Germany

#### **PRINCIPAL PAYING AND CALCULATION AGENT**

Deutsche Bank Aktiengesellschaft  
Trust & Securities Services  
Grosse Gallusstrasse 10–14  
D-60272 Frankfurt am Main  
Germany

#### **LUXEMBOURG LISTING AGENT**

Deutsche Bank Luxembourg S. A.  
2 Boulevard Konrad Adenauer  
L-1115 Luxembourg  
Grand Duchy of Luxembourg

#### **LUXEMBOURG PAYING AGENT**

Deutsche Bank Luxembourg S. A.  
2 Boulevard Konrad Adenauer  
L-1115 Luxembourg  
Grand Duchy of Luxembourg

#### **LEAD MANAGER**

Deutsche Bank AG, London Branch  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

#### **CO-LEAD MANAGER**

DZ BANK AG  
Deutsche Zentral-Genossenschaftsbank,  
Frankfurt am Main  
Platz der Republik  
D-60265 Frankfurt am Main  
Germany

**LEGAL ADVISORS**

To the Lead Manager:

*as to German law:*

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**AUDITOR**

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Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft  
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