# Annual Report 2022

## Wüstenrot & Württembergische AG

w&w gruppe

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

# Wüstenrot & Württembergische AG

## W&W Group (according to IFRS)

| Consolidated balance sheet | | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| Total assets | € bn | 65.5 | 75.2 |
| Capital investments | € bn | 36.9 | 48.8 |
| Senior fixed income securities | € bn | 4.7 | 9.0 |
| Senior debenture bonds | € bn | 17.6 | 24.9 |
| Building loans | € bn | 25.4 | 23.8 |
| Liabilities to customers | € bn | 22.9 | 22.6 |
| Technical provisions | € bn | 30.9 | 38.4 |
| Equity | € bn | 3.7 | 4.9 |
| Equity per share | € | 39.66 | 51.72 |

| Consolidated profit and loss statement | | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|---|
| Net financial result (after credit risk adjustments) | € mn | 129.8 | 2 509.2 |
| Premiums/contributions earned (net) | € mn | 4 376.5 | 4 638.4 |
| Insurance benefits (net) | € mn | −2 692.0 | −5 149.7 |
| Earnings before income taxes from continued operations | € mn | 353.5 | 480.7 |
| Consolidated net profit | € mn | 261.5 | 352.2 |
| Total comprehensive income | € mn | −1 101.0 | −151.4 |
| Earnings per share | € | 2.77 | 3.74 |

| Other information | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Employees (full-time equivalent head count) | 6 306 | 6 307 |
| Employees (number of employment contracts) | 7 390 | 7 458 |

| Key sales figures | | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|---|
| **Group** | | | |
| Gross premiums written | € mn | 4 495.3 | 4 718.5 |
| New construction financing business (including brokering for third parties) | € mn | 6 498.1 | 6 898.2 |
| **Housing** | | | |
| New home loan savings business (gross) | € mn | 18 719.7 | 11 744.7 |
| New home loan savings business (net) | € mn | 13 884.9 | 9 968.3 |
| **Life and Health Insurance** | | | |
| Gross premiums written | € mn | 2 173.0 | 2 543.0 |
| New premiums life insurance | € mn | 3 284.4 | 3 997.9 |
| **Property/Casualty Insurance** | | | |
| Gross premiums written | € mn | 2 336.2 | 2 192.0 |
| New premiums (measured in terms of annual contributions to the portfolio) | € mn | 342.9 | 352.3 |

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

| | | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|---|
| Net income | €.mn | 119.4 | 111.7 |
| Dividend per share[1] | € | 0.65 | 0.65 |
| Share price at year-end | € | 15.44 | 17.66 |
| Market capitalisation at year-end | €.mn | 1 477.0 | 1 654.2 |

1 Subject to approval by the Annual General Meeting.

# Financial calendar

### Annual General Meeting

| | |
|---|---|
| Annual General Meeting | Tuesday, 23 May 2023 |

### Financial reports

| | |
|---|---|
| 2022 Annual Report | Friday, 31 March 2023 |
| Interim management statement as at 31 March | Wednesday, 31 May 2023 |

# Wüstenrot & Württembergische AG Contents

# Letter to shareholders W&W AG

Jürgen A. Junker, Chairman of the Executive Board

## “A real customer focus is the key factor for success in the marketplace”

Dear shareholders,

We experienced another successful financial year in 2022: The W&W Group grew its business, gained market share and customers, and achieved a business performance that was more than solid overall. At around €260 million, our Group’s net profit for 2022 was above our long-term target range of €220 million to €250 million.

These achievements are certainly not the result of support from the macroeconomic environment. Indeed, there was no such support to be had. After we had finally put the coronavirus pandemic to bed, Russia’s war against Ukraine, the steep rise in inflation and the general recessionary tendencies put a strain on the entire financial sector, including the W&W Group. The valuation of our investments required by IFRS accounting rules produced significant declines in our net financial result.

The most important thing, though, is this: We handled these challenges. Our company has once again proven to be stable, resilient and well positioned for the future, even in this difficult period. This strength is also one of the positive consequences of W&W’s transformation, initiated around six years ago, into an innovative, digitally strong and highly motivated Group focused on the needs of its customers. We have shown what we can do when bringing about change and overcoming challenges. “W&W”: First and foremost, W&W is the people who work at our company every day to benefit our customers. I would therefore like to warmly thank all the employees who have made such an impressive contribution to the company’s success.

We were particularly pleased with Wüstenrot’s home loan and savings business last year. The interest rate reversal, which has now reached Europe’s shores, played a significant role in achieving the best new business in the history of our home loan and savings bank. The gross volume of new business increased around 60 per cent year-on-year, well above the market level. The resurgence in home loan savings is good macroeconomic news as well since it drives a desirable increase in the home ownership rate in Germany. New construction financing business on the company’s own books grew around 5 per cent to €4.6 billion.

Württembergische saw very strong growth in new business in the Insurance division, still-satisfying claims experience in property/casualty insurance as well as growth in pension schemes (bAV) within Life and Health Insurance. However, all that operational growth did not stop us from keeping costs under control: General administrative expenses, for example, increased less than 5 per cent across the Group, which is significantly lower than the inflation rate in Germany.

And last but not least, we also made significant progress in our ambitious digital strategy in 2022. The business we generate via digital channels now makes a substantial contribution to our business volume and the company’s success. It also allows us to concentrate our resources on advising customers, which also has a very positive effect on the success of our business.

Dear shareholders, as you have come to expect from the W&W Group, we also want you to participate appropriately in the company’s success from the last financial year. We are committed to the principle of generating stable dividends and thus providing reliability for our shareholders, customers and employees. For this reason, the Executive Board and Supervisory Board will propose a dividend of €0.65 per share to the Annual General Meeting on 23 May 2023. This is the same amount distributed in the previous year.

The W&W Group's profitable growth trajectory has a lot to do with our increased customer intimacy and customer focus. As we transformed our Group, we worked relentlessly to become better and better every single day. Market studies and our own surveys show that our customers are increasingly satisfied and willing to recommend W&W companies to their friends and family members. We are thrilled by this because our commitment to a real customer focus – and not treating it as "window dressing" – is our most important unique selling proposition and key success factor in the increasingly competitive marketplace.

We believe customer focus is about more than top-notch service and efficient processes. It is a mindset, an inner attitude, about how we interact with our customers and try to accommodate their unique needs and preferences as best as we can. This is true within our organisation, where we respond to new demands with customised products – from sustainable, climate-friendly construction at Wüstenrot to containing cybercrime in the insurance business. And it is true whenever our consultants step outside our offices and show our customers what they are capable of every single day.

When understood and used properly, digitalisation is an important driver of new product development, improved services and thus higher customer satisfaction. Customers have been able to submit claims digitally online since 2021. Health insurance cases are processed within 24 hours if they reach us digitally through the customer portal. Our new W&W customer portal moved us a big step towards integrating the identities of our core brands Württembergische and Wüstenrot in 2022.

Combining new digital products and processes with established capabilities such as security, empathy and high-quality advising is what produces sustainable business models. Basic products are increasingly being purchased via our online insurer Adam Riese, which achieved satisfying growth last year and is a prime example of a customer-centric digital corporate and marketing approach. Direct customer contact remains important for situations requiring in-depth advice, such as natural disasters or pension insurance. That is why we continue to expand our analogue sales channels along with the digital offerings.

Product and service excellence require a productive and modern working environment for our teams. By moving into our new W&W Campus in Kornwestheim at the beginning of 2023, we sent out a visible signal for our transformation. For the first time in our history, all of our Group's units are now located at one site. This sends a clear message, both externally and internally: We are one Group, with the same values and the same goals.

The campus, an investment of around €500 million, provides about 4,000 modern workplaces plus more than 2,000 flexible working spaces for approximately 6,000 employees. The new home we are creating is a place where people can communicate and work together in a simple, direct and modern way, where creativity is encouraged and flexible working is made possible using the latest technology. Kornwestheim is the ideal environment for us to pursue a strong future for our companies and their rightly demanding customers. The new campus symbolises everything that makes our Group special.

Dear shareholders,

We expect the environment to remain very challenging in the current financial year. Inflationary pressure remains high, and although the relevant economic forecasts brightened somewhat at the beginning of the year, almost all of them predict a slight decline in Germany's economic output in 2023.

However, as the W&W Group, we have developed a strength that allows us to think and act based not only on the risks, but above all on the opportunities. If the capital and financial markets remain free of additional upheaval, we expect to reach our target range of €220 million to €250 million in net profit for the current financial year, despite major ongoing challenges. Customer intimacy, innovation, cost efficiency and digitalisation will continue to drive the change that our Group will continue to passionately and vigorously pursue in 2023.

Sincerely yours,

Jürgen A. Junker,
Vorstandsvorsitzender

# Our Management Board

# Together to the future

The W&W Group has separated its activities into two divisions: Housing and Insurance. At Group level various service entities and overall digitalization topics are managed. The Excecutive Board of W&W AG and the heads of the divisions form the Management Board, which serves as the central steering entity of the W&W Group.

## Jürgen A. Junker

CEO of the
W&W Executive Board
Corporate Legal
Audit
Communication
Strategy

## Bernd Hertweck

Head of Housing Division
Chairman of the Executive Board of
Wüstenrot Bausparkasse AG

## Alexander Mayer

CFO of the
W&W Executive Board
Capital Investments
Accounting

## Zeliha Hanning

Head of Insurance Division
Chairwoman of the Executive Board of
Württembergische Versicherung AG and
Member of the Executive Board of
Württembergische
Lebensversicherung AG

## Jürgen Steffan

CRO of the
W&W Executive Board
Human Resources
Controlling
Risk management
Compliance

## Jacques Wasserfall

Head of Insurance Division
Chairman of the Executive Board of
Württembergische Lebensversicherung
AG and of the Executive Board of
Württembergische
Krankenversicherung AG

## Jens Wieland

CIO of the
W&W Executive Board
IT

# Our Supervisory Board

## Dr. Michael Gutjahr

Chairman
Former Chairman of the Executive Board
Wüstenrot & Württembergische AG
Wüstenrot Bausparkasse AG
Württembergische Versicherung AG
Württembergische Lebensversicherung AG

## Frank Weber[1]

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

## Jutta Eberle[1]

Insurance Employee
Württembergische Versicherung AG

## Dr. Frank Ellenbürger

Auditor and tax consultant

## Prof. Dr. Nadine Gatzert

Chair of Insurance Economics and Risk management at the Erlangen-Nürnberg Friedrich-Alexander-university

## Dr. Reiner Hagemann

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

## Jochen Höpken[1]

Task Group Chairman
Vereinte Dienstleistungsgewerkschaft ver.di

## Ute Kinzinger[1]

Chairwoman of the Works Council
W&W Informatik GmbH

1 Employee representatives.

## Corinna Linner

Linner Wirtschaftsprüfung

## Bernd Mader[1]

Head of Customerservice and Operations
Württembergische Versicherung AG

## Andreas Rothbauer[1]

Chairman of the Works Council
Wüstenrot Bausparkasse AG, Ludwigsburg site

## Dr. Wolfgang Salzberger

Chief Financial Officer (CFO) and
Member of the Board ATON GmbH

## Christoph Seeger[1]

Chairman of the Group Works Council
Wüstenrot Bausparkasse AG

## Jutta Stöcker

Former Member of the Executive Board
RheinLand-Versicherungsgruppe

## Susanne Ulshöfer[1]

Member of the Works Council
Wüstenrot Bausparkasse AG, Ludwigsburg site

## Edith Weymayr

Member of the Executive Board
Landeskreditbank Baden-Württemberg – Förderbank
(L-Bank)

Work perspectives

# Great climate

Our satisfaction, or lack thereof, also depends on us. On how we approach others, and how we treat one another. The W&W Campus offers many opportunities to meet others. Finding joy in and at work makes us more successful.

# Combined Management Report
# Contents

# Wüstenrot & Württembergische AG Combined Management Report

## Group Fundamentals

### Business model

#### Overview of the Group and Wüstenrot & Württembergische AG (W&W AG)

The W&W Group came into existence in 1999 as a result of the merger of the two long-standing companies Wüstenrot and Württembergische. Today, it develops and provides the four components of modern financial planning: financial security, residential property ownership, risk protection and savings and investment. It combines the Housing and Insurance divisions with the digital initiatives of W&W brandpool GmbH and offers customers individual financial planning solutions. In doing so, the W&W Group focuses on omni-channel sales, ranging from its own mobile sales force to cooperation partners and sales agents, broker activities and digital initiatives. The W&W Group operates almost exclusively in Germany.

In the **Housing** division, the focus is on the home loan savings business of Wüstenrot Bausparkasse AG, along with the construction financing that it offers. Other areas include the property development business of Wüstenrot Haus- und Städtebau GmbH and real estate brokerage by Wüstenrot Immobilien GmbH.

In the **Insurance** division, the W&W Group offers its customers a wide range of life and health insurance products as well as property/casualty insurance products. The key undertakings in this division are Württembergische Versicherung AG, Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG. Following in part very strong growth in new business and gains in market shares, Württembergische Versicherung AG created a new Executive Board remit that bundles retail customer business, motor business and customer services. Dr Per-Johan Horgby assumed responsibility for the new portfolio as at 1 January 2022. Dr Susanne Pauser left the Executive Board effective 30 September 2022. Responsibility for Human Resources will be assigned to the Chairman of the Executive Board in future. Dr Jonas Eickholt was appointed to the Executive Board of Württembergische Krankenversicherung AG as at 1 May 2022. He succeeded Dr Gerd Sautter, who took over other functions at Württembergische Krankenversicherung AG.

The **Management Board** is the central steering body of the W&W Group. Among other things, it deals with Group management and setting and further developing business strategy. In addition to the members of the Executive Board of W&W AG, the Management Board was composed of the division heads Bernd Hertweck (Housing), Zeliha Hanning (Property Insurance) and Jacques Wasserfall (Life and Health Insurance) as at 31 December 2022. Operational and company-specific issues of the individual entities are handled at the divisional level.

**Wüstenrot & Württembergische AG** is the Group's strategic listed management holding company. It coordinates all activities, sets standards and manages capital. As an individual entity, its operations are almost exclusively restricted to reinsuring the insurance policies written by the Group. It also renders services for the Group as a whole. There were no changes in the Executive Board of W&W AG in 2022. The domicile of W&W AG was relocated from Stuttgart to the new W&W campus in Kornwestheim as of 15 June 2022.

By building the new **W&W campus** in Kornwestheim, W&W AG, as builder-owner, is investing in the future of the corporate group. Employees began moving into the first section of the building in late 2017, which is when the section started operation. Work on the second section commenced at the same time. Once completed, the six-hectare site will provide 4,000 modern workstations plus more than 2,000 flexible office workstations at a forward-looking shared W&W Group location, providing enough workspace for more than 6,000 employees. Once the second section is finished and commissioned in early 2023, W&W Group employees will start relocating to the second section over several months.

#### "W&W Besser!"

The W&W Group is highly stable and strives to sustainably grow its enterprise value. To achieve this, we are positioning ourselves as a company that makes it possible to obtain financial planning from a single source.

The following approaches continued to be pursued in 2022 as well:

- Service – inspiring customers and employees,
- Doubling market growth in profitable business lines,
- Sales – tapping into new customer groups and providing even better service to existing customers,
- Lowering costs to at least the market level.

"W&W Besser!" should not be viewed as a rigid programme but rather as an attitude designed to guide all employees' actions.

"W&W Besser!" enabled additional implementation wins in 2022 in both the Housing and the Insurance divisions. Among other things, the programme focused on the development of new customer groups, providing outstanding service to our existing customers, digital transformation and sustainability.

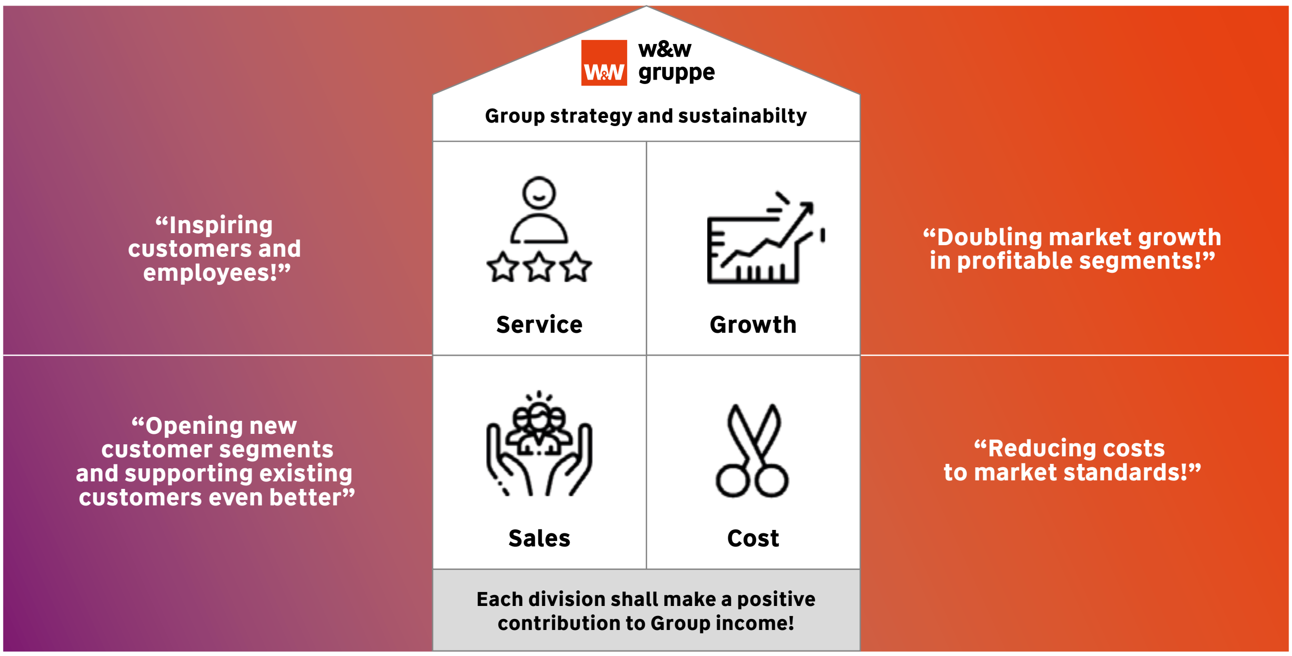
The **Housing** division, with its brand identity "Wohnen heißt Wüstenrot" (Housing Means Wüstenrot), represents not only home loan savings and construction financing but also residential housing construction and property brokerage. It is thus becoming more and more a point of contact for customers on the topic of housing.

- Wüstenrot Bausparkasse AG supplemented its product portfolios with a focus on sustainable, climate-friendly investment in housing.
- The major project bausparen@wüstenrot ("b@w") achieved another milestone in the first half of the year in its path towards becoming a modern SAP-based core banking system and financing business began operations at the start of July. With the modular introduction of SAP, b@w will gradually replace Wüstenrot's mainframe system so that it can respond more rapidly to changing customer needs and market requirements on the basis of flexible IT.
- Wüstenrot Bausparkasse AG was named "Germany's best home loan and savings bank" in a representative survey conducted by the Cologne-based rating and ranking agency Service Value GmbH. Wüstenrot Bausparkasse AG not only again received the highest award here, it also topped the ranking of home loan and savings banks evaluated.
- Wüstenrot Immobilien GmbH (WI) founded its own web portal together with other property providers, which can be accessed at www.immobilie1.de. This was launched in mid-July and simplifies the often complex process of finding a property. Immobilie1 is available to sector professionals as a real estate marketplace for properties for sale or to let.

The **Insurance** division also continued to post growth in its segments:

- The introduction of the new Group-wide customer portal for retail customers marked an important digital milestone: The technical merger of the previous customer portal with the customer app "FinanzGuide" provides our customers with a state-of-the-art tool for conducting financial transactions in a single point of contact.

**"W&W Besser!"**



- The digitalisation of sales continued to make progress. The long-standing Mobile Sales Force Work-place (AAP) is successively being replaced by the modern Sales Work-place (VAP) and the new application processes for pricing, quotations and application (TAA).
- One of the W&W Group's goals is to tap into new customer groups. For example, the Württembergische insurance group entered into an advertising partnership with Elyas M'Barek at the end of 2022. The actor is the face of the new brand campaign, which started at the end of 2022/beginning of 2023.
- The Württembergische insurance companies took first place in Service Value GmbH's "Best Customer Service" study due to the very positive ratings given by customers in 2022. In another survey conducted by ServiceValue GmbH on customer satisfaction in the B2B sector, Württembergische Versicherung also came in first as a corporate insurer.
- The digital brand Adam Riese also continued its growth trajectory and now has approximately 350,000 customers. Adam Riese received the insurance industry's Marketing High Performer Award and impressed the jury with its customer-centric presentation of the company, in terms of both product design and brand identity.
- In line with its consolidation strategy, Württembergische Lebensversicherung AG transferred the entire portfolio from the old VW/VT portfolio management system to the target system msg.Life Factory. This marked another key step towards introducing a single, modern portfolio management system.
- Furthermore, Württembergische Lebensversicherung AG received a top score of "Excellent" in Morgen & Morgen's company ratings and Württembergische Krankenversicherung AG was rated "Very good (A+)" by Assekurata.
- Württembergische Lebensversicherung AG also was one of the winners of the German Insurance Award in 2022. In the competition organised by n-tv, Franke & Bornberg and the German Institute for Service Quality, it was named a "Top 3 provider" in the "private pension plan, classic" category.
- W&W Asset Management GmbH (AM) won first prize at the "portfolio institutionell Awards" in the competition for the best investment management for insurance companies for Württembergische Lebensversicherung AG. The award was given based on AM's clear and systematic investment process, good diversification and strong focus on sustainability, among other things.

We will continue the "W&W Besser!" initiative in 2023 in order to continue proactively gearing products, services and processes throughout the W&W Group for maximum customer benefit.

## Product mix

More than 6.5 million W&W customers value the excellent service, skills, expertise and close personal service provided by our employees, both the in-house employees and the mobile sales force staff. Our range of products is directed towards retail as well as commercial customers. Customers receive financial planning for all phases of life from a single source.

**Wüstenrot Bausparkasse AG** continued to align its range of products with market developments and trends in the 2022 financial year. The past financial year was marked both by higher interest rates and customers' related goal of locking in guaranteed interest rates through home loan and savings contracts and by the energy crisis, which made energy efficiency upgrades even more important.

In response, for example, a forward period of up to five years was added to the financing products of Wüstenrot Bausparkasse AG as follow-up financing. In addition, there is a broad spectrum of financing and home loan and savings products (e.g. the new Klima Flex and Klima Classic home loans) for short-term energy upgrade projects, for the construction or purchase of sustainable properties and for long-term planned energy upgrade projects.

In the home loan and savings segment, Wüstenrot Bausparkasse AG has also been offering home savings contracts with climate bonuses since the beginning of 2022. This reflects its commitment to supporting customers in protecting the climate with specific energy projects.

A study by conducted by ServiceValue GmbH on behalf of FOCUS-MONEY surveyed customer satisfaction with respect to digital services, such as customer portal, live chat, online application, online banking, online claim reporting, digital document management and online calculators. Wüstenrot Bausparkasse AG and thus Wüstenrot Baufinanzierung received the rating “TOP SCORE”.

Furthermore, in the national representative survey KUBUS Bausparen 2022 conducted by the corporate consulting firm MSR Consulting, Wüstenrot was rated “very good” in all four categories (value for money, support quality, customer satisfaction and service quality). In another survey (online) on customer satisfaction conducted by FOCUS MONEY together with ServiceValue GmbH, Wüstenrot Bausparkasse AG received the rating “Highest customer satisfaction” in the home loan and savings bank sector.

In order to be able to offer its customers high-quality products that are geared to their individual needs, **Württembergische Versicherung AG** services a broad product portfolio covering virtually all business lines of property and casualty insurance.

The auto premium rate schedule made up a huge share of the motor segment in the 2022 financial year. Both car policy product lines – Premium and Compact – were enhanced in the financial year just ended. Their price positioning on the market was optimised.

In the corporate customers business segment, the number of concluded contracts with the core commercial product “Firmen-Police” rose further. Commercial property insurance received a product update and now includes sustainable aspects. Agricultural insurance was revised as well. In addition, transport insurance in the large commercial/industrial segment received an update.

The new property product in the corporate customers commercial segment received Franke & Bornberg’s best rating of FFF+. Household and residential building insurance were expanded the last financial year. They now include the modules “Wohngebäude Schutzbrief” (residential building cover), which is comparable to the existing “Hausrat Schutzbrief” (household cover), as well as the module “MobilPlus”. The PremiumSchutz policy in both household and residential building insurance was rated as “outstanding“ (FFF) by Franke & Bornberg.
FOCUS-MONEY described Württembergische Versicherung AG as the “fairest motor insurance” in the motor insurance category.

For the sixth year in a row, FOCUS-MONEY awarded Württembergische Versicherung AG the title of “fairest corporate insurer”. The highest category was achieved in all dimensions (customer advising, customer communication, customer service, protection and financial planning, value for money).

As part of the KUBUS study conducted by MSR Consulting, Württembergische Versicherung AG took first place in 2022 as a full-service insurance provider in the category “support” and “outstanding” in the categories “customer satisfaction” and “service”. In addition, Württembergische Versicherung AG was rated “very good” in the category “value for money”.

**Württembergische Lebensversicherung AG** has a wide range of products for risk coverage and private and occupational pension schemes.

The products were adapted to the legal requirements at the end of 2021/beginning of 2022. The reduction of the maximum actuarial interest rate in new life insurance business to 0.25% affected the structure of retirement products in particular.

The maximum death benefit for term life insurance with simplified health questions was increased in the second half of 2022.

As at October 2022, occupational disability insurance can now be taken out with a security guarantee. This makes it possible to provide additional information with the application, eliminating the need to check the application questions if an insured event occurs.

Various rating agencies attest to the quality of our products. For instance, the rating agency Morgen & Morgen once again gave our self-employed occupational disability insurance the highest mark of “5 stars”. In addition, the Institut für Vorsorge und Finanzplanung (IVFP) gave our company pension plan capabilities its top rating of “Excellent” and Württembergische Lebensversicherung AG achieved five out of five stars in all sub-categories for the second time in a row.

In FOCUS-MONEY publications, the products IndexClever, KlassikClever and Genius achieved very good results in both private and company pension schemes.

In addition to comprehensive health insurance, **Württembergische Krankenversicherung AG** offers a broad portfolio of products in supplemental health insurance and supplemental long-term care insurance.

In 2022, we further expanded our services in the area of healthcare through partnerships. For example, Württembergische Krankenversicherung AG, in collaboration with a partner, is offering customers with comprehensive health insurance a health check-up at medical centres throughout Germany. This specialisation in preventive diagnostics is designed to help maintain or improve health through detailed physical examinations and specialist care.

Customers with comprehensive health insurance can access a digital advisor for pregnant women through a partnership with the start-up Keleya, which offers many other forms of assistance and content for expectant mothers and fathers in addition to an online antepartum and postpartum course.

The product range was further modernised last financial year with the introduction of new supplementary dental insurance.

Many Württembergische Krankenversicherung AG products received awards from rating agencies and trade magazines in 2022. For example, we achieved the highest score of "very good" (0.5) and thus emerged as the test winner in the magazine Finanztest with "ZahnSchutz Premium" with 100% dental prosthesis. In the FOCUS-MONEY/DFSI rating, "ZahnSchutz Premium" and "ZahnSchutz Komfort" both achieved the top score of "Outstanding", while "ZahnSchutz Kompakt" was rated "Very Good".

Württembergische Krankenversicherung AG's comprehensive health insurance was rated "very good" by FOCUS-MONEY in the category "balanced products". In addition, the daily sickness allowance received the highest rating of "very good" from Wirtschaftswoche, while the in-patient supplemental insurance was again awarded the highest rating of "very good" by FOCUS-MONEY.

In addition, Württembergische Krankenversicherung AG received the top score of "very good" in the survey conducted by the analysis company ServiceValue on the fairness of occupational health insurance companies.

## Sales channel mix

Our wide distribution network, comprising partners, brokers, our own mobile sales force and our online sales, gives us access to a market of millions of people throughout Germany. In this regard, we attach great importance to our expertise and to providing reliable personal advice. Our mobile sales force, the main pillar in our sales organisation, consists of the two tied-agents sales forces at Wüstenrot and Württembergische. On the broker market, we collaborate with independent brokers.

In addition, we collaborate closely with numerous partners from the banking and insurance sector, and they have made a significant contribution to our business success. Wüstenrot partners for home loan savings products include three large private banking groups – Commerzbank, HypoVereinsbank (Member of UniCredit) and Santander. Exclusive sales agreements are in place with Allianz, the ERGO Group, Gothaer, HUK-COBURG, LVM, Nürnberger Versicherung, Oldenburgische Landesbank and others. We supplement our sales concept with collaborations with other banks and brokers, various mobile sales forces, ver.di-Service GmbH and dbb vorsorgewerk GmbH. Collaboration with banks is also an important element of the sales strategy of Württembergische. It collaborates with numerous partners, such as BW-Bank, BB-Bank, Frankfurter Volksbank and Heidelberger Volksbank.

We augment traditional sales channels by exploiting the various opportunities afforded by digitalisation. They include the digital residential platform "Wüstenrot-Wohnwelt" and the online brand Adam Riese.

## Sustained commitment

Responsible action and social commitment have a long tradition in the W&W Group and are an integral part of our corporate culture. It is based on an understanding of long-term, stability-focused corporate governance that in turn has its roots in the foundation ideals of W&W AG's main shareholder.

We have voluntarily joined initiatives such as the Principles for Sustainable Insurance (PSI) or the Principles for Responsible Investment (PRI) and are committed to increasingly implementing and continuously developing sustainable principles in our business activities. Signing the “Charta der Vielfalt” complements the measures we take at the W&W Group to promote diversity.

There are various European regulatory initiatives on transparency and disclosure of sustainability information. The initial requirements resulting from them have been implemented in sustainability projects at the W&W Group.

The initial implementations and disclosures are already completed. An even more extensive disclosure will follow starting in 2023. Information will then have to be provided on how and to what extent the W&W Group’s operations are linked to economic activities that should be classified as environmentally sustainable economic activities (taxonomy alignment). This will coincide with the introduction of binding European sustainability reporting standards that must be adopted by the W&W Group and used for future disclosures.

As a result of the German Act Transposing the CSR Directive (CSR-Richtlinie-Umsetzungsgesetz), the W&W Group is obligated to publish a non-financial statement or a non-financial report.

The combined, separate non-financial report of Wüstenrot & Württembergische AG and the W&W Group is prepared in accordance with sections 289c and 315c of the Handelsgesetzbuch (HGB – German Commercial Code) and made publicly available on the website of Wüstenrot & Württembergische AG athttps://www.ww-ag.com/en/about-us/sustainability.

## Regulatory requirements

The W&W Group consists of several subgroups of companies that are consolidated for regulatory reporting purposes, namely the financial conglomerate and the Solvency II group. Therefore, the W&W Group is subject to a variety of regulatory requirements and is supervised nationally.

In connection with the review of the reporting requirements under Solvency II (“Solvency II Review”), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Commission conducted consultations and published proposed amendments. The amendments under discussion involve far-reaching modifications to the qualitative and quantitative requirements for insurance companies. Subsequently, EIOPA submitted drafts on the amendment of the quantitative requirements to the European Commission in March 2022. It is expected to be first applied by 31 December 2023. In parallel to this, the European Commission published a legislative proposal concerning the amendment of the Solvency II Directive in September 2021. The European Parliament and the European Council discussed these proposed amendments in the reporting year. They are expected to reach a substantive agreement in 2023. In addition, the EU Commission will draft an amendment proposal for the Delegated Regulation. It is not yet completely clear when the resulting requirements will first be applied.

Commission Implementing Regulation (EU) 2022/2454 laying down implementing technical standards for the application of the Financial Conglomerates Directive with regard to supervisory reporting of risk concentrations and intra-group transactions was published in the Official Journal of the European Union on 19 December 2022. This contains far-reaching adjustments to the qualitative and quantitative requirements. The resulting requirements will be applied for the first time in relation to the 2023 financial year.

As at the reporting date, the coverage ratios in the financial conglomerate and in the Solvency II group were likely well above 100%. For detailed remarks, please see the chapter “Regulatory solvency” in the notes.

## Reporting segments

Segment information was prepared in compliance with IFRS 8. We report on the Housing, Life and Health Insurance and Property/Casualty Insurance segments. All other activities are grouped under “All other segments”. This mainly includes W&W AG – together with its participations in Wüstenrot Immobilien GmbH, W&W Asset Management GmbH, Wüstenrot Haus- und Städtebau GmbH, and W&W brandpool GmbH – and the Group’s internal service providers. The products and services offered by the individual segments are broken down in detail in the segment reporting chapter in the notes.

## Business management system

The W&W Group's integrated business management system is oriented towards our strategy. A three-year plan is drawn up on the basis of the business strategy and presented to the Supervisory Board for approval. The plan approved by the Supervisory Board for the following financial year is then used to establish the main management parameters in the form of quantitative targets. These are then used to derive the key performance indicators.

We review our operational plan with two extrapolations during the financial year. Management activities are performed throughout the year using a "management cockpit" that tracks targets on a monthly basis. Countermeasures are taken as necessary whenever actual performance departs from the targets.

Insurance contracts will be accounted for in accordance with IFRS 17 from 1 January 2023. The following key performance indicators have been defined to provide effective guidance for the W&W Group:

At Group level, consolidated net profit (IFRS) and general administrative expenses in the Group before reclassification to the technical account are used as key performance indicators. For the segments, the management parameters are segment net income after taxes and general administrative expenses before reclassification to the technical account. General administrative expenses include internal eliminations with other segments within the Group. These key figures appear in the W&W Group's consolidated financial statements. Moreover, the management parameter "Group customers" i.e. the number of customers in the W&W Group, is used as the key cross-segment performance indicator. We define customers as natural persons or legal entities that interact with us as contract holders, insurance companies, insured persons or users of our digital products.

As further performance indicators, we report net new business by contract volume and new construction financing business (approvals) in the Housing segment, as well as new business by total premium in the Life and Health Insurance segment. For the Property/Casualty Insurance segment, we report new and replacement business (by annual portfolio contribution).

The risk management system occupies an important role within the management system of the W&W Group. The risk strategy requirements are to be complied with when pursuing the corporate objectives. This is addressed separately in the section "Risk reporting" in the opportunity and risk report.

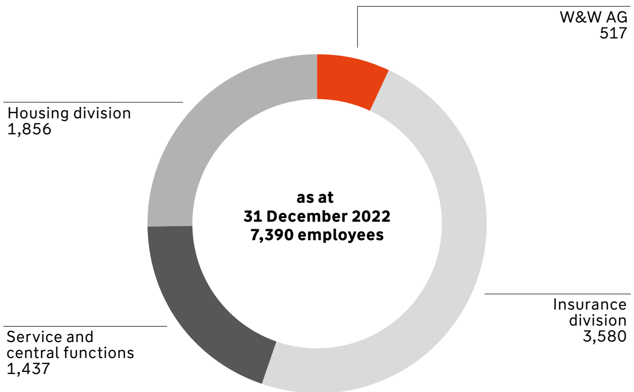
W&W AG manages the W&W Group in its capacity as strategic management holding company. The key performance indicator that is used as the basis for calculating dividend payments to our shareholders is annual net profit (as defined by the German Commercial Code [HGB]). A portion of net profit is allocated to retained earnings, which serves to strengthen the equity of the W&W Group.

## Employees

As at 31 December 2022, the W&W Group had 7,390 permanent employees (previous year: 7,458)[1], calculated by number of contracts in Germany and abroad, not including trainees or working students at the Cooperative State University (Duale Hochschule, DH). As at the end of the year, a total of 261 (previous year: 288) trainees and DH students were employed.

1 Previous year calculated by head count; previous years' figures adjusted.

**Employees in W&W Group including abroad**




While 2021 was significantly affected by the coronavirus pandemic, it was possible for staff to return to the office in 2022. The W&W Group is increasingly focusing on a "hybrid" model in which generally 40% of work is done remotely and 60% at the office. The purpose of in-office work is to maintain personal contacts, information sharing, networking, teamwork, innovative strength and creativity. The W&W Group has succeeded in improving its sustainability and attractiveness as an employer with the flexible work schedules.

A COVID bonus was paid in spring 2022 in recognition of the work done by our employees during the coronavirus pandemic. They also received an inflation adjustment bonus in February 2023.

In 2022, intensive preparations continued for the planned relocation of employees from Stuttgart to the W&W Campus. We found various solutions for this process in cooperation with employee representatives, such as the desk-sharing ratio.

The platform "Living and working in the coronavirus pandemic" became "Living and working in a hybrid working world" in 2022 and was updated to meet the current needs of the workforce. It is designed to provide employees and managers with helpful information and contact persons in various areas in a way that is compact and clearly structured. In 2022, the platform focused on hybrid working, leadership and collaboration.

We support digital collaborative activities with a newly introduced communication tool, Microsoft Teams.

Starting this year, the W&W Group is offering a bicycle leasing programme under a deferred compensation plan in partnership with JobRad. This programme not only encourages exercise but also puts commuting on a sustainable footing.

The W&W Group also faces a growing challenge to fill vacancies amid demographic changes and a skilled labour shortage. A variety of measures were implemented in 2022 to recruit new employees. The W&W Group attended four university career fairs to keep in constant contact with qualified students and demonstrate that it is an attractive employer. The recruiting fairs at the Universities of Hohenheim, Ulm and Mannheim were conducted in person once again. In addition, the W&W Group participated in a digital trade fair held by the Karlsruhe Institute of Technology.

In 2022, a Group-wide onboarding survey was set up to ask new employees and their managers about the onboarding process. This allows us to discover improvement opportunities that will enable us to retain new employees for the long term.

Various measures were also implemented in the promotion of young talent in 2022. In addition to participating in regional training fairs such as Vocatium, the W&W Group established a new partnership with the Ernst-Sigle-Gymnasium school in Kornwestheim to attract new vocational trainees to the W&W Group. This year, 97 (192 including sales) vocational trainees joined the office staff of the W&W Group.

The W&W Group offered extensive training programmes to meet the growing need for training due to regulatory requirements in the financial industry. Aside from internal training courses, employees can also access an extensive range of external training programmes. The newly designed and enhanced feedback and development meeting also focuses on future challenges and their impact on tasks and competencies. This meeting is then used as a basis for identifying training needs and planning specific development measures, among other things. The feedback and development meeting forms the basis for honest, transparent communication between managers and employees.

Acting on our commitment to the "Charta der Vielfalt", a variety of communication measures were implemented in 2022, including regular internal and external communications on diversity via the intranet, social media and an in-house wiki. The W&W Group also hosted various events and activities on diversity, such as the "Coffee to know" idea-sharing event, participation in Germany's Diversity Day and a workshop on unconscious bias. The W&W Group has been aiming to achieve equal participation of women in leadership for years. That is why it has had targets for achieving quotas for women for several years. This plan was reaffirmed in 2022; new binding targets were then set for the next five years. HR tools to push for women in leadership and ensure equal opportunity were aligned with this goal.

The W&W Group received multiple awards again in 2022. Particularly for its personnel work, it received the title "Top Employer Germany 2022" from the Top Employers Institute, which analysed such categories as recruiting, staff development, working conditions (like flexible working), and other benefits, such as health management. In addition, the W&W Group was recognised by the FAZ-Institut once again as one of "Germany's most desirable employers" and, for the first time this year, as a "training champion".

We would like to extend our special thanks to our in-house employees and our mobile sales force staff for their dedication, expertise, extraordinary commitment and loyalty in the 2022 financial year. We would also like to thank the employee representatives and their committees, the representatives of the mobile sales force organisations and the executive representative committees for their close cooperation.

## Ratings

In the year under review, **Standard & Poor's (S&P)** again confirmed the ratings of the W&W Group with a stable outlook. Thus the core companies of the W&W Group continue to have a rating of A-, while the holding company Wüstenrot & Württembergische AG, as before, has a BBB+ rating.

The short-term rating of Wüstenrot Bausparkasse AG is unchanged at A-1.

### Standard & Poor's ratings

| | Financial Strength | Issuer Credit Rating |
|---|---|---|
| W&W AG | BBB+ outlook stable | BBB+ outlook stable |
| Württembergische Versicherung AG | A– outlook stable | A– outlook stable |
| Württembergische Lebensversicherung AG | A– outlook stable | A– outlook stable |
| Wüstenrot Bausparkasse AG | | A– outlook stable |

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

The subordinated bonds issued by Wüstenrot Bausparkasse AG and Württembergische Lebensversicherung AG are still rated "BBB". Likewise, the subordinated bond issued by Wüstenrot & Württembergische AG in September 2021 is still rated "BBB-".

Work perspectives

# Co - operation

It doesn't always have to be the really big projects that collaboration brings to life. We often work co-creatively by bouncing ideas off of one another. The W&W Campus offers us the space to do this. Teamwork makes us more successful.

# Stock

## Stock price performance

The W&W share got off to a bullish start in 2022 and, starting from €17.66 at the end of 2021, rose to its high for the year of €19.58 by the beginning of February. Nevertheless, faced with an extremely weak stock market environment after this time on account of Russia's invasion of Ukraine, W&W's share price declined and briefly fell to below €17 at the start of March. The share price subsequently recovered and the W&W share mostly traded between just under €18 and €18.50 until the end of April. The W&W share price fell between May to mid-October due to the ex-dividend markdown and a stubbornly difficult overall market environment, reaching an annual low of €13.44 in mid-October. The W&W share then rallied in a more bullish stock market environment and ended the year at €15.44. This translates into a share price decline of 12.6% in the 2022 calendar year. Taking into account the dividend distribution of €0.65, overall performance was -8.9% in the reporting period. EURO STOXX Banks posted a drop of 4.6% for the same period, while EURO STOXX Insurance saw a small price increase of 0.4%. As of 20. March 2023, the W&W share will be admitted to the SDAX.

**Key data of W&W shares**

| | | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Number of shares | in pieces | 93,749,720 | 93,749.720 | 93,749.720 |
| of which are treasury shares | in pieces | 34,632 | 79,966 | 15,252 |
| Market cap as at 31.12. | in € mn | 1,447.0 | 1,654.2 | 1,548.7 |
| Dividend per share | in € | 0.65[1] | 0.65[1] | 0.65 |
| Dividend yield | in % | 4.21 | 3.61 | 3.93 |
| High/Low | in € | 19.58/ 13.44 | 19.66/ 16.52 | 19.84/ 11.52 |
| Yearend share price | in € | 15.44 | 17.99 | 16.52 |
| Average daily XETRA-trading volume | in pieces | 25,237 | 26,332 | 36,920 |

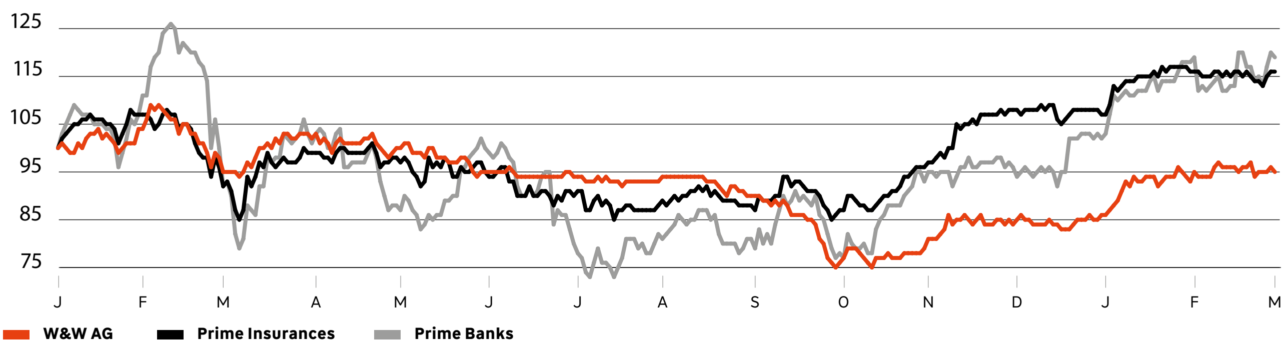
1 Dividend proposal.

Further information and all basic data about W&W stock can be found on the company's website at ww-ag.com under "Investor Relations".

The shareholder structure of Kornwestheim-based W&W AG remained stable over the course of the reporting year. The anchor shareholder is the non-profit foundation Wüstenrot Stiftung, Gemeinschaft der Freunde Deutscher Eigenheimverein e. V., Ludwigsburg. It maintains an indirect participation in W&W AG of 67.16% through two holding companies. Of this, 27.25% is held by WS Holding AG, Stuttgart, and 39.91% by Wüstenrot Holding AG, Ludwigsburg. The other major shareholder of W&W AG is FS BW Holding GmbH, Munich, with more than 10% of the shares. 0.04% of the issued shares are non-voting treasury shares.

**W&W share price compared to Prime Insurance and Prime Banks**

2022 indexed



8.2% (previous year: 9.2%) of all shares issued by W&W AG are held by foreign shareholders.

## Dividend policy

W&W AG strives for a stable and reliable dividend for its shareholders. Accordingly, the Executive Board will propose to the Annual General Meeting an unchanged dividend of €0.65 per share for the financial year just ended. Based on the final closing price for 2022, this corresponds to a dividend yield of 4.21%. Thus, W&W stock outperformed the expected average dividend yields of the MDAX (2.7%) and the SDAX (2.1%) for 2022.

## Employee shares

In April 2022 W&W AG once again issued employee shares across the whole Group. Eligible employees received a €5.00 discount on the XETRA closing price on 28 March 2022 for a maximum of 40 shares. By continuing this solid tradition, our company is seeking to further expand the shareholder value orientation among staff and boost employer attractiveness and employee loyalty. In total, nearly 30% of eligible employees took advantage of the offer. See the notes for details. Employees are to be offered shares again in 2023.

## Analyst recommendations

W&W AG is regularly tracked and valued by numerous financial analysts. The current analyst recommendations for W&W stock, as well as the target prices that analysts assign to the stock, can be retrieved on the website at ww-ag.com. The current average price potential from the target prices for W&W stock set by banks and securities firms is €23.66.

**Analyst recommendations**

| | Date | Recommendation / target price |
|---|---|---|
| Institution | | |
| LBBW | 11.11.2022 | BUY / €23.00 |
| Bankhaus Metzler | 28.03.2022 | BUY / €25.00 |
| Montega | 14.11.2022 | BUY / €23.00 |

## Investor relations (IR)

In the reporting year, W&W AG continued its intensive dialogue with institutional investors, private investors and financial analysts despite the coronavirus pandemic. Investor relations became even more digitalised as the focus remained on digital activities. We continued to constantly communicate with international investors through roadshows and capital market conferences. IR activities returned to normal overall after the end of the COVID lockdowns. That made it possible to personally attend events such as "Eigenkapitalforum" in Frankfurt am Main once again. In addition, the investor relations team issues a regular newsletter with information about current topics.

W&W AG presented new business figures in the form of teleconferences and a financial statements press conference. The Annual General Meeting in 2022 was held virtually for the third time.

The upcoming Annual General Meeting will also take place virtually on 23 May 2023 at 10 a.m.

# Business report

## Business environment

### Macroeconomic environment

According to preliminary calculations by the German Federal Statistical Office, the German economy posted growth of 1.9% in the 2022 calendar year, largely driven by private consumer demand. The construction sector, on the other hand, suffered from a skilled labour shortage, supply chain problems and significantly rising material prices. The growth rate of 1.9% for the year as a whole was impacted by several factors. They include the Ukraine war that began in February as well as the unexpectedly rapid and persistent rise in inflation. While the inflation rate in Germany was only 1% in January 2021, it reached 4.9% in January 2022 and soared to double-digit percentages in autumn 2022. The main factors behind this development were far higher energy and food prices, in part also stemming from the war in Ukraine, ongoing disruption to global supply chains and substantial price increases following the lifting of pandemic restrictions, especially in the high-contact services sector. The exceptionally strong increase in energy and food prices reduced the purchasing power of private households and curbed consumer demand. In addition, historically high inflation rates led to a change of direction for the European Central Bank (ECB). It is now trying to lower the inflation rate back to its 2% target by tightening monetary policy. The higher interest rate level also restrained overall economic activity, including in the real estate sector.

### Capital markets

#### Bond markets

Starting from a historically very low level, yields on the German bond market rose for long periods in 2022. For example, the yield on ten-year German government bonds rose from −0.18% at the beginning of the year to 2.57% at the end of the year. The interest rate on German government bonds with only two years to maturity also shot up, rising from −0.62% to 2.76%. The only countermovement involving a temporary fall in interest rates occurred in the summer, between mid-June and the end of July. This was triggered by initial concerns about an impending recession, which could have been triggered by factors such as a possible bottleneck in energy supplies. The central cause of the observed rise in interest rates in 2022 was the surprisingly rapid and persistent rise of inflation to long-term record levels, which in turn triggered significant key rate increases by leading central banks, including the ECB. This affected yields in the bond markets.

#### Equity markets

The European equity markets underwent a significant price correction in 2022. The DAX lost 12.3% of its value, while the EURO STOXX 50 shed 11.7%. Aggregate price losses exceeded 20% at times before starting to recover in the fourth quarter. Several reasons were responsible for this bear market: For example, the more restrictive monetary policy stance taken by leading central banks as a result of record high inflation hurt the economic outlook and represented an unfavourable monetary environment for equity markets. The global economic environment was also rather unfavourable, with ongoing supply shortages for key intermediate products and repeated restrictions on economic activity in China due to the pandemic. In the end, the economic conditions hurt the performance of the equity market. In addition, the geopolitical environment, especially the Ukraine war, also put pressure on investor risk appetite and thus on willingness to hold or buy shares.

## Industry trends

Regulatory requirements, high inflation and an accompanying sharp rise in interest rates and prices were the driving factors in the financial services industry in 2022. The implementation of changes made by the Basel Committee on Banking Supervision, as well as legal acts by the EU, continues to pose a challenge for the European banking sector.

According to industry estimates, net new business, as measured by total home loan savings contracts, fell by 27% in the sector to around €92 billion in 2022. Wüstenrot's net new business outpaced the market, allowing market share to rise by 1.3 percentage points to 15.0%. Wüstenrot Bausparkasse AG ranks second among home loan and savings banks, as measured by new business.

New business in private residential financing declined in 2022. According to the Deutsche Bundesbank, providers disbursed approximately €257 billion (previous year: approximately €284 billion) in residential construction loans to households. This corresponds to a decline of 9%. Wüstenrot Bausparkasse AG outperformed the market with a 5% decline in new business in construction financing. The downward market trend is due in particular to the rapid rise in mortgage interest rates. The change in interest rate policy pursued by the ECB led to pull-forward effects on the construction financing market in the first half of the year and to a sharp slump in market volume in the second half.

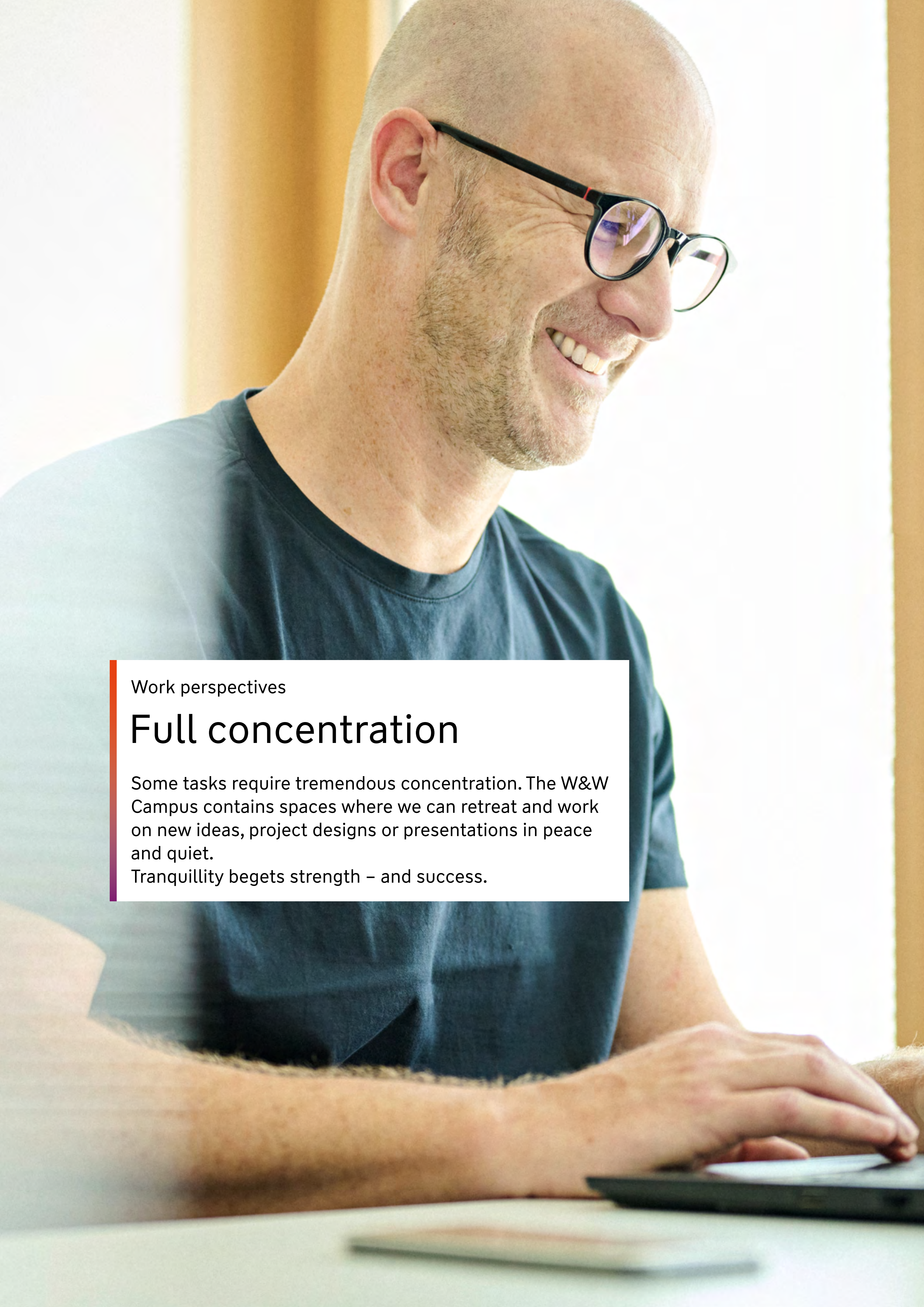
The extremely rapid rise in construction interest rates has meant that real estate financing has become more difficult even for middle- and middle-high income earners due to persistently high price levels. Less favourable marketing prospects on the one hand and increased construction costs as well as high cost risks on the other, combined with higher interim financing costs, led many property developers to adopt a cautious business policy. Based on provisional industry numbers for 2022 published by the German Insurance Association (GDV), the life insurance industry posted a 2.7% decline in new regular premiums to €6.2 billion in 2022 (previous year: €6.3 billion). Single-premium business fell 21.2% to €28.0 billion (previous year: €35.6 billion). New premiums collected by life insurers thus fell 18.4% in 2022 to €34.2 billion (previous year: €41.9 billion). Total premiums from new business declined 8.8% to €168.6 billion (previous year: €184.9 billion).

Gross premiums written by life insurers decreased 7.0% to €92.7 billion (previous year: €99.7 billion) in the reporting period, primarily due to the lower single-premium business.

Württembergische Lebensversicherung AG most recently ranked eleventh in its peer group of German life insurers in terms of gross premiums written. In terms of premiums written, the market share of Württembergische Lebensversicherung AG declined to 1.9% (previous year: 2.2%).

According to provisional calculations by the GDV, premium income in property/casualty insurance rose by approximately 4.0% (previous year: 3.0%) as at the end of the year despite the ongoing coronavirus pandemic, with income coming in at €80.4 billion (previous year: €77.3 billion). Claims expenses for the financial year declined by a noticeable 5.6%, following a significant increase of 22.3% in the previous year. The decrease results from the extreme natural events in 2021, especially the flood disaster "Bernd" and the associated high level of claims paid in the previous year. This led to a net underwriting gain of €3.8 billion (previous year: loss of €1.7 billion). At around 76%, the loss ratio for the financial year was significantly lower than in the previous year (83.5%). The industry's combined ratio (combined ratio of claims and expenses) improved to approximately 95% (previous year: 102%).

Württembergische Versicherung AG is currently ranked tenth among property and casualty insurers based on gross premiums written in domestic direct business reported by the GDV.



Work perspectives

# Full concentration

Some tasks require tremendous concentration. The W&W Campus contains spaces where we can retreat and work on new ideas, project designs or presentations in peace and quiet.
Tranquillity begets strength – and success.

# Development of business and position of the W&W Group (IFRS)

## Development of business

The 2022 financial year was marked by the effects of the Ukraine war and the further development of the coronavirus pandemic. The escalating energy crisis, ongoing disruptions to supply chains and geopolitical tensions pushed up inflation. While this resulted in considerable interest rate rises on bond markets, equity markets have since seen substantial price drops.

Despite these challenges, the W&W Group reported its highest quarterly profit for 2022 in the fourth quarter at €101.3 million. The W&W Group thus generated a strong – though lower than in the extraordinarily positive previous year – after-tax net profit of €261.5 million (previous year: €352.2 million) as at 31 December 2022. This was thus slightly higher than our forecast of around €250 million, hence the W&W Group's income developed positively in 2022 as well.

**Composition of consolidated net profit**

| in € million | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| Housing segment | 61.6 | 52.1 |
| Life and Health Insurance segment | 38.4 | 40.4 |
| Property/Casualty Insurance segment | 179.9 | 207.0 |
| All other segments | 32.3 | 100.7 |
| Consolidation/reconciliation | -50.7 | -48.0 |
| **Consolidated net profit after taxes** | **261.5** | **352.2** |

Sales-related key figures showed a significant growth of the new home loan savings business (gross) in the Housing segment and another very gratifying increase in premiums written in the Property/Casualty Insurance segment. Premiums in health insurance also increased in the Life and Health Insurance segment. Premiums written in life insurance declined, primarily due to lower new single-premium business com-pared to the previous year.

**Group Key figures**

| | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 | Change |
|---|---|---|---|
| | in € million | in € million | in % |
| New business total Housing (new lending & new home loan savings business (gross)) | 25,142 | 18,592 | +35.2 |
| Gross premiums written (property/casualty insurance) | 2,336 | 2,192 | +6.6 |
| Gross premiums written (life insurance) | 1,875 | 2,259 | -17.0 |
| Gross premiums written (health insurance) | 298 | 285 | +4.6 |

## Financial performance

### Total comprehensive income

**Consolidated income statement**

As at 31 December 2022, the consolidated net profit after taxes was €261.5 million (previous year: €352.2 million). IFRS earnings per share stood at €2.77 (previous year: €3.74).

The net financial result decreased significantly, coming in at €129.8 million (previous year: €2,509.2 million). It comprises the following components:

- Current net income stood at €1,124.2 million (previous year: €1,153.3 million). Dividend income and distributions were below the previous year's level. Interest surplus also decreased slightly. While net interest income from loans and deposits improved overall, net interest income from fixed-income securities declined.
- Net income from risk provision was –€13.2 million (previous year: €1.4 million). Most of the coronavirus risk provision recognised in 2020 was reversed in the previous year. In addition, risk provision rose moderately as a result of the significant increase in new home loan savings business (gross).
- The measurement result was –€1,343.6 million (previous year: €505.1 million). The economic consequences of the war, higher inflation and a spike in interest rates had a negative impact on the market values of shares, fund units and fixed-income securi-

ties. The impact of interest rates on the earnings will largely reverse as the securities mature. This also led to measurement losses for investments for the account and risk of policyholders (unit-linked life insurance policies). However, these also reduced net insurance benefits congruently.

- Net income from disposals came in at €362.4 million (previous year: €849.4 million). Especially for fixed-income securities, net income from disposals was lower than in the previous year due to higher interest rates. By contrast, income from disposals increased for investment property.

In earned premiums, rates of increase were again significant in property/casualty insurance. Premium growth was achieved in health insurance as well. In life insurance, on the other hand, premiums declined due to fewer new single-premium insurance policies. Net premiums earned thus declined to €4,376.5 million in total (previous year: €4,638.4 million).

Insurance benefits (net) amounted to €2,692.0 million (previous year: €5,149.7 million). This decrease was essentially the result of life and health insurance, as policyholders share in the declining net financial result through technical provisions. In property/casualty insurance, benefits declined slightly despite clear premium growth. When compared over several years, the claims experience was still gratifying by and large.

Net commission expense amounted to –€559.8 million (previous year: –€534.9 million). Here, higher service commissions resulting from the gratifying, all things considered, increase in the property insurance portfolio had an impact, in particular.

General administrative expenses rose only moderately compared to general price trends, increasing 4.7% to €1,085.4 million (previous year: €1,036.7 million). This upturn was essentially attributable to materials costs, which increased in part due to external claims settlement costs as a result of more natural disasters from the previous year and increased investment in IT as part of our digitalisation strategy. Marketing activities also increased. Personnel expenses rose as a result of higher wages and salaries. Aside from collectively bargained wage increases, the increase was mainly due to expenses for coronavirus- and inflation-related support payments made to our employees.

Net other operating income rose significantly to €184.4 million (previous year: €54.4 million). This was mainly due to, for the first time, income from settlement transactions in connection with home loan savings deposits in the Housing division. In addition, the higher contribution to net income by Wüstenrot Haus- und Städtebau GmbH in 2022 and the sale of properties for own use in connection with the relocation of the Group headquarters to the W&W Campus in Kornwestheim had a positive effect.

### Consolidated statement of comprehensive income

Total comprehensive income amounted to –€1,101.0 million as at 31 December 2022 (previous year: –€151.4 million). It consists of consolidated net profit and other comprehensive income (OCI).

As at 31 December 2022, OCI stood at –€1,362.5 million (previous year: –€503.5 million). The rapid rise in interest rates over the course of the year worked to lower the market values of fixed-income securities and registered securities. Their unrealised losses, which were recognised in OCI, amounted to –€1,732.9 million (previous year: –€637.6 million). On the other hand, the rise in interest rates had a positive effect on pension provisions. By contrast, actuarial gains from defined benefit plans amounted to €371.1 million (previous year: €134.1 million).

As a complement to the consolidated income statement, OCI serves to depict profit and loss that is recognised directly in equity and that results from accounting under IFRS 9. It essentially reflects the sensitivity that the assets side of our balance sheet has to interest rates, but not yet, for example, the interest rate sensitivity that underwriting has on the liabilities side. Here, the application of the new standard to account for insurance contracts, IFRS 17, is expected to reduce measurement discrepancies from 2023 onwards. Because comprehensive income is highly dependent on changes in interest rates, OCI therefore has only very limited suitability as a performance indicator for our Group at present.

## Housing segment

### New business

Total new business for housing purposes for urgent financing, modernisation and the accumulation of equity (total from new business (gross) and the new lending business total including brokering for third parties) increased sharply by 35.2% to reach €25,142 million (previous year: €18,592 million). At €4,795 million (previous year: €4,571 million), the new construction financing business (approvals) on the company's own books was also up on the previous year. That means market share increased significantly once again.

Gross new business in terms of total home loan savings contracts also achieved the best result in the company's history at €18,720 million (previous year: €11,745 million).

Net new business in terms of total home loan savings contracts also increased significantly to €13,885 million (previous year: €9,968 million).

Wüstenrot Bausparkasse AG rigorously continued its growth course and easily outperformed the market.

### New business key figures

| | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 | Change |
|---|---|---|---|
| | in € million | in € million | in % |
| **New business volume** | **25,142** | **18,592** | **+35.2** |
| New lending business volume (including brokering for third parties) | 6,422 | 6,847 | −6.2 |
| Gross new business home loan and savings | 18,720 | 11,745 | +59.4 |

### Financial performance

Net income after taxes in the Housing segment increased to €61.6 million (previous year: €52.1 million).

Net financial result decreased to €305.4 million (previous year: €387.5 million). This was due to the following factors:

- Current net income amounted to €214.1 million (previous year: €234.4 million). It was particularly negatively impacted by the net interest income of the interest rate swaps used to manage the interest rate book, a smaller portfolio of money and capital investments as well as declining net interest income in the construction financing business. This was offset to some extent by lower interest expenses for deposits under home loan savings contracts due to continued portfolio management.
- Net income/expense from risk provision decreased as a result of the upturn in gross new business to −€18.1 million (€4.0 million), among other things. As no higher counterparty default risks are foreseeable, the risk provision recognised at the end of 2020 for the potential consequences of the coronavirus pandemic was completely reversed in 2022 after a higher partial amount had already been reversed in 2021.
- The measurement result decreased to €45.8 million (previous year: €73.9 million). Interest rate hikes in the reporting year resulted in negative valuation effects for fixed-income securities and for derivatives concluded to manage the risks of changes in interest rates. This was offset in particular by the positive effects from the valuation of the provisions for the home loan savings business.
- Net income from disposals stood at €63.6 million (previous year: €75.3 million).

Net commission income declined to €4.2 million (previous year: €5.8 million). Lower commission income from third-party brokerage contributed to this development.

General administrative expenses amounted to €336.1 million (previous year: €333.4 million). As a result of our digitalisation initiatives, depreciation on capitalised acquisition costs for major IT projects increased. Personnel expenses remained at the previous year's level despite the coronavirus and inflation-related support benefits granted to our employees.

Net other operating income climbed significantly to €116.4 million (previous year: €16.4 million). This was mainly the result of income from settlement transactions in connection with home loan savings deposits.

## Life and Health Insurance segment

### New business/premium development

Total premiums for new life insurance business fell to €3,284.4 million (previous year: €3,997.9 million). This decline is due primarily to lower single premiums, which had risen considerably in the previous year. By contrast, in the area of company pension schemes, we were able to boost total premiums by 9.3% to €1,000.4 million (previous year: €915.2 million).

### Total premiums in new life insurance business

| | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 | Change |
|---|---|---|---|
| | in € million | in € million | in % |
| **Total premiums in new business** | **3,284.4** | **3,997.9** | **-17.8** |
| Total premiums in new business (not including company pension schemes) | 2,284.0 | 3,082.7 | -25.9 |
| Total premiums in new business for company pension schemes | 1,000.4 | 915.2 | +9.3 |

Gross premiums written decreased to €2,173.0 million (previous year: €2,543.0 million), mainly as a result of lower single-premiums. It was not possible to offset expirations in the life insurance portfolio with new business overall. In contrast, gross premiums written in health insurance increased.

### Gross premiums written

| | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 | Change |
|---|---|---|---|
| | in € million | in € million | in % |
| **Segment total** | **2,173.0** | **2,543.0** | **−14.5** |
| Life | 1,875.1 | 2,258.5 | −17.0 |
| Health | 297.9 | 284.5 | +4.7 |

### Financial performance

Segment net income after taxes stood at €38.4 million (previous year: €40.4 million).

The net financial result in the Life and Health Insurance segment fell considerably to −€203.5 million (previous year: €1,941.3 million). This was due to the following income components:

- Current net income came to €780.0 million (previous year €815.7 million). Distributions from alternative investments as well as interest income from new investments and reinvestments decreased. Rental income, on the other hand, increased.
- Net income from risk provision increased to €2.3 million (previous year: €0.2 million). The improved credit quality of the investment portfolio generated income from the reversal of risk provision on bearer bonds.
- The measurement result declined to −€1,306.5 million (previous year: €358.4 million). The war in Ukraine, higher inflation and interest rate hikes created turbulence on the capital markets. Equities, fund units and interest bearing securities all suffered measurement losses. This development was also evident in the case of investments for unit-linked life insurance policies. These were offset by the effects on net insurance benefits.
- Net income from disposals stood at €320.8 million (previous year: €767.0 million). The decline resulted from the restructuring within the scope of the active duration management of our bond portfolios, which was accompanied by higher reinvestment yields. By contrast, income from disposals increased for investment property.

Net premiums earned decreased to €2,244.3 million (previous year: €2,615.1 million), mainly as a result of falling single-premiums in new business.

Net insurance benefits stood at €1,589.3 million (previous year: €4,056.5 million). The fall in security prices triggered by higher interest rates and falling share prices led to lower additions to the provision for premium refunds and the provision for unit-linked life insurance policies. Through the additional interest rate reserve (including interest rate reinforcement), we safeguard benefits to our customers. While €329.6 million was transferred in the previous year, the expiration of high-interest insurance contracts and the rise in interest rates freed up €106.1 million in the financial year. The additional interest rate reserve as a whole amounts to €3,141.7 million (previous year: €3,247.8 million), still a very high level.

General administrative expenses amounted to €256.2 million (previous year: €250.3 million). While we were able to reduce personnel expenses, materials costs increased.

## Property/Casualty Insurance segment

### New business/premium development

New business in terms of the annual contribution to the portfolio amounted to €342.9 million (previous year: €352.3 million). While brand new business trended downwards slightly compared with the very strong previous year, replacement business rose. Business with corporate customers grew significantly whereas business with retail customers fell compared with the previous year, which was characterised by factors including acquisitions of new cooperation agreements with brokers. Our digital brand Adam Riese remained successful in terms of sales.

### New business key figures

| | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 | Change |
|---|---|---|---|
| | in € million | in € million | in % |
| **Annual contribution to the portfolio (new and replacement business)** | **342.9** | **352.3** | **-2.7** |
| Motor | 184.6 | 191.7 | -3.7 |
| Corporate customers | 90.4 | 78.6 | +15.0 |
| Retail customers | 67.9 | 82.0 | -17.2 |

Gross premiums written again experienced above-market growth, increasing by €144.2 million (+6.6%) to €2,336.2 million (previous year: €2,192.0 million). An increase was posted in all business segments. Especially in business with corporate customers, Württembergische's position as an SME partner was further expanded to above the market average.

### Gross premiums written

| | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 | Change |
|---|---|---|---|
| | in € million | in € million | in % |
| **Segment total** | **2,336.2** | **2,192.0** | **+6.6** |
| Motor | 912.4 | 894.2 | +2.0 |
| Corporate customers | 634.5 | 533.8 | +18.9 |
| Retail customers | 789.3 | 764.0 | +3.3 |

### Financial performance

Segment net income after taxes declined to €179.9 million (previous year: €207.0 million).

The net financial result stood at €18.6 million (previous year: €138.9 million). It comprises the following components:

- Current net income came to €95.6 million (previous year: €69.3 million). A voluntary, extraordinary supplementary payment was made to the Württembergische pension fund in the previous year, €23.7 million of which was attributable to the Property/Casualty Insurance segment and thus negatively affected current net income. No such payment was made in 2022. Interest income also increased.
- The measurement result declined to –€63.3 million (previous year: €64.4 million). The significant rise in interest rates over the course of 2022 and falling equity markets led to substantial measurement losses, especially for equities and investment funds.
- Net income from disposals stood at –€14.4 million (previous year: €4.7 million).

Net premiums earned continued to trend positively. They rose by €95.1 million to €1,826.9 million (previous year: €1,731.8 million). All business segments made a contribution to this development.

Net insurance benefits decreased by €3.7 million to €924.3 million (previous year: €928.0 million) despite the larger insurance portfolio. The loss ratio (gross) declined to 60.7% (previous year: 79.0%). In the previous year, storms in Germany in June and July resulted in high expenses for natural disasters in the mid nine-figure range. The loss ratio (net) went down to 61.1% (previous year: 62.6%). The expense ratio (net) was slightly higher at 26.0% (previous year: 25.1%). The combined ratio (net) thus continued to be a positive 87.1% (previous year: 87.7%).

The net commission expense stood at –€308.7 million (previous year: –€288.4 million). The growth of the insurance portfolio as well as an increase in service commissions led to higher commission expenses.

General administrative expenses amounted to €409.0 million (previous year: €379.7 million). Both personnel expenses and materials costs increased. This primarily reflected advertising expenses and increased external settlement costs in connection with more natural disasters in the previous year. In addition to collectively bargained wage increases, the increase in personnel expenses is primarily due to expenses for the coronavirus and inflation bonuses.

Net other operating income increased mainly as a result of the sale of properties for own use in connection with the relocation of the Group headquarters to the W&W Campus in Kornwestheim and was €36.4 million (previous year: €11.2 million).

### All other segments

"All other segments" covers the divisions that cannot be allocated to any other segment. This mainly includes W&W AG – together with its participations in Wüstenrot Immobilien GmbH, W&W Asset Management GmbH, Wüstenrot Haus- und Städtebau GmbH, and W&W brandpool GmbH – and the Group's internal service providers.

Segment net income after taxes amounted to €32.3 million (previous year: €100.7 million).

Net financial result stood at €9.4 million (previous year: €101.0 million). The following components were factors in this development:

- Current net income amounted to €63.4 million (previous year: €64.2 million). The decline in interest surplus was almost completely offset by increased distributions.
- The measurement result decreased to −€49.4 million (previous year: €37.5 million), mainly on account of measurement losses for investment funds.

Earned premiums rose to €320.1 million (previous year: €306.6 million). The volume ceded by Württembergische Versicherung AG to W&W AG for reinsurance within the Group increased as a result of positive premium development. Since this relates to quota share reinsurance, the insurance benefits also increased, to €193.7 million (previous year: €182.1 million).

Net commission income declined to −€75.5 million (previous year: −€72.4 million). This was mainly due to higher commission expenses of W&W AG for property and casualty insurance, which were incurred by reinsurance within the Group in connection with higher volumes ceded.

General administrative expenses amounted to €93.1 million (previous year: €79.5 million). Personnel expenses rose as a result of higher wages and salaries. This reflects both the expenses from the coronavirus and inflation premiums as well as collectively bargained salary increases. Materials costs increased as a result of our digitalisation initiatives, mainly in the areas of software and consulting.

Net other operating income rose to €49.6 million (previous year: €26.1 million). Construction projects by Wüstenrot Haus- und Städtebau played a significant role in this increase.

## Net assets

### Asset structure

The W&W Group's total assets amounted to €65.5 billion (previous year: €75.2 billion). Assets essentially comprise building loans and investments. While building loans increased to €25.4 billion (previous year: €23.8 billion) thanks to growth in new lending business, investments dropped substantially to €36.9 billion (previous year: €48.8 billion). This measurement decline, which essentially reflects interest rates, is the result of financial assets at fair value through other comprehensive income, the carrying amount of which was €22.9 billion as at the end of the reporting period (previous year: €34.5 billion).

### Valuation reserves

Valuation reserves are formed if the current fair value of an asset is higher than the value at which it is carried in the balance sheet (carrying amount). Currently the W&W Group primarily has valuation reserves mainly for investment property of €663.2 million (previous year: €684.5 million). To avoid an accounting mismatch, a large part of these investment properties will be accounted for at fair value with the introduction of IFRS 17 starting in 2023.

## Financial position

### Capital structure

The business model of the W&W Group as a financial services group means that the liabilities side is dominated by technical provisions and liabilities to customers.

Technical provisions came to €30.9 billion (previous year: €38.4 billion). Of this amount, €31.2 billion (previous year: €31.7 billion) was attributable to the provision for future policy benefits, €3.0 billion (previous year: €3.1 billion) to the provision for outstanding insurance claims and −€3.5 billion (previous year: €3.4 billion) to the provision for premium refunds. Higher interest rates on the market at present result in opportunity losses for personal insurers. Policyholders' participation in results means that a negative deferred provision for premium refunds of −€5.3 billion is recognised, which is part of the provision for premium refunds. As the W&W Group's personal insurers assume a permanent intention to hold as part of their investment strategy, these are only interest-rate-related, temporary unrealised losses that are covered by future positive and gross surpluses relevant under German commercial law. From 2023, the recognition and measurement of insurance contracts will be governed by IFRS 17. In the variable fee approach, the fair value of the underlying items is used as a basis for the valuation of technical provisions. This means that unrealised gains and losses are also directly included in the valuation of technical provisions. The balance sheet item of the (deferred) provision for premium refunds will therefore be eliminated in future.

The liabilities were primarily liabilities to customers amounting to €22.9 billion (previous year: €22.6 billion). They largely comprise deposits from the home loan savings business and savings deposits amounting to €19.7 billion (previous year: €19.4 billion).

Subordinated capital remained unchanged at €0.6 billion (previous year: €0.6 billion). It was issued by W&W AG, Wüstenrot Bausparkasse AG and Württembergische Lebensversicherung AG.

## Consolidated equity

As at 31 December 2022, the W&W Group's equity stood at €3,710 million, compared with €4,874 million as at 31 December 2021. This includes consolidated net profit as well as results incorporated in equity totalling –€1,101.0 million. The dividend distribution reduced equity by €60.9 million. In addition, other effects decreased equity by €2.1 million.

## Liquidity

The W&W Group had sufficient liquidity at all times in the year under review. We obtain liquidity through our operating insurance and home loan savings business, as well as from financing measures. For more information on liquidity management, please see the risk report.

The statement of cash flows shows a cash outflow from operating activities of €2,234.4 million (previous year: outflow of €796.0 million) and a cash inflow from investing activities, including investments, of €2,553.0 million (previous year: inflow of €350.9 million). Financing activities resulted in a cash outflow of €102.5 million (previous year: inflow of €197.4 million). Overall, cash and cash equivalents experienced a net change of €219.2 million in the year under review. Further information is provided in the cash flow statement in the notes.

## Capital expenditures

We made capital expenditures for non-current assets primarily in the Life and Health Insurance segment. They related mainly to investment property. The property subsidiary Wüstenrot Haus- und Städtebau GmbH is also investing heavily in this area.

In addition, investments were made for the continued construction of new office buildings in Kornwestheim (W&W Campus), more than €460 million of which has now been capitalised. On 30 January 2023, the Campus was officially opened by the Executive Board members. The employees will be relocated in phases until the middle of 2023.

In addition, investments were made predominantly in the purchase of hardware and software, for example in connection with the introduction of a new core banking system at Wüstenrot Bausparkasse AG, the introduction of Syrius as part of the "Komposit Besser" project and the migration of the Group-wide accounting systems to the SAP S/4HANA platform.

Research and development was performed above all in connection with software development for our own purposes.

## Customer development in the Group

New customers increased considerably to 461.6 thousand (previous year: 417.4 thousand).[1] Both divisions contributed to this satisfying growth. The number of customers amounted to 6,532 thousand (previous year: 6,583 thousand).1 The number of customers in the Insurance division increased. Adam Riese, in particular, continued to expand its customer base and had almost 350,000 in-force customers by the end of the year. The Housing division, on the other hand, recorded a decline as a result of portfolio measures, as expected.

1 Previous year's figure restated

## Exercise of discretion

Uncertainty continued to generally prevail in various areas of the W&W Group in the past financial year due to the war in Ukraine and the ongoing coronavirus pandemic in 2022. This also affects areas such as discretionary management decisions that are relevant to the financial statement and assumptions and estimates made in relation to accounting for assets, liabilities and provisions and, in connection with this, the presentation of the W&W Group's net assets, financial position and results of operations. The discretionary decisions, estimates and assumptions of relevance to the financial statements are based on the management's best knowledge and currently available information. Despite the higher level of uncertainty, the W&W Group believes that the estimates and assumptions employed appropriately reflect the current situation. Nevertheless, deviations from these estimates cannot be ruled out given the Ukraine war and the coronavirus pandemic. See the notes for details.

## Overall view

The following comparison of the Group's business performance in the year under review with the forecasts made in last year's annual report shows a stable development of the W&W Group despite considerable uncertainty in the macroeconomic environment, volatility in the capital markets and the sudden increase in inflation.

## Comparison of business development with forecast

### Group

Despite the challenges in 2022, we achieved a consolidated net profit of approximately €261.5 million in the reporting year. That means we slightly exceeded the forecast of around €250 million.

As predicted, general administrative expenses were slightly higher than in the 2021 financial year.

In line with our strategic objective, we were a partner for more than 6.5 million customers as at the end of the year. The forecast for the previous year was met.

### Housing segment

Segment net income after taxes stood at approximately €62 million in 2022. We met our forecast of a clear year-on-year increase.

In the Housing segment, general administrative expenses for the 2022 financial year were at the previous year's level. In the forecast, we assumed that they would be down slightly from the previous year.

Our forecast for new construction financing business (approvals) was that it would be slightly higher than the 2021 level. This expectation was met. With regard to net new business by contract volume, we recorded a significant year-on-year increase and thus met our forecast.

### Life and Health Insurance segment

With segment net income after taxes of approximately €38 million, we met the expectations corridor forecast in the 2021 Annual Report of €10 million to €40 million.

General administrative expenses in the Life and Health Insurance segment were moderately higher in the reporting year than in 2021. In the forecast, we assumed general administrative expenses would be slightly above the previous year.

We had forecast a slight increase in total premiums for the 2022 financial year. Due to the decrease in single-premium business, total premiums in 2022 were down significantly from the previous year.

### Property/Casualty Insurance segment

Segment net income after taxes in the 2022 financial year was approximately €180 million and thus significantly below the previous year's level, as predicted in the 2021 Annual Report.

General administrative expenses were moderately higher in 2022 than in 2021, as expected.

New and replacement business (annual contribution to the portfolio) in 2022 was slightly below the previous year's high level, as predicted.

# Development of business and position of W&W AG

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

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

## Development of business

W&W AG closed the 2022 financial year successfully with net income pursuant to the German Commercial Code (HGB) of €119.4 million (previous year: €111.7 million). Net income was characterised by dividends and profit transfers from subsidiaries.

## Financial performance

### Net income

W&W AG's net profit (HGB) for the 2022 financial year thus rose significantly to €119.4 million (previous year: €111.7 million). The Executive Board and Supervisory Board have decided to allocate €40.0 million (previous year: €35.0 million) to retained earnings for the purpose of strengthening equity. After carrying forward €0.7 million in retained earnings from 2021, the unappropriated surplus amounted to €80.0 million (previous year: €77.6 million). Based on this result, we will propose to the Annual General Meeting that a dividend of €0.65 (previous year: €0.65) per share be paid for the 2022 financial year and that €19.0 million (previous year: €16.0 million) be allocated to retained earnings and €0.1 million of retained earnings be carried forward.

### Net investment income

In 2022, W&W AG's net investment income decreased to €184.1 million (previous year: €209.8 million). In the year under review, profit transfers from our subsidiaries declined from €157.3 million to €140.0 million.

### Reinsurance/net underwriting income

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

Prior to additions to the claims equalisation reserve, net underwriting income amounted to €3.9 million, which was €6.4 million more than the previous year's value.

Gross premiums written increased by 10.4% to €499.6 million (previous year: €452.7 million) in the year under review, due to an increase in the premium income of Württembergische Versicherung AG and thus in the volume of reinsurance business ceded. Net premiums earned increased 4.4% to €320.1 million (previous year: €306.6 million).

Gross claims expenses decreased from €645.1 million to €294.3 million since the previous year was characterised by extraordinary storm loss events. Owing to reinsurance, net claims expenses rose only slightly to €194.2 million (previous year: €191.5 million). The net loss ratio fell to 60.7% (previous year: 62.5%). Expenses for insurance business for own account increased from €112.9 million in the previous year to €120.9 million. Per the requirements, €6.3 million had to be added to the claims equalisation reserve (previous year: release of €7.9 million). The claims equalisation reserve amounted to €104.7 million (previous year: €98.4 million). This corresponds to 32.7% (previous year: 32.1%) of net premiums earned. After additions to the claims equalisation reserve, the net underwriting loss stood at €2.5 million (previous year: gain of €18.2 million).

### Lines

Gross premiums increased from €210.2 million to €246.4 million in the fire and other property insurance lines. After an addition of €10.9 million (previous year: release of €5.0 million) to the claims equalisation reserve, a net underwriting loss of €12.4 million (previous year: €8.1 million) was recorded.

Gross premiums from the motor lines decreased to €142.5 million (previous year: €143.6 million). After an addition to the claims equalisation reserve of €1.6 million (previous year: €3.5 million), the net loss stood at €14.8 million (previous year: €3.6 million).

Gross premiums from the liability line increased to €50.6 million (previous year: €41.2 million). After the release of €5.5 million (previous year: €6.7 million) from the claims equalisation reserve, a net gain of €17.6 million (previous year: €15.3 million) was recorded.

Gross premiums from the accident line grew slightly to €23.6 million (previous year: €23.1 million). After additions to the claims equalisation reserve, a net gain of €5.8 million (previous year: €7.8 million) was recorded. Transport and aviation hull insurance premiums rose slightly to €4.5 million (previous year: €4.1 million). After additions to the claims equalisation reserve, a net underwriting gain of €0.3 million (previous year: €1.0 million) was posted.

Gross premiums from other insurance lines (mainly legal expenses insurance) decreased to €31.9 million (previous year: €32.8 million). The net underwriting gain after additions to the claims equalisation reserve was €1.1 million (previous year: loss of €1.6 million).

Gross premiums in life insurance increased to €0.03 million (previous year: −€2.2 million) as a result of the retroactive cancellation of a reinsurance contract as at 31 December 2021. Net income was once again positive and amounted to €0.1 million (previous year: €7.2 million).

### Taxes

Taxes on income were €0.2 million (income) (previous year: €55.3 million (expenses)). The decrease in tax expenses in the financial year is mainly due to non-taxable income, which more than compensates for the profit or loss on ordinary activities.

## Net assets and capital structure

### Asset structure

W&W AG's total assets increased by €93.0 million in the 2021 financial year to €4,370.6 million (previous year: €4,277.7 million). Investments make up most of the assets. Receivables are another large item.

The liabilities side consists mainly of equity, other provisions and technical provisions, as well as the subordinated bonds of €300 million that were newly issued in 2021.

### Equity

W&W AG, as the holding company, manages the equity of the W&W Group. As a rule, the equity of the subsidiaries meets or exceeds regulatory requirements.

W&W AG's equity amounted to €2,133.4 million as at 31 December 2022 (previous year: €2,074.5 million). On the one hand, equity increased as a result of net income of €119.4 million and the sale of treasury shares totalling €1.1 million in connection with the employee share ownership programme in 2022. On the other, the dividend distribution of €60.9 million that was made for the 2021 financial year and the repurchase of our shares in the amount of €2.7 million had the opposite effect and decreased equity. In total, equity thus increased by €58.9 million.

The retained earnings included in equity also increased. In accordance with the resolution adopted by the Annual General Meeting, €16.0 million from the unappropriated surplus from the 2021 financial year and €40.0 million from net income in 2022 were allocated to retained earnings.

### Investments

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

The carrying amount of investments increased by €136.6 million to €4,047.8 million (previous year: €3,911.2 million). This figure mainly includes interests in affiliated companies and participations of €1,420.0 million (previous year: €1,366.1 million) and fixed-income securities of €679.6 million (previous year: €657.4 million).

### Valuation reserves

Valuation reserves are formed if the fair value of an asset is higher than the value at which it is carried in the balance sheet (carrying amount). W&W AG's valuation reserves for investments amounted to €1,994.4 million (previous year: €2,121.5 million) This includes €2,076.6 million (previous year: €1,960.3 million) for interests in affiliated companies, €39.2 million (previous year: €103.9 million) for funds and −€16.9 million (previous year: €13.3 million) for registered bonds and promissory notes. The hidden liabilities of the investments recognised in accordance with Section 341b (2) of the German Commercial Code (HGB) amounted to €101.7 million (previous year: €0.0 million). These hidden liabilities result from the reclassification of bearer bonds and fixed-income securities from current assets to non-current assets. The hidden liabilities are interest-related and not considered permanent.

### Pension provisions

Pension provisions of €1,196.9 million (previous year: €1,169.0 million), together with technical provisions of €504.4 million (previous year: €499.3 million), constituted a large share of W&W AG's liabilities. In addition to W&W AG's own pension provisions, this item includes the pension provisions for eight (previous year: eight) subsidiaries. W&W AG assumed joint liability for the pension commitments of these subsidiaries, and it made an internal agreement with them to meet these pension obligations.

## Financial position

W&W AG always had sufficient liquidity in the year under review. The company obtains liquidity from reinsurance business and from financing activities. For more information on liquidity management, please see the risk report.

## Overall view

The following comparison of the business performance of Wüstenrot & Württembergische AG under review with the forecasts made in last year's annual report shows a stable development of Wüstenrot & Württembergische AG despite considerable uncertainty in the macroeconomic environment, volatility in the capital markets and the sudden increase in inflation.

## Comparison of business performance with forecast (HGB)

Due the holding company structure, net income after taxes is determined primarily by dividends and profit transfers from subsidiaries. We generated net income after taxes of €119.4 million in the 2022 financial year. We had forecast net income of approximately €110 million. The excess is attributable to an effect resulting from the valuation of participations.

# Opportunity and risk report

## Opportunity report

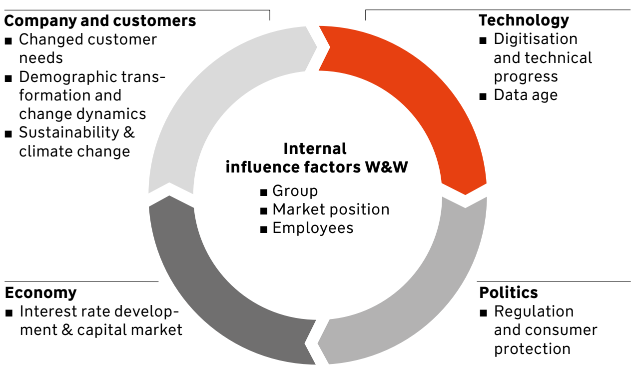
Recognising and exploiting opportunities is a fundamental requirement for the successful development of our Group. We thus aim to systematically identify, analyse and evaluate opportunities and initiate suitable measures to capitalise on them.

We start with firmly established strategy, planning and control processes. We evaluate market and environmental trends and assess the alignment of our product portfolio, cost drivers and other key success factors. We then identify opportunities that are discussed in high-level strategy meetings and incorporated into the strategic plan.

We also have suitable governance and control structures in place in order to evaluate and pursue opportunities based on their potential, investment needs and risk profile.

This section focuses on significant opportunities. We distinguish between opportunities arising from developments outside the company and those resulting from strengths specific to the W&W Group.

**External and internal influence factors for W&W**




Unless indicated otherwise, the opportunities described concern all company segments to different extents. Where opportunities are likely to occur, we have included them in our business plans, our forecast and the medium-term prospects. They are shown in the course of this Management Report.

## External influencing factors

### Society and customers

**Opportunities from changed customer needs**
As the W&W Group, our aim is to provide people with financial planning from a single source. We also increasingly provide customers with simple, transparent, individualised and flexible products and integrate our services across all our interaction channels.

The need for financial security offers tremendous business opportunities. We adapt strategically to the changed financial planning market with our sustainable, comprehensive advisory approach – which includes the four pillars of financial security, residential property ownership, risk protection and savings and investment – as well as with our target group concepts and solutions.

The Ukraine war, inflation and supply chain problems have caused uncertainty in the population. People in Germany are evincing an increased need for protection and security as a result of these events. Our Insurance division offers customers a wide range of insurance options including liability, residential building, life and household insurance.

Hybrid working, video conferencing and digital offerings have become the "new normal". The communication between customers, sales and companies is increasingly taking place on the basis of digital technology. At the same time, customers increasingly expect customised offers and communications. The spread and use of digital media enables more targeted, closer customer contact and the sales opportunities that come with it. We act on these opportunities by combining our personal advisory approach with new digital tools. In the age of the internet, social media and the prevalent use of smartphones, speed is vital to achieving customer satisfaction and is thus increasingly becoming a critical success factor. Customers want to be able to contact us regardless of office hours or distance via their preferred medium and manage their affairs independently via self-service. Self-service options offer opportunities for improved efficiency through automation.

Increased reliance on remote working has changed customer behaviour and led to a greater awareness of the quality of one's own living circumstances. The desire to own a home has intensified. In addition, the trend toward sustainable living is consolidating. This offers opportunities for us to serve not only as a reliable partner for all types of financing needs but also, and in particular, as a provider of digital advice in the online world and expertise in the physical world. For example, the Housing division offers financing for energy-related renovations and upgrades – and in connection with this, customers can also be informed about government subsidies.

Remote work is not the only change sweeping the working world; companies are facing major challenges in employee recruitment and retention. More and more companies are using occupational health insurance and pension schemes to set themselves apart as attractive employers. This is where Württembergische Krankenversicherung and Württembergische Lebensversicherung have positioned themselves as a capable partner for small and medium-sized businesses, serving corporate customers with customised pension and prevention products for their employees.

**Opportunities from rapid change and demographic shifts**
Demographic shifts and a changing society offer new growth opportunities.

Many people are living longer and remaining active later in life. In the long run, the government pension alone will not be sufficient to finance this self-determined, independent lifestyle. Independence, mobility and remaining active in old age are increasingly financed with a private source of capital. Society is demanding that we be more flexible with our products, advice and communications to accommodate new lifestyles.

For us as the W&W Group, with our expertise in the field of financial planning and investments, this offers substantial market potentials for our services, advisory approaches and target group concepts. By developing new and sustainable products with alternative guarantees or additional flexibility and using all manner of communication media, we are adapting to these changes.

### Opportunities through sustainability and climate change

In order to reinforce the issue of sustainability in the W&W Group even further, we have developed a Group-wide sustainability strategy. The strategy is based on ESG criteria (environment, social, governance) and comprises six action areas: our company operations, customer and product, investment and funding, employees, society and organisation. Targets and measures have been defined and updated for all fields of action, and they are planned to be implemented by 2025 at the latest.

We want to conduct our business in an environmentally compatible, socially responsible and economically successful manner. We believe that is what we owe current and future generations. In this regard, we view sustainability not only as the consequence of changed regulations (EU Taxonomy Regulation) but also as a way to accelerate the transformation of our business model.

Climate neutrality, sustainability and environmental protection are important decision-making criteria for us as a company and for our current and future customers. Both the Insurance division and the Housing division want to reach this steadily growing target group by focusing on sustainability.

For example, Württembergische considers and documents the aspects of an ESG-compliant investment in the capital process. Its efforts are reflected in products such as those marketed by Württembergische Lebensversicherung AG. We are also constantly strengthening the ESG focus of our versatile fund range for the unit-linked annuity insurance "Genius".

The building industry will play a key role in reaching the political objectives for reducing CO2 emissions, particularly in the residential property sector. In addition to focusing on energy-efficient new construction, a top priority of climate policy is to accelerate energy renovations and upgrades, offering growth potential as a result. With our climate-related residential loan product "Wohndarlehen Klima" and the home loan savings contract with a climate bonus, the W&W Group is offering various solutions. In addition, a comprehensive package of service offers and information is available to current and potential customers on the topic of sustainable, climate-friendly building/renovating and about government subsidies.

The consequences of climate change are now being felt in Germany and, in view of the intensity and increasing number of natural disasters, are becoming more noticeable every year. As a member of the German Insurance Association (GDV), the W&W Group supports the sustainability positioning of German insurers. For instance, insurance protection for home owners in the area of natural disaster cover offers the potential for expansion of private residential building insurance. The newly designed household insurance also offers a premium protection tier that focuses on sustainability and the environment.

## Economy

### Opportunities from interest rate trends and capital markets

Interest rate growth accelerated and inflation soared in Germany in 2022.

In the Housing division, home loan and savings contracts are once again gaining importance amid rising construction interest rates. They serve as a tool for our customers to lock in interest rates and build equity.

As a provider of finance, the W&W Group, particularly Württembergische Lebensversicherung AG, can impact the structural shift towards a more climate-friendly and low-emission economy and society by investing in renewable energy such as wind power, for example. It has also been increasingly investing and reinvesting in green/sustainable bonds for several years as part of its effort to help fund climate-friendly projects.

If interest rates stay elevated, this will have a positive long-term effect on the life insurance participation surplus and thus on the yield of classic annuity insurance products marketed by Württembergische Lebensversicherung.

## Politics

### Opportunities from tightening regulation and consumer protection

Complying with burgeoning regulation, such as rules for advisory meetings, can be used to strengthen customer relationships and engage in deeper dialogue with customers. Data protection regulations build trust in the industry as a whole and therefore in us as a provider.

The mandatory inclusion of the topic of sustainability in consultations as part of the expansions of the Markets in Financial Instruments Directive II (MIFID II) and the Insurance Distribution Directive (IDD) can strengthen the focus on our corresponding product offering in retirement planning and direct fund investment.

Customers who prioritise high energy efficiency and the use of renewable energies when building or renovating a property benefit in particular from government subsidies for energy-related upgrade work. The German government is aiming to achieve a "climate-neutral building stock" and offers funding programmes to support building renovations that permanently save energy costs and thus protect the climate. This in turn helps our customers' properties retain their value and gives us opportunities to grow our financing business.

### Technology

**Opportunities from digitalisation and technical progress**

Technical progress supports things such as increasing process automation. The resulting productivity improvements and cost-cutting opportunities can be used to increase income and also free up time, energy and capital to invest in cutting-edge issues.

Remote working, including working from home, became established after the coronavirus pandemic and continues to accelerate the digital transformation of how people work.

Collaborative networks make it possible to better serve the needs of our customers. Important elements for this, for example with regard to all matters involving the home, are ImmobilienScout 24 and Bosch Smart Home. Digital networking can also dramatically reduce response times, which in the event of a claim in the Insurance division, for instance, makes it possible to limit consequential damages or even to avoid them altogether. However, proprietary platforms – such as the W&W customer portal as a private smartphone app – also provide extraordinary and extensive customer support and assistance in addressing customer concerns and settling services. These kinds of digital tools aim to help W&W AG increase its customer focus and customer satisfaction and facilitate day-to-day processes and workflows.

At Adam Riese GmbH, the W&W Group's digital insurance brand, artificial intelligence (AI) supports risk assessments for dog owner liability. This means our customers receive cheaper rates in many cases.

**Opportunities in the data age**

The responsible, targeted use of customer data enables us to create ever more personalised products. Additional information makes it possible to better assess risks and avoid losses. Moreover, additional sales opportunities arise through the legally permitted use of data.

## Internal influencing factors

### Opportunities through the Group

Because of its diversification, our business model – with its Housing and Insurance divisions – provides us with good opportunities to operate successfully on the market on a long-term basis.

In light of demographic trends, the comprehensive range of products that we offer as a financial planning group promises brisk customer demand in the future. Through the combination of the two venerable brands Wüstenrot and Württembergische, we have substantial customer potential within our Group. This offers us income opportunities through further expansion of cross-selling.

With its broad range of products across a variety of business segments, our business model has a natural diversification: For instance, our property and casualty insurance companies are far less dependent on trends in interest rates than the home loan and savings bank, and they also require less capital. All stakeholder groups benefit from the diversification effect. The aim is to price our products so that we can offer customers lower risk premiums for the same level of security. For our shareholders, diversification reduces the part of the equity that is tied up through the assumption of risk and stabilises the income and risk profile.

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

## Opportunities through market position

We can address a large, broad pool of millions of potential customers in our core market of Germany thanks to good brand awareness and our various sales channels with their different strengths.

Multiple sales channels enable us to place our financial planning products in a targeted manner. Our strategy focuses on the needs of our customers. Our products are designed around what our customers want. That is why our products are regularly awarded top ratings. Other opportunities relate to the further optimisation of our sales channels. These consist, in particular, of the rigorous digitalisation of customer contact points and relieving employees of routine administrative tasks.

Our digital brand Adam Riese is an online insurer who can tap into a customer base separate from our Württembergische insurance business.

Because we have expanded digital processes in the broker market, our digital brand Adam Riese is more connected and can offer more efficient and effective processes. Other important factors in gaining new customers are stepping up cooperations and ensuring high customer satisfaction.

## Opportunities from our employees

For the W&W Group as a service company, recruiting and retaining skilled employees is a key component in ensuring its future and competitiveness. The W&W Group's comprehensive employer benefits strengthen its attractiveness as an employer. For example, the employer benefits package "Beruf+" includes a wide range of programmes and services relating to health management, mobility, family, training, and agile, connected and flexible working, particularly digitally and at the new W&W Campus. Likewise, the W&W Group offers various retention and networking programmes for vocational trainees and students from the Cooperative State University (Duale Hochschule).

Work perspectives

# Space for ideas

Creativity needs no red tape, no forms and preferably no boundaries. Goals and rules, on the other hand, do – along with space for finding ideas. With its creative spaces, the W&W Campus also provides opportunities for us to grow. And succeed.

# Risk report

## Risk management system in the W&W Group

- As at the end of 2022, the W&W Group currently is sufficiently capitalised in accordance with both economic risk-bearing capacity calculations and regulatory standards.
- The liquidity needs of the W&W Group were secured at all times during the year under review.
- Risk management is an important element of the corporate governance of the W&W Group.
- Contributing to the assurance of financial strength and to the creation of value are important objectives of risk management.

Pursuant to the provisions of the German Banking Act (KWG), the German Insurance Supervision Act (ISA) and the German Act on the Supervision of Financial Conglomerates (FKAG), as well as the EU Financial Conglomerates Directive (FICOD), the W&W Group constitutes a financial conglomerate. Additionally, the Solvency II group (insurance group) and the insurance companies are subject to the regulations in Solvency II. All the specified legal provisions result in special requirements for risk management and controlling. Wüstenrot & Württembergische AG (W&W AG) is the parent company of the financial conglomerate and the Solvency II group. As the parent company, W&W AG is responsible for defining and further developing uniform risk management standards throughout the Group and monitoring compliance with those standards. For further information, please see the chapter "Business model – regulatory requirements".

The principles of the risk management approach and the elements of its design, as well as the general handling of material risks within the W&W Group, are described below. Current developments such as the Ukraine war, interest rate increases, inflation and sustainability risks are considered as well. Further analyses and descriptions of the risk situation that arise from international accounting standards are provided in the disclosures concerning risks under financial instruments and insurance contracts in the notes to the consolidated financial statements.

The W&W Group makes use of a comprehensive risk management and controlling system that consistently combines the systems and methods of the individual companies, which are geared to the particular business requirements.

The risk management and controlling system comprises the totality of all organisational regulations and measures that have been established to identify risks at an early stage and to handle the risks associated with business activity. Risk controlling is a part of risk management and includes the assessment, evaluation, monitoring and reporting of the risks encountered by the entities assuming them. It also monitors risk governance measures.

The appropriateness and effectiveness of the risk management system is reviewed internally at W&W. In particular, Internal Audit also examines the appropriateness and effectiveness of the internal control system and the processes in all areas. In connection with audits of the annual financial statements, the system for the early identification of risks is examined at the level of the individual company, and the appropriateness and effectiveness of risk management is verified at the level of the home loan and savings bank and the level of the W&W financial conglomerate. Principles and organisation remained unchanged compared with the previous year.

For information on the enhancements planned for 2023, please see the chapter "Enhancements and planned measures".

### Core functions and objectives

Risk management in the W&W Group consists of the following key functions:

- **Legal:** Compliance with the relevant internal and external requirements for risk management and creation of the legal precondition for continuation of business operations.
- **Protection of the company as a going concern:** Avoidance of risks that endanger the company as a going concern, preservation of financial security and development of strategies to protect the company as a going concern and the capital basis necessary for this.
- **Quality assurance:** Establishment of a common understanding of risks, a pronounced awareness of risks, and transparent communication of risks in the W&W Group, as well as active notification of flaws and potentials for improvement in risk management.
- **Value creation:** Governance impetus for risk hedging and conservation of value, promotion and assurance of effective value creation for shareholders through risk capital allocation that enables opportunities to be seized.

Based on the key functions of risk management, the following **overarching objectives** are pursued:

- Creation of **transparency** with respect to risks,
- Use of appropriate tools for **risk governance**,
- Assurance and monitoring of **capital adequacy**,
- Creation of a basis for **risk- and value-oriented** corporate governance,
- Promotion and establishment of a Group-wide **risk culture**.

Another task of risk management is to protect the reputation of the W&W Group with its two core brands, “Wüstenrot” and “Württembergische”, and the new digital brand “Adam Riese”. The reputation of the W&W Group as a stable, reliable and trustworthy partner of our customers constitutes a key factor for our sustainable success.

## Risk management framework

The integrated risk strategy establishes the strategic framework of the risk management system of the W&W Group, the Solvency II group and W&W AG. The risk management system is an integral component of a proper and effective business organisation.

**Risk management framework**

**Overview**

| | |
|---|---|
| Integrated risk strategy at W&W | **Strategic level** |
| Group risk policy | **Organisational level** |
| Technical specifications<br>Work instructions | **Process level** |

As part of this framework, definitions are established in line with business strategy for risk appetite, which is derived from the risk profile, for the overall risk objectives and for the application of consistent standards, methods, procedures and tools. The risk strategy is in line with the W&W business strategy and the principles for long-term protection of the company as a going concern. It takes into account the nature, scope, complexity and risk content of the business operated by the individual companies that belong to the W&W Group.

The requirements specified in the **integrated risk strategy** contribute to securing the long-term entrepreneurial capacity to act and to promoting the Group-wide risk culture. The aim is to maintain an appropriate balance between taking advantage of business opportunities and incurring risks, while ensuring the effectiveness of the Group-wide risk management system.

The risk strategy of the W&W Group is reviewed, adopted by the Executive Board of W&W AG and discussed by the Supervisory Board at least once a year.

The **Group Risk Policy** defines the organisational framework for risk management and is a prerequisite for an effective risk management system within the W&W Group. This framework is intended to ensure that the standard of quality is comparable across all business areas and that risk management is highly consistent on all levels of the W&W Group. As a key component of the common risk culture, the Group Risk Policy and the processes and systems defined in it promote the requisite risk awareness. The central elements of the Group-wide risk culture are:

- Leadership culture with a role model function (tone from the top),
- Open communication and critical dialogue,
- Responsibility of employees, and
- Appropriate incentive structures.

Through their management style and the way they handle risks, the Executive Board of W&W AG, the executive boards and managements of the individual W&W companies and the managers in the W&W Group shape the W&W Group’s risk culture to a decisive extent.

The individual companies of the financial conglomerate are integrated into the risk consolidation scope and the Group-wide risk management system according to the statutory and regulatory provisions. The scale and intensity of risk management activities vary depending on the risk content of the business conducted and on its nature, scale and complexity. The implementation of a risk classification procedure (risk classes 1-5) enables a risk-oriented structure of the risk management system in accordance with the principle of proportionality.

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

**Risk class 1:**
- Wüstenrot & Württembergische AG
- Wüstenrot Bausparkasse AG
- Württembergische Lebensversicherung AG
- Württembergische Versicherung AG

**Risk class 2:**
- Württembergische Krankenversicherung AG
- Allgemeine Rentenanstalt Pensionskasse AG
- W&W Asset Management GmbH
- W&W Informatik GmbH
- W&W Service GmbH
- Wüstenrot Haus- und Städtebau GmbH

The inclusion of companies in risk classes 3 to 5 in the risk management system of the W&W Group takes place pursuant to the proportionality principle and is ensured directly by the risk controlling of the respective parent company.

## Risk governance/risk bodies

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

For further information on our Corporate Governance, please see the section “Corporate governance statement”.

The duties and responsibilities of all the individuals and committees involved in risk management are defined. Within the organisational and operational structure, the individual areas of responsibility for all of the following bodies, committees and functions, as well as their interfaces and reporting lines among one another, are defined, thus ensuring the regular and timely flow of information across all levels of the W&W Group.

In its role as the control body overseeing the Executive Board, the **Supervisory Board of W&W AG** also monitors the appropriateness and effectiveness of the risk management system, as well as implementation of the risk strategy, including risk appetite. It is regularly updated on the current risk situation. Certain types of transactions require approval by the Supervisory Board or its Risk and Audit Committee.

The **Risk and Audit Committee of W&W AG** and the corresponding committees of Wüstenrot Bausparkasse AG, Württembergische Versicherung AG and Württembergische Lebensversicherung AG are regularly presented with information required pursuant to the bylaws, including risk reports with a description of the current risk situation and the measures that have been initiated to manage it.

The **Executive Board of W&W AG** bears overall responsibility for the proper business organisation of the W&W Group and is the ultimate decision-making body for W&W AG and the W&W Group on risk issues. This includes ensuring that the risk management system established Group-wide is effectively and appropriately implemented, maintained and enhanced. This also includes developing, promoting and integrating an appropriate risk culture. The Chief Risk Officer (CRO) is responsible for risk management on the Executive Board of W&W AG.

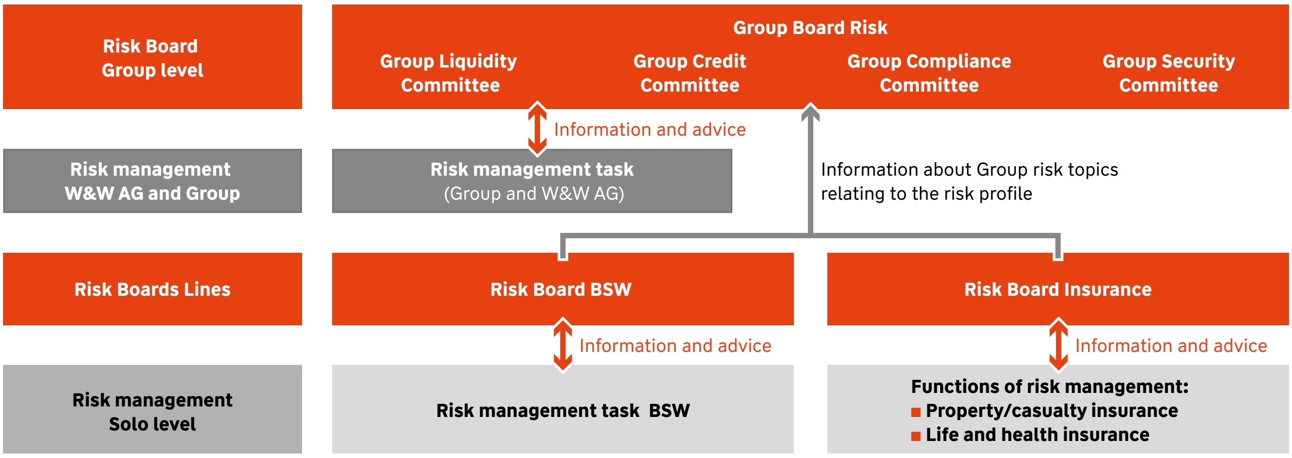
As the central body for the coordination of risk management, the **Group Board Risk** supports the Executive Board of W&W AG and the Management Board in risk issues. The regular members of the Group Board Risk are the CRO of W&W AG and the CROs of the Housing division, the key function holders for risk management at W&W AG, the W&W Group, Württembergische Lebensversicherung AG and Württembergische Versicherung AG and the holder of the risk controlling function at Wüstenrot Bausparkasse AG. Select observers are also members of this body. The body meets once a month and, where necessary, on an ad hoc basis. The Group Board Risk monitors the risk profile of the W&W-, its appropriate capitalisation and its liquidity. Moreover, it advises on Groupwide risk organisation standards and on the deployment of uniform risk management methods and tools, and it proposes these to the Group’s executive boards for approval or adopts them within the scope of its powers.

The **Insurance Risk Board** manages and monitors risks in the Insurance division (Württembergische). The **BSW Risk Board** handles this duty in the Housing division (Wüstenrot). The participation of the responsible Executive Board members and the departments concerned guarantees the integration of circumstances pertaining to individual companies as well as the speedy exchange of information and quick decision-making.

The chart “Risk Board Structure” shows how the responsible bodies collaborate in risk-related decisions.

**Risk Board Structure**

Overview




Group-wide committees have been set up to handle certain risk topics in detail:

- A **Group Liquidity Committee** has been established for Group-wide liquidity management. It is responsible for managing and monitoring liquidity Group-wide.
- The **Group Compliance Committee** facilitates the Group-wide exchange of information on issues with relevance to compliance. It has the task of coordinating and managing compliance issues in a centralised, Group-wide manner. Matters with relevance to compliance are pooled, analysed, discussed and evaluated Group-wide in the Group Compliance Committee.
- The **Group Credit Committee** works Group-wide for the purpose of efficiently processing proposals for loan decisions in the institutional area.
- Group-wide information security management is the responsibility of the **Group Security Committee**.

Key functions have been implemented in our business organisation, structured in the form of **three lines of defence**.

- The business units that are responsible for the operational decentralised risk governance constitute the **first line of defence**. Within the scope of their competencies, these units deliberately decide to assume or avoid risks. In this context, they must observe centrally determined standards, risk limits and risk lines as well as the adopted risk strategies. Internal controls verify that they stay within their competencies and comply with the aforementioned standards.

The **second line of defence** comprises the (independent) risk controlling function/risk management function, the compliance function and the actuarial function.

The (independent) **risk controlling function** or risk management function handles in particular the operational implementation of risk management and reports to management on the overall risk profile, among other matters. The Risk and Compliance department at W&W AG (“Risk” section) is responsible for risk management at the level of the W&W Group and W&W AG. The head of the “Risk” section holds the key function “risk management” in accordance with Section 26 German Insurance Supervision Act (ISA) at the level of the W&W Group and W&W AG. In addition, the Insurance (Württembergische) and Housing (Wüstenrot) divisions each have their own risk management units. In each case, they perform the duties of the risk controlling function at the level of the respective subsidiaries. They also remain in close contact with the risk controlling function at the Group level.

The **compliance function** is responsible for adequate legal monitoring and the effectiveness of the compliance with internal and external regulations. It regularly reports directly to the Executive Board of W&W AG and to the Group Board Risk about compliance-related matters and risks. The compliance function is supported in the operational performance of its duties by the Risk and Compliance department ("Compliance" section) at W&W AG.

The **actuarial function** is responsible, inter alia, for the correct calculation of the technical provisions, and it assists the relevant (independent) risk controlling function or risk management function in risk assessment. The actuarial function at W&W AG is exercised by the head of the Actuarial Services and Property and Casualty Reinsurance department of Württembergische Versicherung AG. For the Solvency II group, it is carried out at the level of W&W AG by the head of the section Risk Management Life and Health Insurance, Actuarial Management of Württembergische Versicherung AG.

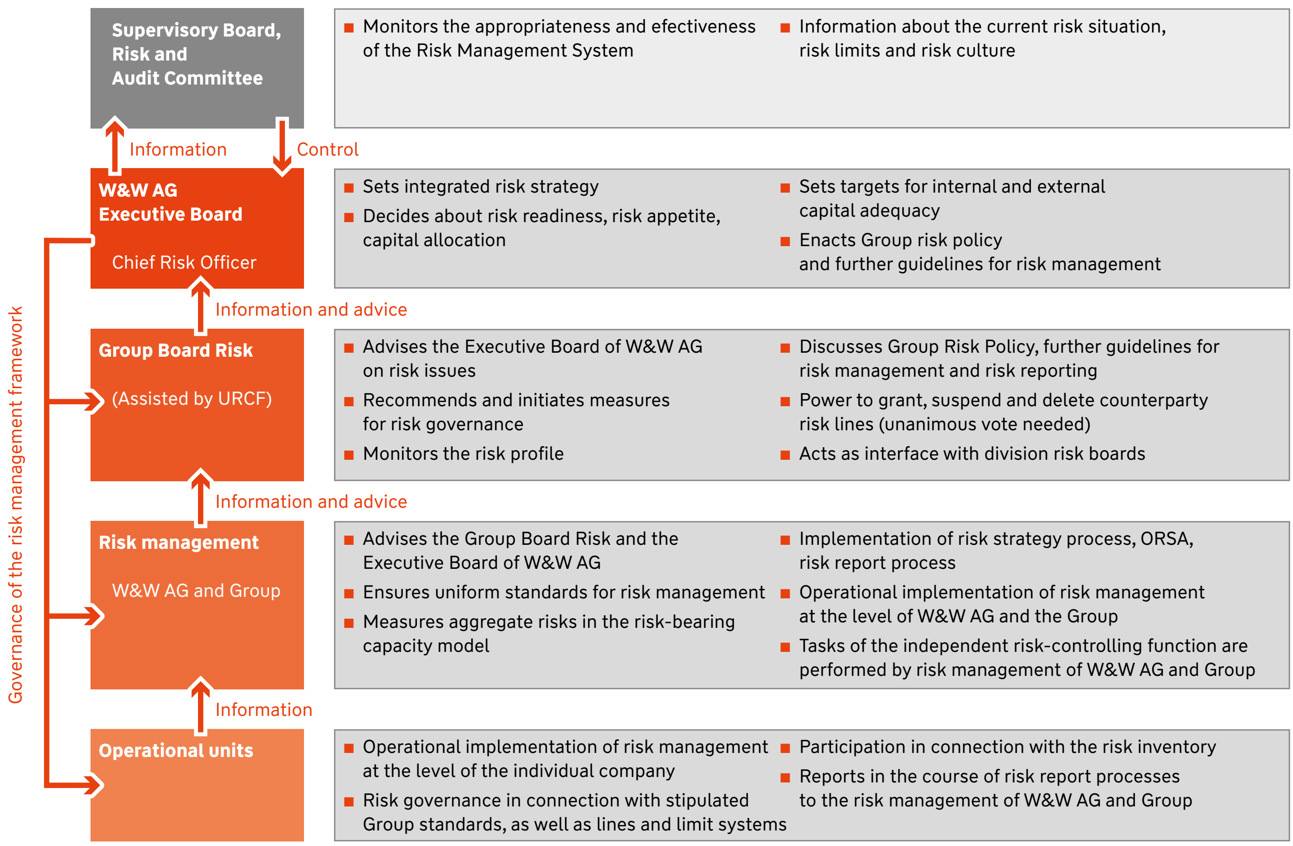
- The Internal Audit department represents the **third line of defence**. It independently audits the appropriateness and effectiveness of the internal control system as well as the effectiveness of corporate processes, including the first two lines of defence. The internal audit duties at the Group level and at W&W AG are performed by the Group Audit department at W&W AG. The head of this unit acts as the responsible function holder. Corresponding audit functions have been established at the level of the individual companies.

Persons or business lines charged with exercising these functions must be able to perform their tasks objectively and independently. For this reason, they are set up as strictly separate from risk-taking units (functional separation to avoid conflicts of interest). This principle is even observed at the Executive Board level through stringent rules of procedure and assignments of responsibilities.

The chart "Risk Management: Responsibilities and Function Holders" shows the responsibilities in risk management.

**Risk management responsibilities and Executives**

Overview




## Limitations of the risk management system

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

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

**Model risk.** Suitable models are used for risk measurement and governance purposes. These models use assumptions in order to reduce the complexity of reality. They map only the circumstances considered to be material. Thus there is a risk of selecting unsuitable assumptions (specification risk) and a mapping risk if relevant circumstances are reflected insufficiently in the models (estimation risk). Furthermore, model risks can arise from faulty model input (input risk) and improper model use (use risk).

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

We reduce such risks, especially operational risks and business risks, as part of risk management. Although our risk management system is inherently suitable, it is nevertheless possible that risks may not be duly identified or responded to under certain circumstances.

## Risk management process

The risk management process in the W&W Group is based on the closed control loop described in the integrated risk strategy as well as in the following.

### Risk identification

Risks are systematically identified in the course of the annual risk inventory and during reviews of the risk situation throughout the year, as warranted by events. Risks are separated into material and immaterial risks using defined threshold values. Also evaluated is the extent to which individual risks can take on a material character through interaction or accumulation (risk concentrations). The risk inventory plays a significant role in promoting an appropriate risk culture by involving various units at the company.

The systematic recording of loss events provides indications of new or changing operational risks and thus also supports risk identification.

A new-product process has been implemented for the purposes of identifying risks associated with introducing new products and sales channels and tapping into new markets. This process incorporates the risk controlling units at the level of the Group and the individual companies.

### Risk assessment

This process step includes all methods, processes and systems that serve to adequately assess identified risks. Risks are largely assessed by means of a stochastic procedure using the value-at-risk standard. If this procedure cannot be used for certain risk areas, analytical computational procedures or regulatory standard procedures are applied, as well as expert estimates.

At both the Group level as well as the level of the individual W&W companies, the relevant statutory and regulatory confidence levels are applied for measuring risks from an economic perspective:

- For individual W&W companies, including W&W AG, that are subject to insurance supervision law, this corresponds to a confidence level of 99.5%, based on a risk horizon of one year.
- For Wüstenrot Bausparkasse AG, this corresponds to a confidence level of 99.9% based on a risk horizon of one year.

For the W&W Group, risks are depicted with a confidence level of 99.5%. The target and minimum ratios for economic risk-bearing capacity at the Group level are derived from the capital requirements that result from compliance with the aforementioned confidence levels at the associated individual companies. Accordingly, an overall confidence level in excess of 99.5% is achieved.

In addition, risks are assessed from a supervisory (normative) perspective using regulatory risk parameters. If risk models are employed that are oriented toward the balance sheet or income statement specific to the individual company, a confidence level of at least 95.0% is applied to them.

We include the results of these assessments in the evaluation of risk-bearing capacity or in additional risk controlling tools, taking into consideration potential risk concentrations. We regularly conduct sensitivity analyses in connection with stress scenarios for specific risk areas and across risk areas. Indicator analyses, such as (early-warning) risk indicators, augment the range of tools used to evaluate risk.

### Risk taking and risk governance

We define risk governance as the operational implementation of risk strategies in the risk-bearing business units. The decision to assume risk is made within the scope of business strategy and risk strategy requirements by the decision-making body in each individual company. Based on the risk strategy, the respective specialist sections at our individual operating companies manage their own risk positions. Thresholds, signal systems, and limit and line systems are used to support risk governance. If the specified thresholds are exceeded, predefined actions or escalation processes are initiated.

The entity assuming the risks is responsible for governing and controlling them as the first line of defence. It decides on products, transactions and risk-management measures in the first line of defence. In this context, it must be ensured that the assumed risks are in compliance with the risk strategy of the W&W Group or the risk profile specified by one of its companies and whether the risk-bearing capacity as well as specified risk limits and risk lines are observed. Risk-taking and risk-monitoring tasks are strictly separated in terms of function.

Key management parameters at Group level are the consolidated net profit and division-specific indicators. In order to link earnings management with risk governance, we conduct supplementary analyses for the purpose of value-oriented management. For us, this includes, inter alia, a present-value earnings perspective, capital allocation and internal risk governance.

The sufficiency of risk capitalisation is evaluated on several dimensions, which as a rule are equally weighted but highlight different objectives and aspects:

- The economic perspective assesses risk coverage capacity, i.e. permanent assurance of the undertaking's substance in order to protect first-rate creditors against losses from an economic standpoint.
- The normative perspective looks at compliance with the regulatory minimum requirements for risk capitalisation in order to be able to continue business operations as planned.

In addition, in accordance with the requirements for managing the balance sheet and the income statement, specific risk models oriented toward them are applied at the level of the individual companies.

While the economic risk-bearing capacity concept and the balance sheet risk models are developed and parameterised internally, the regulatory procedure follows the externally specified methodology.

## Risk monitoring

In order to identify risks early on, risk indicators are employed to monitor changes in the risk situation. Such indicators include financial and risk indicators (e.g., risk-bearing capacity ratios, limit utilisations), supervisory indicators (e.g., capital ratios, liquidity coverage ratio) and market indicators (e.g., stock prices, credit spreads).

Material, quantifiable risks are controlled by means of limits and lines. Business is transacted solely within the scope of these limits and lines. Limits are set at most in the amount that permits compliance with the respective minimum ratios for economic risk-bearing capacity even where the limits are maxed out. By creating a corresponding limit and line system, risk concentrations in particular are limited both at the level of the individual company and at the level of the financial conglomerate.

The monitoring of risks, which is independent of the assumption of risks, primarily takes place at the level of the individual undertaking. Any material risks that apply at the Group level or across companies are additionally monitored at the Group level. Monitoring activities are used to develop recommendations for action, which lead to corrective intervention being taken early on with respect to the objectives set forth in the business and risk strategy and are subject to corresponding measures controlling.

## Risk reporting

Using established reporting processes, regular and timely reports are generated about the risk position of various groups or individual companies.

In this regard, the flow of information concerning the risk situation of the individual companies in the W&W Group is accomplished through internal risk reporting, risk inventory and calculation of risk-bearing capacity. The results of the companies affiliated with the Group are transmitted to the risk controlling function responsible for the W&W Group, which then aggregates them and analyses them for their impact on the W&W Group.

The key element of the risk reporting system is the quarterly overall risk report, which is sent to the Group Board Risk, the Executive Board and the Supervisory Board. Presented in this report are, in particular, the amount of available capital, regulatory and economic capital adequacy, compliance with limits and lines, existing risk concentrations, the results of stress testing and the risk governance measures that have already been taken and that still need to be taken. Also reported on in this connection are significant trends in early-warning risk indicators. The overall risk report is presented to the Group Board Risk and discussed with respect to risk assessment. On this basis, action recommendations and measures are established where necessary for the W&W Group, which are then implemented and tracked by the responsible risk management units.

Depending on how critical it is, information that is considered material from the standpoint of risk is forwarded immediately to the Group Board Risk, the Executive Board and the Supervisory Board. Processes and reporting procedures have been put in place for internal ad-hoc risk reporting at the Group and individual company level. Quantitative criteria are used as thresholds, which are in line with internal and supervisory parameters. In addition, pertinent ad hoc risk reporting takes place when qualitatively material events occur.

## Capital management in the W&W Group

The individual companies and W&W AG maintain risk capital in order to cover losses if assumed risks should occur. Risk management is responsible for managing and monitoring the ratio of risk capital to risk capital requirements (capital adequacy, risk-bearing capacity). Risk is managed from two perspectives:

- With respect to regulatory capital adequacy, the ratio of regulatory capital to regulatory solvency requirements is monitored. Statutory and supervisory requirements relating to capital resources, risk-bearing capacity and other regulatory indicators apply for the financial conglomerate, the Solvency II group and W&W AG as an individual company. To be applied for this purpose are the provisions of the German Banking Act (KWG), the German Insurance Supervision Act (ISA), the German Act on the Supervision of Financial Conglomerates (FKAG) and the EU Capital Requirements Regulation (CRR). Moreover, avoidance of the risk of over indebtedness is an integral aspect of managing the balance sheet of the individual companies that are subject to banking supervision law. Compliance with this target ratio is monitored operationally at the level of Wüstenrot Bausparkasse AG.
- Within the scope of economic capital adequacy, economic risk capital requirements are determined on the basis of an economic risk-bearing capacity model and compared with the available economic capital.

In order to ensure appropriate risk-bearing capacity, internal target ratios and minimum ratios are specified for both supervisory and economic capital adequacy. The determination of capital adequacy also considers the systemic capital buffer and countercyclical capital buffer set by BaFin.

### Objectives

An overarching framework has been implemented for capital management in the W&W Group, the Solvency II group and W&W AG, which specifies the goals and principles for capital management and defines the capital management process. In particular, our capital management aims at:

- ensuring adequate risk-bearing capacity from a regulatory and economic standpoint,
- managing internal target ratios and limits,
- optimising capital allocation within the Group,
- enabling an adequate return on the capital employed,
- ensuring capital flexibility and
- making use of strategic options/market opportunities.

### Regulatory capital adequacy

Regulatory provisions establish requirements for regulatory capitalisation at the level of the individual companies and at the consolidated level.

- As at the reporting date, Wüstenrot Bausparkasse AG fulfilled the regulatory capital requirements. As at 31 December 2022, the total capital ratio of Wüstenrot Bausparkasse AG was 20.3% (previous year: 19.4%).
- As at the reporting date, the regulatory Solvency II coverage ratios of the insurance companies were likely well above 100%. The final results will be published in the second quarter. The ratios calculated as at 31 December 2021 were reported to BaFin in the second quarter of 2022. The reported ratios were 407.9% for W&W AG, 409.0% for Württembergische Lebensversicherung AG and 206.2% for Württembergische Versicherung AG. Württembergische Lebensversicherung AG received approval from BaFin to apply transitional measures for technical provisions and a volatility adjustment, both of which are also currently being applied by it.
- As at the reporting date, the regulatory coverage ratio for the Solvency II group was likely well above 100%. The final results will be published in the second quarter. The ratio for the previous year, which stood at 243.3%, was reported to BaFin in the second quarter of 2022.

- As at the reporting date, the coverage ratio for the financial conglomerate of the W&W Group was likely well above 100%. In the previous year, the coverage ratio stood at 238.8% as at 31 December 2021.

In its risk strategy, the W&W Group has set internal target solvency ratios for the insurance companies and the banks in risk classes 1 and 2, as well as for the Solvency II group and the financial conglomerate, that exceed the current statutory requirements. The minimum target ratio for the Solvency II group and for the financial conglomerate is 130% (in application of the transitional measures for technical provisions and the volatility adjustment).

Internal calculations on the basis of the data for 2022 and on the basis of the planning horizon show that the regulatory requirements concerning capital resources will be satisfied by the financial conglomerate and by the Solvency II group in the future as well, under the assumptions on which the planning is based. This also applies in the light of the macro-prudential capital buffer, published at the beginning of 2022.

**Economic capital adequacy**

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

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

The risk position presented below is based on the data used by company management for economic risk governance and internal risk reporting. Material risks, which are determined by means of a standardised approach, are aggregated to form the risk capital requirements and compared with the financial funds available for risk coverage. As at 31 December 2022, the W&W Group's total risk capital requirements after diversification amounted to €3,002.7 million (previous year: €3,385.0 million). The risk capital requirements are met by risk capital in the amount of €6,070.8 million (previous year: €7,205.1 million). Despite the negative impact of the economic environment, the degree of coverage (ratio of risk capital to risk capital requirements) was almost on previous years' level, reaching 202 % (previous year: 213 %).

In line with the risk classification, the economic risk-bearing capacity model includes, at a minimum, the individual companies in risk class 1 in the form of a partial model. For the other W&W individual companies, risk-bearing capacity is monitored on the basis of the simplified approaches defined in the Group Risk Policy for the respective risk class. If W&W individual companies are not included in the economic model of risk-bearing capacity in the form of a partial model, risks are monitored within the investment risk of the respective company at the parent company.

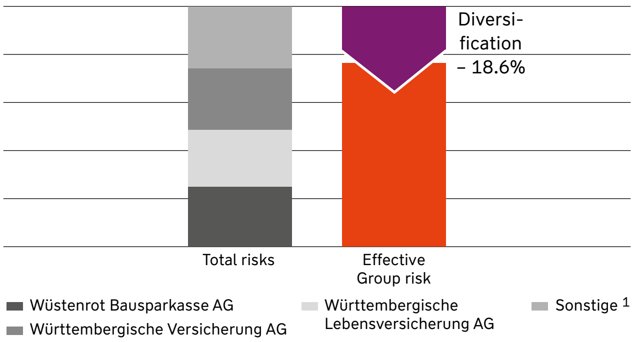
As part of the risk strategy, the W&W Group strives for an economic risk-bearing capacity ratio (ratio of risk capital to risk capital requirements) of greater than 145%. For W&W AG, the target ratio is greater than 125%. Our calculations show that risk-bearing capacity was above this target ratio as at the reporting date of 31 December 2022, despite the significant Group-level decline in risk capital and declining risk capital requirements.

## Diversification

The assumption and management of risks is a key aspect of the W&W Group's business model. The risk profiles for the home loan and savings bank, for the property and casualty insurance companies and for the life and health insurance companies differ considerably. Since the risks assumed by these companies usually do not occur at the same time, the risk capital requirements of the Group are lower than the sum of the risk capital requirements of the individual companies. For example, a drop in interest rates, which may constitute a risk for life insurance companies or, depending on positioning, the home loan and savings bank, is largely independent of the occurrence of a natural disaster, which mainly affects only property and casualty insurance companies. The extent of this risk diversification effect depends, on the one hand, on the intercorrelation of the risks and, on the other, on their size in the individual companies. In terms of confidence-based modelling, the economic risk-bearing capacity model at the Group level takes into account only diversification effects that arise between the individual companies within the individual risk areas. Diversification had the following impact on economic risk capital requirements at the Group level as at 31 December 2022:

### Diversification

schematic




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

Diversification is very important for our business model, which features a broad product portfolio over various business segments and regions. Diversification between business segments helps us to better manage our risks, as it limits the economic impact of a single event. This works to stabilise the earnings and risk profile. The extent to which the diversification effect can be realised depends on the correlation between the risks as well as on the relative concentration within a risk area. We regard diversification as one of the strategic success factors of the W&W Group.

Apart from risk and earnings diversification, further diversification effects can be used in different areas due to the structure of the W&W Group. For example, this concerns capital fungibility within the W&W Group and the networked approach across division borders (know-how transfer).

## Risk landscape and risk profile of the W&W Group

To depict our risks transparently, we uniformly consolidate similar risks into risk areas on a Group-wide basis (see also the chart “Risk landscape of the W&W Group”).

### Risk landscape of W&W Group

Overview of risk areas

| Overall risk profile | | | | | |
|---|---|---|---|---|---|
| **Market risks** | **Counterparty risks** | **Underwriting risks** | **Operational risks** | **Business risks** | **Liquidity risks** |
| Interest rate risk | Counterparty credit risk – customer credit business | UR personnel/ employee life insurance | Legal risk | Strategic risk | Insolvency risk |
| Credit spread risk | Counterparty credit risk – capital investments | UR personnel/ employee health insurance | Compliance risk | Environment risk | Funding risk |
| Share risk | Other counterparty credit risks | UR property and casualty insurance | Personnel risk | Reputational risk | Market liquidity risk |
| Foreign currency risk | | | Process risk | | |
| Real estate risk | | | Information risk | | |
| Long-term equity investment risk | | | Model risk | | |
| Commodities risk | | | Service provider risk | | |

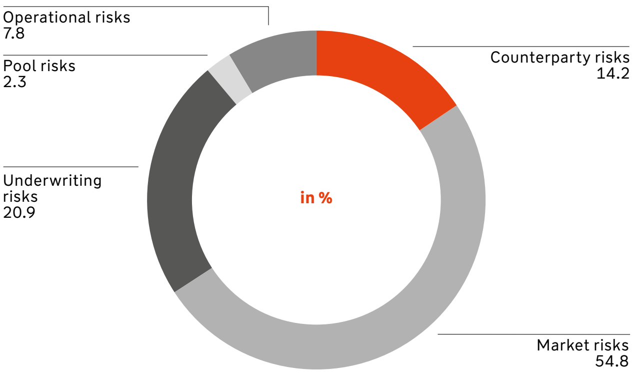
All reportable segments are exposed to the risk areas described above. The sole exception is our home loan and savings bank, which does not show any underwriting risks specific to its business model. We separately draw attention to any segment-specific material risks and risk management methods within the risk areas.

Sustainability risks are not an independent risk type but are included in the relevant risk types. Sustainability risks are discussed in the section “Sustainability aspects” at the end of this chapter. The impact of the Ukraine war, inflation and the coronavirus pandemic is presented in the individual risk areas and in overall external risk.

In describing the risks depicted below, we follow the methodology established by our internal risk reporting regulations. Where figures are provided in millions of euros or thousands of euros, and in the case of percentage figures with a decimal point, totalled amounts may have rounding differences due to commercial rounding rules.

The risk profile of the quantified risk areas was determined in accordance with our methods for economic risk-bearing capacity measurement (see the section “Economic capital adequacy”). The risk profile was distributed as follows as at 31 December 2022:.

**Risk profile of the W&W Group [1]**




[1] Risk areas quantified via economic risk bearing capacity model

**Market price risks** currently account for the largest share of risk capital requirements at 54.8% (previous year: 52.7%). These include, as the key types of risk, credit spread risks, stock price risks, and interest rate risks. **Underwriting risks** account for 20.9% (previous year: 17.0%). Due to the exposures in our investment portfolios and our customer lending activities, **counterparty credit risks** also constitute a significant risk area, accounting for 14.2% (previous year: 18.9%).

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

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

## Market price risks

- Owing to its business model, the W&W Group is highly sensitive to trends in market price risk factors, especially to trends in interest rates and credit spreads and on equity markets.
- To limit risk, exposure to government bonds issued by the Russian Federation, Belarus and Ukraine was completely eliminated by the beginning of April 2022.
- Market price risk factors remained highly volatile as a result of the war in Ukraine and increased inflation.
- That makes it tremendously important for the W&W Group to manage interest rate risks (risks relating to changes in interest rates and to interest rate guarantees).
- It rigorously managed credit spread risks in conjunction with controlling for counterparty credit risks.
- Reduction of the equity portfolio in 2022 while maintaining a high level of security through hedging instruments.

### Risk definition

We define market price risk as potential losses resulting from uncertainty about the future development (size, volatility and structure) of market risk factors. Such market risk factors include interest rates, equity prices, currency exchange rates, commodities prices, real estate prices and corporate assets, as well as risk premiums (credit spreads) for a given credit risk. In the W&W Group, all risk types (except for commodity risk) forming part of market price risk are considered to be material and are detailed below.

### Market environment

Volatility in the capital market increased in 2022, especially with regard to the performance of interest rates, equities and credit spreads.

**Interest rate trends.** The yield on 10-year German government bonds increased from −0.18% at the end of 2021 to 2.57% at the end of 2022 due to rising interest rates. It thus rose by 275 basis points.

The yield on two-year German government bonds increased 338 basis points in 2022, rising from −0.62% at the end of 2021 to 2.76% at the end of 2022.

**Trends in equities.** Equity markets suffered losses in 2022. In 2022, the DAX lost a total of 12.3%, the Euro Stoxx 50 was down 11.7% and the American S&P 500 shed 19.4%.

**Credit spread trends.** Credit spreads widened further over the course of the year and remained elevated compared with the time prior to the coronavirus pandemic and the war in Ukraine. For example, the Itraxx Senior Financials 5Y rose to 99.3 (previous year: 54.9) basis points as at 30 December 2022.

**Ukraine war and inflation.** The Ukraine war currently poses one of the greatest risks to macroeconomic development and the performance of the financial markets. Consumer prices in Germany rose by 7.9% in 2022 on annual average (previous year: 3.1%). The upsurge in inflation was mainly due to sharply rising energy and food prices. Effects from supply chain disruption due to the coronavirus pandemic and the war in Ukraine also drove up prices. Economic prospects have dimmed accordingly, also a result of the risk of energy supply shortages.

We present additional details concerning trends in interest rates and equities, as well as about the impact of inflation and the war in Ukraine, in the "Economic report – Business report" section.

## Risk position

**Interest rate risk.** In the W&W Group, Wüstenrot Bausparkasse AG and Württembergische Lebensversicherung AG, in particular, are exposed to interest rate risks in the form of interest rate change risks and interest guarantee risks. In addition, W&W AG and Württembergische Versicherung AG, among others, are also exposed to interest rate risks.

The increase in interest rates and associated negative impact on reserves present risks from a net income perspective and an economic perspective.

If interest rates rose further or spreads widened to a comparable degree, hidden liabilities would increasingly build up on the assets side in the commercial accounts, necessitating write-downs. In addition, customers might increasingly make use of their option rights, which would realise hidden liabilities. However, the scenario would have a positive impact on asset-liability mismatches in the medium to long term since it would reopen the possibility of making new investments and reinvestments at higher interest rates.

A decline in interest rates, on the other hand, would either have positive short-term effects on earnings due to the mark-to-market requirement for assets under IFRS 9 or would cause asset reserves to be built up under HGB. At the same time, assumed obligations would present medium- to long-term risks since new investments and reinvestments can only be made at a lower interest rate. This would present additional risks since the asset-liability mismatch would be increased and reserves might have to be realised to meet future customer claims.

The effects of possible interest rate change scenarios on the Group's earnings and equity are presented and explained in Note 45 in the notes to the consolidated financial statements.

Due to the sharp rise in interest rates, W&W AG's balance sheet risk model indicated growing risks to earnings in the course of the year. After investments were reclassified to fixed assets under Section 341b HGB, we subsequently avoided write-downs and reduced the interest rate risk in W&W AG's balance sheet risk model again. However, the reclassification and the existing hidden liabilities limit our future income management options.

That makes it tremendously important for the W&W Group to manage interest rate risks (risks relating to changes in interest rates and to interest rate guarantees).

In the Life and Health Insurance segment (primarily, Württembergische Lebensversicherung AG), the following measures continue to be taken in order to manage interest rate risks:

- Active duration management of bond investments,
- Structural reallocations in the securities portfolio,
- Use of derivatives such as swaps to hedge interest rate risks,
- Examination and use of alternative investment strategies and instruments,
- Creation of reserves: additional interest rate reserve for the new portfolio and interest rate reinforcement for the old portfolio,
- Development of products with alternative guarantee forms.

The reference interest rate for determining the additional interest rate reserve for the new life insurance portfolio remained unchanged from the previous year at 1.57% in 2022. Based on the regulations for the additional interest rate reserve, an interest rate reinforcement established in the business plan was provided in the old portfolio. The amount of interest rate reinforcement is determined by the measurement interest rate, which amounted to 1.57% (previous year: 1.57%) for Württembergische Lebensversicherung AG and to 2.10% (previous year: 2.11%) for ARA Pensionskasse AG. In the Group, there was a portfolio-induced reduction in the additional interest rate reserve and interest rate reinforcement of –€106.1 million to €3,141.7 million, while the previous year saw an interest-induced reinforcement of €329.6 million.

Due to the persistently low interest rates of the last few years, major challenges also arose for pension funds, including Allgemeine Rentenanstalt Pensionskasse AG, in terms of financing the build-up of the additional interest rate reserve/interest rate reinforcement under the ancillary condition of regulatory solvency. The significant increase in interest rates in 2022 has eased the situation concerning the financing of the additional interest rate reserve/interest reinforcement under the ancillary condition of regulatory solvency for Allgemeine Rentenanstalt Pensionskasse AG so much that a lower allocation to the additional interest rate reserve/interest rate reinforcement is required. A return to a low-interest phase would exacerbate the situation. The interest rate calculation basis is also appropriate in the long term if the current interest rate level is maintained. Allgemeine Rentenanstalt Pensionskasse AG, working together with its sole shareholder Württembergische Lebensversicherung AG and in coordination with the German Federal Financial Supervisory Authority (BaFin), develops far-reaching solution proposals, some of which have already been implemented.

In the Housing segment (mainly Wüstenrot Bausparkasse AG), we continued to take the following risk-minimising measures:

- Structural reallocations in the securities portfolio,
- Use of interest-rate-based hedging instruments (e.g. swaps),
- Active duration management of investments,
- Diversification in proprietary business in order to improve the yield profile,
- (Re-)investment prohibitions and
- Interest rate book management and treasury risk management of collective savings and loans.

The current interest rate increases are related to a rise in inflation rates. We collectively report on the impact of inflation on the risk profile in the section Business risks – Ukraine war/Inflation/Coronavirus pandemic.

**Credit spread risk.** Credit spread risk means the risk that the value of receivables will change because of a change to the applicable credit spread for the respective issuer or counterparty – despite an unchanged credit rating over time. The credit spread refers to a risk premium that consists of higher interest on a risky security than on a comparable riskless security. Accordingly, credit spread risk takes into consideration only credit spread changes that do not result from a change (migration, including default) of the rating.

Owing to the structure of our investment portfolio – investment predominantly in fixed-income securities – credit spread risk is a very important market price risk. In interaction with risk controlling methods for counterparty credit risk, credit spread risks are subject to stringent governance (e.g. risk lines), inter alia, through intensive coordination of investment plans in the areas of emerging markets, convertible bonds and high yield securities.

**Equity risk.** Within the W&W Group, significant holdings are held by W&W AG, Württembergische Lebensversicherung AG and Württembergische Versicherung AG as individual companies.

In connection with strategic asset allocation, investments are increasingly being made in alternative investments in private equity and private debt holdings as well as in infrastructure, which resulted in our exposure to market values expanding to €3,136.2 million (previous year: €2,672.0 million). Alternative investments are accounted for in the economic risk-bearing capacity model mainly together with equity price risks. Valuations of alternative investments have been positive in the infrastructure segment and stable in the private debt segment. Private equity valuations have been relatively stable, whereby declines have been counteracted by increases. A sharp economic downturn or a further rise in interest rates/inflation could trigger a decline in the valuation of alternative investments.

As a result of the high proportion of holdings in the investment portfolio, W&W AG is subject to very material equity risks due to its business model. When equity risks materialise, valuation losses can result in the writing down of holdings, the non-payment of dividends or the need to make contributions to earnings.

We influence the business and risk policy of our holdings, inter alia, through our representation in supervisory bodies, depending on the size and significance of the holdings.

**Stock price risk.** Of the companies of the W&W Group, significant equity portfolios are currently held by Württembergische Versicherung AG, Württembergische Lebensversicherung AG and W&W AG.

Accordingly, sudden and severe price slumps on equity markets could impair the risk-bearing capacity of the Group companies that invest in equities by forcing write-downs.

Stock risks are mitigated through hedging strategies based on derivatives (e.g. put options, short futures).

The holdings of the W&W Group companies with significant equity portfolios decreased in terms of market value to €428.6 million (previous year: €901.5 million), mainly due to sales and price drops. An index fluctuation of the EURO STOXX 50 would result in the following market value changes as at 31 December 2022:

## Market value changes in key equity portfolios

| in € million | Market value | Change in market value | | | |
|---|---|---|---|---|---|
| | | Increase by 10% | Increase by 20% | Decrease by 10% | Decrease by 20% |
| WL[1] | 300.3 | 22.0 | 45.4 | –19.6 | –36.0 |
| WV[1] | 85.0 | 5.0 | 10.7 | –4.0 | –7.1 |
| W&W AG[1] | 43.3 | 2.7 | 5.7 | –2.3 | –4.2 |
| **Total** | **428.6** | **29.7** | **61.8** | **–25.9** | **–47.3** |

1 Market value of equities = market value of equities physically + market value of options + market-value equivalent of futures

**Foreign currency risk.** Foreign currency risks can result from net FX positions in globally aligned investment funds, as well as from foreign currency bonds and equity instruments held by of our insurance companies (mainly Württembergische Lebensversicherung AG and Württembergische Versicherung AG).

In accordance with our strategic orientation, our foreign currency exposure is concentrated in Danish krone and U.S. dollar. Within the scope of individual fund mandates, we also have minor exposure in other currencies.

The foreign currency exposure of the insurance companies amounting to €8,616.3 million (previous year: €9,666.3 million) is 94.3% (previous year: 93.0%) hedged against exchange rate fluctuations.

We hold the material foreign currency portfolios on the assets side for the purpose of currency-congruent coverage of actuarial liabilities. To limit foreign currency risks, we mainly invest in investment products in the euro zone and use instruments such as currency forwards for hedging. As part of active foreign currency management, the insurance companies also systematically make use of income opportunities through open foreign currency positions.

The effects of possible exchange rate scenarios on the Group's earnings and equity are presented and explained in Note 45 in the notes to the consolidated financial statements.

**Real estate risk.** Within the W&W Group, Württembergische Lebensversicherung AG, W&W AG and Württembergische Versicherung AG hold property portfolios with a market value of €3,197.9 million (previous year: €2,870.2 million) in the form of direct investments and via fund mandates and holdings. Our diversified property portfolios are an integral part of our investment portfolio. Our property investments focus on direct investments in Germany with stable value development and high fungibility. In keeping with the strategic asset allocation, investments were made for the purpose of further diversification in line with the internationalisation of the property portfolio.

Real estate risks are to be minimised by means of an appropriate selection of properties. Real estate risk plays a minor role compared with the other types of market price risk. In view of recently rising property prices in various regions and segments, however, future price corrections cannot be ruled out, particularly in the event of a sharp downturn in the economy or another sharp rise in interest rates.

**Commodity risk.** As part of a comprehensive risk hierarchy, commodity risks, if any, are monitored and analysed. As at the reporting date, there were no material exposures in commodities.

**Ukraine war/inflation/coronavirus pandemic.** The war in Ukraine and the coronavirus pandemic triggered falling share prices and rising inflation rates, which in turn led to higher credit spreads and interest rates. To manage risk, we reduced exposure to equities and conducted transactions to hedge against rising interest rates. Exposures to government bonds issued by the Russian Federation, Belarus and Ukraine were completely eliminated by the beginning of April 2022. This decrease in the customer portfolio reduced consolidated net profit by a figure in the low double-digit millions in the 2022 financial year.

A summary of the effects can be found in the section Business risks – Ukraine war/inflation/coronavirus pandemic as well as in the notes to the consolidated financial statements in the section on the Ukraine war and the coronavirus pandemic.

Due to the war in Ukraine, persistently high inflation and uncertainty about the further trajectory of the coronavirus pandemic, we expect that the W&W Group will remain exposed to increased market price risks in 2023.

### Strategy and organisation

**Strategic asset allocation.** The strategic asset allocation forms the basis of our investment policy and thus is one of the most significant factors that influence our risk situation in the market price risk area. In this context, the companies place emphasis on an appropriate mix and spread of asset classes, as well as on broad diversification by industry, region and investment style. With our investments, we pursue an investment policy that is in line with the principles of sufficient profitability, liquidity and security. The two main objectives are to maintain adequate liquidity and to ensure the required minimum return.

**Organisation.** The respective executive boards specify the strategic asset allocation at the level of the individual company. Operational management of the various asset classes (equities, bonds, alternative investments, real estate and currencies) is handled by the front-office units.

The property portfolio management unit develops investment concepts for the “real estate” asset class. The Alternative Investments section is responsible for investments in the area of private equity, private debt, renewable energies and infrastructure.

Our strategic participation activities are supervised by Group Controlling. The decentralised and centralised risk controlling units operate as independent monitoring units for investment risks, including by means of operational limit monitoring.

### Risk management methods and risk controlling

For the market price risk area and the described risk types, we mainly apply the following risk controlling methods and procedures (see the chart “Risk Management”).

## Risk management

**Method depiction**

| Market risks area | Company | Risk controlling (specific) |
|---|---|---|
| | **Risk controlling (Group-wide):** ■ Asset Allocation ■ Economic risk-bearing capacity model ■ Limit system ■ Deployment of financial instruments ■ Sensitivity and scenario analyses ■ Diversification ■ Monitoring ■ New-product process ■ Reporting ■ Risk indicators | |
| **Interest rate risk** | Wüstenrot Bausparkasse AG<br>Württembergische Lebensversicherung AG<br>Wüstenrot & Württembergische AG<br>Württembergische Versicherung AG | ■ Asset liability management<br>■ Duration control<br>■ Product and pricing policies |
| **Credit spread risk** | Wüstenrot Bausparkasse AG<br>Württembergische Lebensversicherung AG<br>Wüstenrot & Württembergische AG<br>Württembergische Versicherung AG | ■ Credit management<br>■ Risk lines |
| **Share risk** | Wüstenrot & Württembergische AG<br>Württembergische Lebensversicherung AG<br>Württembergische Versicherung AG | ■ Hedging strategies (stop-loss)<br>■ Monitoring of hedging ratios |
| **Foreign exchange risk** | Wüstenrot & Württembergische AG<br>Württembergische Lebensversicherung AG<br>Württembergische Versicherung AG | ■ Congruent coverage |
| **Real estate risk** | Württembergische Lebensversicherung AG<br>Württembergische Versicherung AG<br>Wüstenrot & Württembergische AG | ■ Real estate portfolio management |
| **Long-term equity investment risk** | Wüstenrot & Württembergische AG<br>Württembergische Lebensversicherung AG<br>Württembergische Versicherung AG | ■ Long-term equity investment controlling<br>■ Economic planning ■ Projections during the year<br>■ Monthly target/actual comparisons |

**Economic risk-bearing capacity model.** Risks from interest rate changes are quantified both on the assets side and on the liabilities side using economic models. The companies included in our economic risk-bearing capacity model at the Group level measure market price risks economically, i.e. they take future discounted cash flows and market values into consideration on the basis of a value-at-risk model. For this purpose, the assets and liabilities are measured in the risk-bearing capacity model of the respective individual companies on the basis of simulated capital market scenarios. Each individual company can draw on economic values in 10,000 capital market scenarios, both for the relevant overall portfolio and for the sub-portfolios that are exposed to risks associated with interest rates, spreads, stock prices, real estate and holdings. These scenarios are used to calculate the value at risk for each individual company with respect to market price risks, as well as risks associated with interest rates, spreads, stock prices, real estate and holdings. Correlations between the risk types are implicitly taken into consideration in simulated scenarios. Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG are included in this regard on the basis of scenarios derived from the standard formula scenarios under Solvency II.

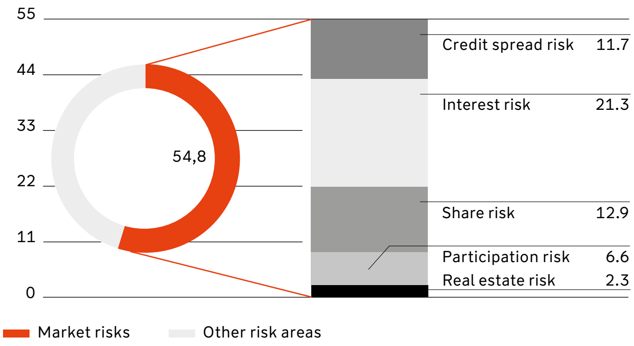
Foreign currency risks are taken into consideration in the asset classes in which they are incurred. In the case of bonds/cash flows, exchange rate fluctuations that are closely tied to trends in foreign currency interest rates are monitored simultaneously along with interest rate fluctuations and are fully allocated to interest rate risk. Exchange rate fluctuations of equities listed in foreign currency are duly taken into consideration in evaluating stock price risks.

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

The **risk profile** of the market price risk area was determined according to our methods for risk-bearing capacity measurement (see section “Economic capital adequacy”), and as at 31 December 2022 it was distributed as follows:

### Risk profile for market risks

in %




**Risk capital requirements.** Interest rate risks, which accounted for 21.3% (previous year: 12.5%), are the most significant of the market price risks, followed by stock price risks at 12.9% (previous year: 13.6%) and credit spread risks at 11.7% (previous year: 18.5%).

The assumed market price risks were in line with the risk strategy in 2022. The risk limit for market price risk was consistently complied with at Group level. Shifts occurred between the risk limits of individual risk types in market price risk during the year.

**Sensitivity and scenario analyses.** From the Group perspective, we regularly run economic stress scenarios in order to identify credit spread and interest rate sensitivities and simulate trends on the equity and property markets under changed assumptions. The effects of possible market price scenarios on the Group's earnings and equity are presented and explained in Note 45 in the notes to the consolidated financial statements.

**Asset liability management.** As part of asset liability management, asset and liability positions are managed and monitored in such a way that they correspond to the company's risk profile. We counter interest rate risks, inter alia, by managing durations and applying a dynamic product and pricing policy.

**Financial instruments.** In terms of strategic and tactical asset allocation, the companies of the W&W Group made use of derivative financial instruments in 2022. Stock price and interest rates risks in particular are reduced with suitable hedging strategies using derivatives (e.g. put options, interest rate swaps, futures, forward purchases and sales).

**Hedge quotas.** We regularly monitor our equity portfolios by analysing hedge quotas.

**Participation controlling.** Holdings are subject to stringent controlling. Among other things, this comprises the annual planning of dividends, medium-term economic planning, projections during the year and monthly target/actual comparisons for material equity holdings. Additionally, separate processes for risk governance and risk controlling are in place for private equities and alternative investments. In this way, impending equity risks can be responded to at an early stage.

**Matching coverage.** Because we cover actuarial liabilities in foreign currency with suitable investments in the same currency, the currency risks resulting from these positions are limited due to maximum congruence, as well as due to the comparatively low volume.

**Monitoring.** We continually monitor trends on the capital markets in order to be able to promptly adjust our positioning and our hedging. This also relates to trends in inflation and interest rates.

**New-products process.** Prior to their introduction, new products (lending and deposit products) are submitted to a new-products process, especially in order to ensure proper handling by the accounting department and in the risk controlling system.

## Counterparty credit risks

- Bond portfolio: Focus on high credit rating and good collateral structure.
- The investment environment, especially the implications of the war in Ukraine and inflation developments, continues to require strict credit management.
- Risk profile with respect to customer loan exposure constant at a very good level.
- Economic risks (war in Ukraine, energy crisis, inflation) could negatively impact investment and customer loan portfolios.

## Risk definition

We define counterparty credit risk as potential losses that may result if borrowers or debtors default or experience a deterioration in creditworthiness, as well as losses that may result from a deterioration in collateral.

Counterparty credit risks can arise from the default or changed rating of securities (counterparty credit risk associated with investments), from the default of business partners in customer lending business (counterparty credit risk associated with customer lending business) and from the default on receivables due from our counterparties in reinsurance (other counterparty credit risk).

## Market environment

Credit spreads for financial securities and corporate bonds remain elevated as a consequence of the war in Ukraine and the coronavirus pandemic, compared with the time period prior to the start of war and the coronavirus pandemic.

## Risk position

**Counterparty credit risk from investments.** Exposed to counterparty credit risks from investments are in particular Württembergische Lebensversicherung AG, Württembergische Versicherung AG, W&W AG and Wüstenrot Bausparkasse AG. In line with our strategic orientation, the credit rating structure of our interest-bearing investments is conservative, with 90.3% (prior year: 92.2%) of investments in the investment grade range.

The decreases in the market values or book values of fixed-income investments are largely due to elevated interest rates. Longer-dated investments responded more readily overall than shorter-dated ones. Longer-dated investments tend to be made with debtors with credit ratings at the higher end of the investment grade range. As a result, the market value of these investments fell more than non-investment grade investments, which drove down the investment grade ratio.

## Interest-bearing investments
## Rating (Moody's scale)

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Portfolio carrying amount | Share | Portfolio carrying amount | Share |
| | in € million | in % | in € million | in % |
| Aaa | 8,785.4 | 33.9 | 12,968.9 | 33.6 |
| Aa1 | 3,888.3 | 15.0 | 5,985.4 | 15.5 |
| Aa2 | 2,220.3 | 8.6 | 3,821.4 | 9.9 |
| Aa3 | 2,145.4 | 8.3 | 2,801.2 | 7.2 |
| A1 | 576.5 | 2.2 | 1,049.3 | 2.7 |
| A2 | 1,157.9 | 4.5 | 1,638.7 | 4.2 |
| A3 | 1,386.6 | 5.3 | 2,550.4 | 6.6 |
| Baa1 | 908.5 | 3.5 | 1,923.0 | 5.0 |
| Baa2 | 1,351.5 | 5.2 | 1,565.9 | 4.1 |
| Baa3 | 993.4 | 3.8 | 1,314.6 | 3.4 |
| Non-investment grade / Not rated | 2,521.4 | 9.7 | 3,031.2 | 7.8 |
| **Total** | **25,935.2** | **100.0** | **38,650.0** | **100.0** |

The scope of consolidation for accounting purposes serves as the basis for the presentation of our counterparty exposure; it consists of interest-bearing investments in the direct portfolio and within fully consolidated funds.

Our risk exposure by rating class at the segment level is shown in the following table:

## Interest-bearing investments
## Rating (Moody's scale) by segment

| | | | | Portfolio carrying amount | Share in total exposure in % |
|---|---|---|---|---|---|
| | Aaa - Aa | A - Baa | NIG/NR | Total | |
| in € million | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Housing | 3,332.4 | 1,030.6 | – | 4,363.0 | 16.8 |
| Life and Health Insurance | 11,860.9 | 4,519.7 | 2,329.4 | 18,710.0 | 72.1 |
| Property and Casualty Insurance | 1,110.2 | 522.9 | 107.7 | 1,740.8 | 6.7 |
| All other segments | 735.9 | 301.2 | 84.3 | 1,121.4 | 4.3 |
| **Total** | **17,039.4** | **6,374.4** | **2,521.4** | **25,935.2** | **100.0** |
| Share of rating cluster, in % | 65.7 | 24.6 | 9.7 | 100.0 | |

The scope of consolidation for accounting purposes serves as the basis for the presentation of our counterparty exposure; it consists of interest-bearing investments in the direct portfolio and within fully consolidated funds.

Note 46 in the notes to the consolidated financial statements presents our financial instruments that are subject to IFRS 9 impairment rules, organised by rating class in accordance with international accounting requirements.

Our interest-bearing investments generally have a good collateralisation structure. A large share of the investments with financial institutions are secured by government liability or liens.

## Interest-bearing investments
## Seniority

| | | 2022 | | 2021 |
|---|---|---|---|---|
| | Portfolio carrying amount | Share | Portfolio carrying amount | Share |
| | in € million | in % | in € million | in % |
| Public | 10,782.2 | 41.6 | 16,344.6 | 42.3 |
| German covered bond | 6,182.6 | 23.8 | 8,632.3 | 22.3 |
| Deposit guarantee or government liability | 1,501.1 | 5.8 | 4,065.4 | 10.5 |
| Uncovered | 7,469.3 | 28.8 | 9,607.7 | 24.9 |
| **Total** | **25,935.2** | **100.0** | **38,650.0** | **100.0** |

The scope of consolidation for accounting purposes serves as the basis for the presentation of our counterparty exposure; it consists of interest-bearing investments in the direct portfolio and within fully consolidated funds.

The collateralisation structure of the W&W Group's interest-bearing investments at the segment level is shown in the following table:

## Interest-bearing investments Collateralisation structure in 2022

| | Portfolio carrying amount | | | | |
|---|---|---|---|---|---|
| | Public | German covered bond | Deposit guarantee or government liability | Uncovered | Total |
| in € million | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Housing | 1,621.8 | 1,092.9 | –583.8 | 2,232.1 | 4,363.0 |
| Life and Health Insurance | 8,142.8 | 4,092.1 | 1,824.5 | 4,650.6 | 18,710.0 |
| Property/Casualty Insurance | 619.9 | 555.0 | 165.0 | 400.9 | 1,740.8 |
| All other segments | 397.7 | 442.6 | 95.4 | 185.7 | 1,121.4 |
| **Total** | **10,782.2** | **6,182.6** | **1,501.1** | **7,469.3** | **25,935.2** |
| Share of collateralisation structure, in % | 41.6 | 23.8 | 5.8 | 28.8 | 100.0 |

The scope of consolidation for accounting purposes serves as the basis for the presentation of our counterparty exposure; it consists of interest-bearing investments in the direct portfolio and within fully consolidated funds.

## Interest-bearing investments Collateralisation structure in 2021

| | Portfolio carrying amount | | | | |
|---|---|---|---|---|---|
| | Public | German covered bond | Deposit guarantee or government liability | Uncovered | Total |
| in € million | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 |
| Housing | 2,300.9 | 1,822.3 | 589.2 | 2,713.2 | 7,425.6 |
| Life and Health Insurance | 12,896.4 | 5,622.1 | 3,152.3 | 5,411.9 | 27,082.7 |
| Property/Casualty Insurance | 650.3 | 737.6 | 190.6 | 565.9 | 2,144.4 |
| All other segments | 497.0 | 450.3 | 133.4 | 916.7 | 1,997.4 |
| **Total** | **16,344.6** | **8,632.3** | **4,065.5** | **9,607.7** | **38,650.1** |
| Share of collateralisation structure, in % | 42.3 | 22.3 | 10.5 | 24.9 | 100.0 |

The scope of consolidation for accounting purposes serves as the basis for the presentation of our counterparty exposure; it consists of interest-bearing investments in the direct portfolio and within fully consolidated funds.

**Country risk.** The structure of our entire government bond exposure by segment is as follows:

## Public-sector bonds by region 2022

| in € million | Domestic | Europe | Central/ South America | North America | Asia | Africa | Other | Portfolio carrying amount Total | Share in total exposure in % |
|---|---|---|---|---|---|---|---|---|---|
| Housing | 231.3 | 1,390.5 | – | – | – | – | – | 1,621.8 | 15.0 |
| Life and Health Insurance | 2,428.5 | 3,986.6 | 212.7 | 752.9 | 86.8 | 155.1 | 520.2 | 8,142.8 | 75.5 |
| Property and Casualty Insurance | 156.4 | 212.0 | 33.6 | 94.0 | 8.1 | 20.6 | 95.2 | 619.9 | 5.7 |
| All other segments | 116.0 | 181.0 | 17.0 | 25.8 | 4.1 | 10.3 | 43.5 | 397.7 | 3.7 |
| **Total** | **2,932.2** | **5,770.1** | **263.3** | **872.7** | **99.0** | **186.0** | **658.9** | **10,782.2** | **100.0** |
| Share in % | 27.2 | 53.5 | 2.4 | 8.1 | 0.9 | 1.7 | 6.1 | 100.0 | |

This presentation of our counterparty exposures is based on the scope of consolidation for accounting purposes.
In addition to classic government bonds, it also takes into consideration bonds of states/regional governments, municipalities/municipal associations and other public authorities.
The presentation is broken down by economic zone (EEA, MERCOSUR, NAFTA, ASEAN, AU, Other).

## Public-sector bonds by region 2021

| in € million | Domestic | Europe | Central/ South America | North America | Asia | Africa | Other | Portfolio carrying amount Total | Share in total exposure in % |
|---|---|---|---|---|---|---|---|---|---|
| Housing | 439.0 | 1,861.9 | – | – | – | – | – | 2,300.9 | 14.1 |
| Life and Health Insurance | 4,354.9 | 6,423.1 | 207.3 | 846.3 | 95.7 | 247.4 | 721.8 | 12,896.5 | 78.9 |
| Property and Casualty Insurance | 150.4 | 214.7 | 28.8 | 107.2 | 5.5 | 33.0 | 110.7 | 650.3 | 4.0 |
| All other segments | 136.3 | 243.1 | 14.7 | 34.3 | 2.9 | 16.8 | 48.8 | 496.9 | 3.0 |
| **Total** | **5,080.6** | **8,742.8** | **250.8** | **987.8** | **104.1** | **297.2** | **881.3** | **16,344.6** | **100.0** |
| Share in % | 31.1 | 53.5 | 1.5 | 6.0 | 0.6 | 1.8 | 5.4 | 100.0 | |

This presentation of our counterparty exposures is based on the scope of consolidation for accounting purposes.
In addition to classic government bonds, it also takes into consideration bonds of states/regional governments, municipalities/municipal associations and other public authorities.
The presentation is broken down by economic zone (EEA, MERCOSUR, NAFTA, ASEAN, AU, Other).

As at 31 December 2022, we held government bonds issued by peripheral EMU countries (Portugal, Greece, Italy and Spain) totalling €828.9 million (previous year: €612.4 million). Of this amount, €539.5 million (previous year: €429.2 million) is attributable to Spain, €165.9 million (previous year: €162.9 million) to Italy and €123.4 million (previous year: €20.3 million) to Portugal.

In the area of emerging markets, negative effects from country-specific developments and from the uncertain further development of the world economy are able to be ruled out. The exposure of interest-bearing investments in emerging markets to market values amounted to €1,917.9 million at year-end (previous year: €2,863.8 million).

**Subordinate exposure.** Although our subordinate exposures (profit participation rights, silent partnerships and other subordinate receivables) decreased to €1,379.7 million (previous year: €1,787.3 million), they still account for only a small proportion of the total volume of our investment portfolio.

On the financial markets, increased credit-rating-induced default risks persist for uncovered and subordinate exposures. Losses of interest and reductions in nominal value (haircuts) still cannot be ruled out.

**Counterparty credit risk in customer lending business.** The W&W Group's most significant counterparty credit risks from customer loans exist at Wüstenrot Bausparkasse AG.
Less important are the mortgage portfolios of Württembergische Lebensversicherung AG, which at the end of the year had a carrying amount pursuant to the German Commercial Code (HGB) of €1,034.2 million (previous year: €1,200.3 million).

## Default and dunning status of customer loans (Wüstenrot Bausparkasse AG)

| | Portfolio | Share | Portfolio | Share |
|---|---|---|---|---|
| | | 2022 | | 2021 |
| | in € million | in % | in € million | in % |
| Not in default | 21,612.9 | 98.8 | 19,992.3 | 98.9 |
| In default | 254.4 | 1.2 | 228.7 | 1.1 |
| **Total** | **21,867.3** | **100.0** | **20,221.0** | **100.0** |

At the end of the year, the credit risk provision ratio of Wüstenrot Bausparkasse AG pursuant to the German Commercial Code (HGB) (net credit risk provision in relation to the credit portfolio) amounted to −0.02% expense (prior year: 0.10% income), and the credit default ratio pursuant to the HGB (credit default in relation to the credit portfolio) amounted to −0.01% (prior year: −0.02%). As at the reporting date, the expected probability of default in the loan portfolio was 0.90% (previous year: 1.46%). The average loss given default (LGD) amounted to 8.24% (previous year: 9.00%).

The receivables portfolio of Wüstenrot Bausparkasse AG mainly consists of loans, most (88.1%) of which are secured by land charges (Grundpfandrechte), which are similar to mortgages, and are intrinsically diversified. Because of the high granularity, there are no appreciable risk concentrations in our customer loan portfolio. Due to our strategic orientation, our loan portfolios are mainly subject to pool and structural risks. Detailed upper limits are set for the customer lending business and municipal lending business of Wüstenrot Bausparkasse AG in order to avoid potential risk concentrations from high-volume individual risks.

For an additional examination of counterparty credit risks from customer business under IFRS accounting, please see Note 46.

**Other counterparty credit risk.** W&W AG and Württembergische Versicherung AG may be exposed to bad-debt risks vis-à-vis other contracting partners, particularly in connection with reinsurance. Bad-debt risks in reinsurance business (risk type "other counterparty credit risks") were determined on the basis of the economic risk-bearing capacity model, and they remain constant at a low level.

As at the reporting date, 97.8% (previous year: 98.9%) of the recognised receivables of W&W AG from reinsurance business of €346.8 million (previous year: €486.2 million) were predominantly due from companies with a rating of A or better. All told, the sharp decline in receivables from reinsurance business compared with the previous year was attributable to a reduction in adverse weather events.

**Receivables from reinsurance business[1)]**
**Standard & Poor's rating**

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Portfolio carrying amount | Share | Portfolio carrying amount | Share |
| | in € million | in % | in € million | in % |
| AAA | – | – | – | – |
| AA | 205.0 | 59.1 | 277.8 | 57.1 |
| A | 134.1 | 38.7 | 203.2 | 41.8 |
| BBB | 2.6 | 0.7 | – | – |
| BB | – | – | – | – |
| B | – | – | – | – |
| CCC and lower | – | – | – | – |
| No rating | 5.1 | 1.5 | 5.2 | 1.1 |
| **Total** | **346.8** | **100.0** | **486.2** | **100.0** |

1 Amounts receivable + funds withheld by ceding companies + shares of technical provisions, less collateral

**Ukraine war/inflation/coronavirus pandemic.** Risk management measures were stepped up in response to the war in Ukraine in the 2022 calendar year. New and re-investment bans were adopted and – within the scope of existing trade restrictions – steps taken to comprehensively reduce the customer portfolio for government bonds of the Russian Federation, Belarus and Ukraine by early April 2022 in order to vigorously manage investment risk.

The customer loan portfolio is generally indirectly affected by the (impending) recession associated with the energy crisis and inflation. Higher inflation puts significant strain on private households, especially low and middle-income families.

Nevertheless, the credit default rate in Wüstenrot Bausparkasse AG's customer lending business is similar to the previous year's level. An additional risk provision was recognised at the start of the coronavirus pandemic based on management's risk expectation at the time. However, no measurably higher counterparty default risks have occurred at the W&W Group since the outbreak of the coronavirus pandemic and so the additional risk provision of €15.9 million in connection with the pandemic was reversed in full in 2022. In light of the negative economic effects of the war in Ukraine and the consequences of the coronavirus pandemic, delayed effects over time could result in a poorer credit quality, credit defaults or impairment in connection with credit ratings, especially for corporate bonds.

Given ongoing uncertainty at present regarding further economic and geopolitical developments, we still assume that the W&W Group will be exposed to higher counterparty credit risks.

## Strategy and organisation

**Diversification and core business.** We limit counterparty credit risks through the careful selection of issuers and reinsurance partners, as well as broadly diversified investments. In this context, we take into consideration the investment rules applicable to the respective business area. Most contracting partners and securities have good credit ratings in the investment grade range. In customer lending business, we largely focus on construction financing loans for retail customers, which are secured with in-rem collateral. Our strategic focus on residential construction loans excludes individual loans that endanger the portfolio. Counterparty credit risks are strategically and structurally managed by the risk committees of the divisions on the basis of the requirements specified in the risk strategy.

**Organisational structure.** In customer lending business, operational risk governance is handled by the lending units and the back offices of our subsidiaries. We control and manage counterparty credit risks from customer lending business through careful credit review and scoring procedures, clear approval guidelines, loans secured with in-rem collateral, various monitored and limited (early-warning) risk indicators and a system that automatically determines any impairment allowances that may be necessary.

The front office in the treasury of the Housing division and the financial controlling section of the Insurance division are responsible for the operational management of our investment activities. The responsible risk controlling areas operate as independent monitoring units.

The **Group Credit Committee** has been set up for overarching credit management. It develops proposals for loan decisions in the institutional area and submits them to the Group Board Risk for adoption.

### Risk management methods and risk controlling

For the counterparty credit risk area and the types of risks detailed here, we mainly apply the following risk controlling methods and procedures (see chart "Risk Management – Method Depiction").

**Risk management**

Method depiction

| Counterparty risk area | Risk controlling (Group-wide) | |
|---|---|---|
| | ■ Internal risk-bearing capacity model ■ Limit system ■ Sensitivity and scenario analyses ■ Deployment of financial instruments ■ Diversification ■ Creditworthiness analyses ■ Monitoring ■ New-product process ■ Reporting ■ Risk provision ■ Risk indicators | |
| | **Company** | **Risk controlling (specific)** |
| **Counterparty credit risk – customer credit business** | Wüstenrot Bausparkasse AG | ■ Risk classification and scoring procedures<br>■ Application and behaviour scoring procedures |
| **Counterparty credit risk – capital investments** | Württembergische Lebensversicherung AG<br>Württembergische Versicherung AG<br>Wüstenrot & Württembergische AG<br>Wüstenrot Bausparkasse AG | ■ Investment lines and risks lines, for issuers and counterparties |
| **Other counterparty credit risks** | Württembergische Versicherung AG<br>Wüstenrot & Württembergische AG | ■ Monitoring of reinsurance portfolio<br>■ Reinsurance report |

**Economic risk-bearing capacity model.** With regard to our home loan and savings bank and our insurance companies, we not only monitor counterparty credit risks from investment activities at an individual level but also evaluate them at the portfolio level with our credit portfolio model. This a based on a credit-value-at-risk approach that is standard in the industry. Risk capital requirements are calculated as value at risk applying one-year default and migration probabilities.

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

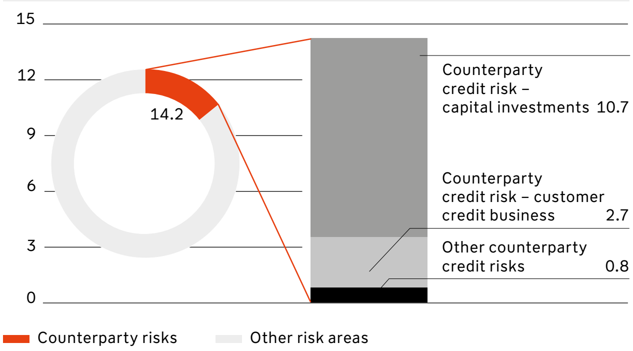
The constantly enhanced credit portfolio model within our governance toolkit enables us to dynamically adapt credit lines to rating changes.

The customer loan portfolios of Wüstenrot Bausparkasse AG are also measured with a standard credit-value-at-risk model. An analytical approach is used for this purpose.

The **risk profile** of the counterparty credit risk area was determined according to our methods for risk-bearing capacity measurement (see section "Economic capital adequacy"), and as at 31 December 2022 it was distributed as follows:

**Risk profile for counterparty risks**

in %




Risks from our investments constitute the greatest proportion of risk capital requirements for counterparty credit risks. Measured against total economic risk capital, the proportion amounted to 10.7% (previous year: 16.0%). In 2022, the counterparty credit risks were in line with the risk strategy. The risk limit was consistently complied with at the Group level.

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

**Risk classification and scoring procedures.** We manage and monitor counterparty credit risks in customer lending business with application and behaviour scoring procedures. The risk classification procedure implemented at Wüstenrot Bausparkasse AG enables the management of customer loan portfolios through allocation to risk classes on the basis of loss potential.

**Limit and line system.** Risk limitation serves to limit risks to a maximum permissible level that corresponds to the risk appetite. It is carried out by allocating risk capital to risk areas. In order to prevent risk concentrations from forming with respect to individual investment counterparties, a limit is set at the level of issuer groups (borrower units). A Group-wide risk line system is used for this purpose.

To assess counterparty credit risks from investments and determine lines, the W&W Group draws on the evaluations of international rating agencies, which it verifies and supplements with its own creditworthiness analyses. The lines are subject to regular review.

The utilisation of the limits and lines is monitored by the decentralised risk controlling units and comprehensively by the Risk and Compliance department ("Risk" section).

Owing to its business model, the W&W Group's investment portfolio is strongly focused on government bonds, financials (especially bank stocks) and corporate bonds. Counterparty credit risks that result from portfolio concentrations are reduced through a targeted selection of counterparties and by the risk line system, but they cannot of course be completely ruled out.

**Collateral management.** Collateral management is an integral element of the loan management process for the individual companies in the W&W Group that make loans. Our credit risk controlling units apply strict standards for the quality of accepted collateral. Property collateral is mainly furnished in the form of land charges (Grundpfandrechte), which are similar to mortgages. In addition, we use guarantees and financial collateral. In order to minimise counterparty risk from trading transactions, cash collateral is normally required. The foundation consists of master agreements with the respective counterparties, which are based on such market standards as the German Master Agreement for Financial Futures.

**Risk provisions.** Impending defaults relating to customer transactions, investments or reinsurance business are taken into account by means of appropriate impairment allowances. The methodology for the creation of risk provisions and impairment allowances, as well as how they changed in 2022, are presented in Note 46 "Counterparty credit risks" in the notes to the consolidated financial statements.

In customer lending business at Wüstenrot Bausparkasse AG, risk provisions are calculated at the individual contract level with the aid of the parameters probability of default (PD), loss given default (LGD) and exposure at default (EAD), and they are based on the expected loan default. All changes in the customer loan portfolio with respect to credit rating or collateral structure thus directly result in a change to the risk provisions.

**Reinsurance.** The credit quality of our reinsurance portfolio is monitored by the risk report, among other things. The main focus is on the credit quality of our reinsurers.

**Monitoring.** We carefully monitor and analyse our investments in order to identify risks that may arise from trends on the capital markets. For this purpose, we draw on the economic expertise of W&W Asset Management GmbH. Furthermore, all indicators provided in the aforementioned instruments and procedures are included in the monitoring.

## Insurance risks

- Focus on domestic business and low industrial risks.
- Expenses for natural disaster damage due to severe weather and flooding moderately below the previous year's level.
- High inflation rates can increase claims expenses in property/casualty insurance and raise personnel/ material costs in life insurance.

### Risk definition

Underwriting risk means potential losses that arise in connection with previously calculated premiums from the uncertainty concerning future trends in claims and costs from concluded insurance contracts. Thus, it covers all specific risks of the insurance business, including premium and reserve risks, cancellation risks and disaster risks in property and casualty insurance, as well as biometric risks, cancellation risks, cost risks, revision risks and disaster risks in life and health insurance. Due to external events (e.g. natural disasters), risks associated with individual contracts may add up to accumulation risks. These risks occur only at insurance companies (primary insurance and reinsurance).

### Risk position

Property/casualty insurance losses from natural disasters decreased year-on-year in the financial year to €109.3 million (€522.8 million) on a gross basis and €103.2 million (€135.8 million) on a net basis. The net loss ratio fell to 61.1% in the financial year (previous year: 62.6%). The underwriting risk in life insurance is closely related to the interest guarantee risk, which is described in the chapter "Market price risks". Concerning the presentation of the risks from our insurance portfolio, please also see the information in Note 47 "Underwriting risks" in the notes to the consolidated financial statements. Concerning net loss ratios and net settlement ratios, please see Note 19 in the notes to the consolidated financial statements.

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

**Cancellation risk.** Cancellation risk means the detrimental change in the value of insurance liabilities as a result of changes in the amount or volatility of the cancellation, termination, renewal and redemption rates of insurance contracts. Scenarios are run to analyse a direct permanent increase of the cancellation rates, a permanent decline in cancellation rates and mass cancellation.

We are currently not seeing a significant increase in cancellation rates. The cancellation rate of Württembergische Lebensversicherung AG in terms of annual premium fell to 3.8% (previous year: 4.7%) in 2022. Cancellations in the portfolio of Württembergische Versicherung AG rose slightly from €234.7 million to €238.0 million.

In property and casualty insurance, underwriting risks consist primarily of premium and reserve risks.

**Premium risk.** If costs and claims remain stable or increase, premiums may be inadequate if they fall or are not calculated in line with needs. Premium risks mainly result from natural disasters, accumulation risks and catastrophes. The principal source of accumulation risks are natural disasters, like storms, hail, flooding and, in rare cases, also earthquakes.

The premium risk of the W&W Group is significantly shaped by Württembergische Versicherung AG. The long-term trends in net loss ratios (ratio of net expenses for insured events to net premiums earned) and net settlement ratios (ratio of net settlement results from provisions for outstanding insurance claims to initial loss provisions) for Württembergische Versicherung AG were as follows:

### Claims and settlement ratios for own account

| in % | Loss ratios | Settlement ratios |
|---|---|---|
| 2012 | 67.2 | 7.5 |
| 2013 | 74.1 | 6.8 |
| 2014 | 68.5 | 4.9 |
| 2015 | 65.8 | 6.8 |
| 2016 | 63.8 | 6.7 |
| 2017 | 63.6 | 6.6 |
| 2018 | 61.8 | 7.1 |
| 2019 | 63.3 | 6.3 |
| 2020 | 64.1 | 2.8 |
| 2021 | 62.6 | 7.8 |
| 2022 | 61.1 | 7.8 |

Concerning net loss ratios and net settlement ratios, please see Note 19 in the notes to the consolidated financial statements.

W&W AG essentially acts as the reinsurer within the Group. We present the loss and settlement ratios in the section "Risk landscape and risk profile of W&W AG".

**Reserve risk.** Reserve risk means the risk of inadequate loss reserves. The settlement of claims can fluctuate with respect to time and amount, meaning that the reserves set up for claims benefits may not be sufficient. The change in loss reserves can be seen from the run-off triangles presented in Note 47 in the notes to the consolidated financial statements. This overview shows that adequate loss reserves have always been created thus far. The settlement ratios can be found in the table presented above.

**Ukraine war/inflation/coronavirus pandemic.** As a result of German Federal Court of Justice's decisions regarding coverage under business closure insurance policies due to the coronavirus pandemic, we currently see no material risks for Württembergische Versicherung AG and have reversed all general provisions related to business closure insurance policies in 2022.

The exceptionally high inflation rates in 2022 may increase claims expenses for Württembergische Versicherung AG in future. Württembergische Versicherung AG will maintain its cautious premium calculation and defensive reserves policy. Higher claims expenses can be offset by premium adjustments. Württembergische Lebensversicherung AG may see the effects of high inflation in the form of higher material and personnel costs in the future. However, there is currently no need for action due to conservative rate calculations. Inflation will still likely drive up benefit payments for Württembergische Krankenversicherung AG, which can be accommodated through future premium adjustments.

The effects of increased inflation have also been incorporated into the W&W Group's risk models and corporate planning.

Further details on the effects of the war in Ukraine and the coronavirus pandemic on insurance business can be found in the "Selected explanatory notes" section under "Impact of the war in Ukraine and the coronavirus pandemic".

### Strategy and organisation

**Focus on domestic business.** The W&W Group conducts primary insurance business in life and health insurance and in property and casualty insurance for retail and corporate customers in its business-strategic core market of Germany. In doing so, it also relies on digital sales channels (e.g. the digital brand Adam Riese). Württembergische Versicherung AG is liable for the claims development of the business of the UK subsidiary that was underwritten up to and including 2007.

In accordance with internal provisions, the companies of the W&W Group enter into insurance transactions only where the risks associated with them do not endanger the company as a going concern. This is supported by optimisations in cost and claims management. Incidental risks beyond our control are limited by suitable and adequate mitigation instruments (e.g. reinsurance).

**Low industrial risks.** Industrial risks are only underwritten to a limited and clearly defined extent and are furthermore extensively reinsured so that our portfolio is not jeopardised by large individual risks.

**Limited assumed reinsurance business.** For the purpose of expanding corporate customer business through integrated insurance programmes for German policyholders with primary domicile or primary risk in Germany, Württembergische Versicherung AG underwrites facultative indirect business and foreign insurance pools. Württembergische Versicherung AG no longer conducts other active reinsurance business.

With the exception of German market pools, W&W AG still does not underwrite any reinsurance outside the Group.

**Organisational structure.** The risk management of life and health insurance companies and property and casualty insurance companies, which also includes measuring underwriting risks, is closely interwoven with risk management at the Group level and integrated in the risk management system of the W&W Group through cross-company bodies. Within the segments, risk-relevant facts and analysis results are presented in the quarterly risk report and discussed in the Executive Board and in other bodies that meet regularly.

## Risk management methods and risk controlling

**Economic risk-bearing capacity model.** We use an economic model for measuring underwriting risks that is based on the value-at-risk approach. In property and casualty insurance, the calculation is performed with Monte Carlo simulations. In order to estimate disasters, the W&W Group makes use, inter alia, of simulation results provided by reinsurance companies and brokers that specialise in this area. These results are incorporated in our stochastic model.

At Württembergische Versicherung AG, underwriting risk is quantified on the basis of a stochastic approach. The risk is presented as value at risk, with a confidence level of 99.5%. W&W AG's underwriting risk is largely calculated on the basis of business that is assumed by Württembergische Versicherung AG and retained by W&W AG. It is therefore derived from the model of Württembergische Versicherung AG, taking into account the calculation of the underwriting risk of W&W AG in accordance with Solvency II. At Württembergische Lebensversicherung AG, underwriting risk is quantified based on the stress scenarios provided for under Solvency II.

**Risk capital requirements.** The chart in the chapter "Economic capital adequacy" (section "Economic risk capital") shows the weighting of the risk capital required for underwriting risks. In all, underwriting risks accounted for 20.9% (previous year: 17.0%) of total risk capital requirements of the W&W Group. The main risk bearer is Württembergische Versicherung AG, followed by Württembergische Lebensversicherung AG and W&W AG.

In 2022, underwriting risks were in line with the risk strategy. The risk limit was consistently complied with at Group level.

**Limitation.** The potential loss from underwriting risks is limited by means of defined risk limits. Limit utilisation is monitored on an ongoing basis.

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

**Portfolio, payment and claims management.** In addition to risk balancing through our sector and product mix, gross underwriting risk is limited by efficient portfolio, payment and claims management and a cautious loss reserve policy.

**Reinsurance.** Adequate reinsurance cover for individual risks and for accumulation risks across business lines reduces underwriting risks in property and casualty insurance. The reinsurance programme is adjusted yearly in response to risk-bearing capacity. Great emphasis is placed on the credit rating of the reinsurers.

**Controlling.** As a rule, underwriting trends are continually analysed and monitored by controlling premiums, costs, claims and benefits. The operational run-off risks of the UK subsidiary are handled by Antares Global Management Limited via a service contract under close supervision and governance by Württembergische Versicherung AG. We monitor settlement risks through direct management and collaboration in the case of material business transactions, as well as through external run-off reviews and continual checking of loss reserves.

**Reserves.** W&W insurers create appropriate provisions for reported claims both on an individual and on a collective basis.

Technical provisions, as well as the structure of our provisions for future policy benefits, are explained in Note 19 in the notes to the consolidated financial statements. For the underwriting risk area and the types of risks detailed here, we mainly apply the following risk controlling methods and procedures (see chart "Risk Management – Method Depiction").

**Risk management**

Method depiction

Risk controlling (Group-wide)

- Economic risk-bearing capacity model
- Limit system
- Actuarial analyses
- Reinsurance or retrocession
- Sensitivity and scenario analyses
- Reporting
- Risk-oriented product development and structure
- Risk indicators

| Underwriting risk area | Company | Risk controlling (specific) |
|---|---|---|
| Insurance risk life insurance | Württembergische Lebensversicherung AG<br>Wüstenrot & Württembergische AG | Price and underwriting policies<br>Determination of profit participation<br>Management of inventories and services |
| Insurance risk health insurance | Württembergische Krankenversicherung AG<br>Württembergische Lebensversicherung AG<br>Wüstenrot & Württembergische AG | Price and underwriting policies<br>Determination of profit participation<br>Management of inventories and services |
| Insurance risk property/casualty insurance | Württembergische Versicherung AG<br>Wüstenrot & Württembergische AG | Reserves policy<br>Portfolio and claims management<br>Premium and underwriting policy |

For further information on underwriting risks (property and casualty insurance business and life and health insurance business), please see Note 47 in the notes to the consolidated financial statements.

## Operational risks

- Continued improvement of cyber resilience and targeted management of information risks against a backdrop of increased digitalisation and the geopolitical threat situation.
- Coordination of measures to ensure operational security of supply in the energy crisis through the energy task force.
- Legal risks associated with statutory amendments and current case-law are continuously monitored and analysed through a legal monitoring system.
- Compliance risks from the implementation and observance of legal standards are identified, assessed and managed within the framework of a compliance management system.
- Process risks arising from internal, legal and regulatory projects are limited through rigorous project management.
- Personnel risks from demographic trends are under increased scrutiny.

### Risk definition

We define operational risk as losses that may be incurred as a result of the unsuitability or failure of internal processes, people and systems or externally driven events. This also includes legal and tax risks.

### Risk position

Operational risks are unavoidable when enterprises engage in general business activities. Accordingly, all companies in the W&W Group are also exposed to operational risks.

The W&W Campus opened its doors on 30 January 2023. At the same time as the infrastructure was put into use, employees began to move into the new office buildings. They are scheduled to be finished by the middle of the year. To mitigate operational risks from the relocation activities, the relocations are being supported by W&W Service GmbH's support team.

**Legal risk.** We are seeing an increase in regulation in the form of laws and supervisory rules with regard to supervisory law, creditor and consumer rights and disclosure requirements. Moreover, legal proceedings that are pending in the financial sector may lead to subsequent financial recovery claims. New legal interpretations by administrative authorities and judicial rulings in particular pose considerable risks and may have a significant impact on the future results of operations.

Of particular relevance here are the legal interpretation concerning the permissibility of account maintenance fees in the savings phase of home loan savings contracts, the pro-rata reimbursement of term-independent costs in the case of-premature loan repayment, and a likely evolving view on the part of the fiscal administration about the continued future existence of taxable entities with home loan and savings banks.

In response to a ruling handed down by the German Federal Court of Justice on the invalidity of a fee clause at another home loan and savings bank, the Executive Board of Wüstenrot Bausparkasse decided, after conducting its own legal review, to stop charging comparable account fees and set up a refund procedure.

In terms of coverage under business closure insurance policies, the German Federal Court of Justice also took a stance on our General Terms and Conditions of Insurance and advised the parties suing Württembergische Versicherung AG to withdraw their appeal and decided in our favour. The legal issue has thus been conclusively resolved in favour of Württembergische Versicherung AG and there are no material remaining legal risks in connection with this.

**Compliance risk.** Inadequate compliance with or implementation of statutes, legal provisions, regulatory requirements or ethical/moral standards, as well as internal regulations and provisions, can pose a compliance risk.

**Personnel risk.** Integration projects, internal reorganisation projects, regulatory reforms in the financial industry and new business strategies demand top performance from our employees and may result in increased staff workload. We rely on effective personnel management in order to support our employees.

**Process risk.** Tangible and intangible losses could occur due to the complete or partial failure or inappropriateness of internal procedures or processes or as a result of human error. We counter risks arising from internal projects, particularly specialised, technical, and infrastructure projects set up in the W&W Group that have high investment budgets, with appropriate project management. However, project and cost risks cannot be completely ruled out, particularly those incurred in connection with specialised, technical, and infrastructure projects with high investment budgets and complex project content.

**Information risk.** Information risks arise from threats to data integrity, confidentiality and/or availability. They mainly result from processes, information technology (IT) systems, physical information storage devices, technical equipment or buildings that are relevant to the storage and processing of data. As a financial services provider, the W&W Group greatly depends on IT systems. However, this is associated with information security risks with respect to the goals of protecting the availability of applications, confidentiality and integrity of data, as well as with cyber threats. In addition, the W&W Group has undertaken numerous measures in connection with the further expansion of digitalisation (e.g. digital business models and sales channels, internal process optimisation, increased use of cloud services), and these may give rise to additional information security risks.

**Model risk.** Model risk can be divided into risks that are considered in connection with the modelling and limiting of other risk types (estimation and specification risk) and risks that are part of conventional operational risk (input and use risk). The latter two concern conventional input and use risks. As a result, losses can arise from decisions that are made on the basis of results of internal calculation models whose development, execution or use is faulty.

**Service provider risk.** Service provider risk mainly refers to risks resulting from contractual relationships with third parties. This includes outsourcing risks, especially outsourcing outside the Group.

**Ukraine war/inflation/coronavirus pandemic.** The uncertain global political and economic situation has increased the risk of cyber attacks. Particularly since the start of the war in Ukraine, there has been an increased risk of cyber attacks in Germany, which the W&W Group is unable to avoid. To improve information security – especially considering the war in Ukraine – measures have been stepped up to proactively manage a potential increase in threats from cyber attacks. The establishment of a cyber resilience centre within the W&W Group that constantly adapts to the cyber threat situation plays an important role in ensuring a balanced suite of preventive and reactive measures to detect and defend against cyber attacks.

Due to the disruptions in the energy markets and rising energy costs, an energy task force was established to coordinate measures to ensure security of supply for operations. The Ukraine war and energy crises have not yet created any significant operational risks in business processes. In light of uncertainties over further developments in the Ukraine war and the coronavirus pandemic as well as the repercussions of these, the W&W Group is still exposed to higher operational risk in some cases.

## Strategy and organisation

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

**Organisational structure.** As a rule, operational risks are managed on a decentralised basis by the responsible organisational units.

Compliance risks are identified, assessed and managed according to the Compliance Management System via the Compliance organisational unit of the Risk and Compliance department of W&W AG. The Group Compliance Committee is the central body for compliance-relevant matters.

The Customer Data Protection and Operational Security area coordinates the Group Security Committee, ensures an IT security management system, a data protection organisation, a business continuity management system and an internal control system in line with uniform methods and standards.

Service provider risks are managed and monitored by centralised and decentralised outsourcing officers. These risks are regularly assessed and monitored through active outsourcing management via the Retained Organisation, e.g. in the form of risk analyses.

The Group’s legal department is primarily in charge of identifying, evaluating and managing legal risks.

The HR department is responsible for appropriate personnel management and identifying, evaluating and managing personnel risks.

Model risks are analysed by the risk controlling units within the framework of a model risk inventory and managed through regular validation processes and appropriate refinement of the risk models.

**Economic risk-bearing capacity model.** Our economic risk-bearing capacity model takes into account the risk capital requirements for operational risks. For our home loan and savings bank and W&W AG, the determination takes place on the basis of a mathematical-statistical model (value at risk), which is based on the simulation of potential loss events. For insurance companies, the standard approach pursuant to Solvency II is used.

The chart (section “Risk profile and material risks”) depicts the weighting of the risk capital reserved for operational risks. In total, operational risks in the Group accounted for 7.8% (previous year: 10.3%) of total risk capital requirements.

In 2022, operational risks were in line with the risk strategy. The risk limit was consistently complied with at Group level.

**Risk inventory and loss event database.** Operational risks are identified during the risk inventory. The risks are systematically recorded in a software application that was newly implemented in the financial year, substantively described and evaluated with regard to their potential for loss and probability of occurrence. The risk inventory thus serves as the basis for risk-oriented management of measures and operational risk reporting. The results of the risk inventory inform the risk capital requirement for operational risks in our economic risk-bearing capacity model.
Operational loss events are entered in a software application that was newly implemented in the financial year using the same system as the risk inventory. The entries in the loss event database are analysed and processed. Measures are stored and monitored as part of risk governance.

**Internal control system.** Processes and control mechanisms essential to business operations are systematically documented, regularly reviewed and updated in the internal control system of the W&W Group according to uniform standards. The process modelling and control documentation are technically supported by a software application. By linking processes and risks and by identifying key controls, risks inherent in processes are managed.

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

**Monitoring and collaboration.** Legal risks are countered through constant legal monitoring as well as observation and analysis of case-law. In close collaboration with associations, various departments monitor relevant proposed legislation and developments in case-law.

**Compliance management.** Compliance risks are categorised by means of a systematic procedure for identifying risks (differentiated according to existing and changed legal standards according to a risk-based perspective). For identified risks, their potential for damage is estimated and then evaluated based on occurrence probability. Through the definition of specific measures and the assessment of appropriateness and effectiveness, as well as, where necessary, additional monitoring procedures, the foundations are created for a continuous process to avoid and mitigate damage.

**Fraud prevention.** The W&W Group has put measures in place to prevent the risk of fraud. These are designed, on the one hand, to ensure compliance with statutory and regulatory requirements concerning controls and technical security systems and, on the other, to make employees aware of the issue of fraud prevention. For instance, preventive threat analyses and implemented and documented process controls are used to counteract the risk of fraud.

**Personnel management.** The success of the W&W Group is largely dependent on qualified, committed employees. Through personnel development measures, we support our employees in fulfilling their responsibilities and duties. In order to manage turnover risk, we regularly analyse staff turnover within the W&W Group. Maintaining a balanced staff structure with the necessary skills is a key success factor given the skilled labour shortage associated with current demographic trends. We thus pay more attention to the risk posed by demographic trends in the W&W Group. For further information, please see the section “Employees” in the chapter “Group fundamentals”.

**Information security management/IT risk management.** Extensive testing and backup procedures for application and computing systems form the basis for the effective management of information security risks with respect to the goals of protecting availability, confidentiality and integrity. In order to ensure continued business operations in the event of process or system outages, critical processes are identified Group-wide in an impact analysis. We maintain cyber insurance to further minimise the risk from cyber threats.

**Project management.** Requirements have been established by our project management procedure in order to limit project risks.

**Business continuity management.** The contingency plans associated with the processes are subject to regular functionality checks. Our business continuity management system is designed to ensure that critical business processes will remain intact and continue to function even in the event of a major disruption to business operations.

In this regard, the W&W standard for emergency and crisis management governs the organisational and operational structure in a crisis situation, such as requirements for setting up a crisis team for processes and communication channels.

**Model governance.** We minimise model risk by means of careful model governance that applies to all risk types. Within the scope of the Model Change Policy, model development is subject to standardised, transparent documentation. The policy regulates processes in the event of changes in the economic risk-bearing capacity model at the level of the W&W Group, including the procedures, models and data provided for its calibration in the individual companies. The assumption of material model changes in the economic risk-bearing capacity model is subject to the approval of the Group Board Risk. Validation and back-testing procedures are used to reduce and monitor model risks.

## Business risks

- Increasing volatility of business environment risks: (geo-)political, social, technological, and environment-related developments.
- Ukraine war/inflation/coronavirus pandemic: Potential for effects on new and in-force business.
- Inflation-related cost risks due to the wage-price spiral, a further increase in energy prices, etc.
- Increased adjustment costs and rising equity requirements.

### Risk definition

Business risks mean, on the one hand, potential losses that may be incurred from the strategic orientation and result in the insufficient or delayed achievement of targets. On the other, business risks may arise if the company's reputation changes for the worse, as well if the external business environment experiences changes, such as legal, political or social changes and changed customer behaviour in the home loan and savings pool.

### Risk position

Business risks are inevitable in general business operations and in the event of changes in the industry environment. All companies in the W&W Group are exposed to business risks.

Among business risks, the following types of risks are monitored:

**Strategic risk.** This risk results from the company's incorrect or insufficient strategic orientation, from the non-achievement of strategic goals or from the flawed implementation of strategic requirements. These risks can take the form of cost and income risks, among other things, including a delayed or limited impact on earnings or cost savings, or additional cost and effort needed to carry out strategic measures.

In addition to cost risks from factors such as rising inflation rates or required regulatory investments, our material earnings risks consist of potential negative deviations from projected economic earnings. Particularly exposed to this risk are, among others, life insurance companies in terms of their investment income as well as the home loan and savings bank in terms of its interest income. Failure to meet self-imposed targets with respect to sales, planned growth or the generation of earnings at the new digital subsidiaries also would have a negative effect. In light of this, achieving the established yield targets places high demands on our strategic asset allocation and on various front-office units.

**External risk.** External risk means the risk of loss from potential changes in basic external conditions (e.g. political/legal, economic, technological). This also includes risks from changed customer behaviour in the home loan savings pool, which in home loan savings business may result from the exploitation of existing product options and elective opportunities, irrespective of trends in market interest rates.

Significant potential for risks is emanating, in particular, from the political and social environment (geopolitical, global trends, e.g. from military conflicts, trade disputes, terrorism, social unrest, migration/refugee movements).

**Ukraine war/inflation/coronavirus pandemic.** External risks that weigh on economic performance are currently considerable given the Ukraine war, inflation trends and the effects of the coronavirus pandemic.

Economic risks on the basis of negative growth figures are evident and still expected due to higher energy prices and prices for raw materials, economic sanctions and resulting disturbances of global supply chains and a downturn in sentiment among economic actors. These risks can be mitigated by government support programmes.

The uncertain economic environment includes high capital market volatility and increased inflation. Inflation risks may be reflected in circumstances such as:

- Deterioration of our growth opportunities due to a decrease in new business or an increase in contract cancellations as a result of the loss of private purchasing power or reduced consumption,
- Deterioration of our cost position due to rising operating costs,
- Rising claims expenses,
- Potential need for additional provisions in pension reserves.

The situation may very well worsen, with outcomes including a wage-price spiral.

Furthermore, developments in the Ukraine war present increased cyber risks.

Accordingly, depending on their future trajectory, the Ukraine war, inflation or the coronavirus pandemic may also trigger a decline in future profit and have a negative impact on our finances, financial position and risk, especially if the aforementioned factors persist for a longer period of time.

We present the development of new and existing business as well as net assets, financial position and financial performance in the Business Report in "Development of business and Group position".

**Regulatory issues.** In the regulatory environment, we are faced with increasing governance, capitalisation and liquidity requirements, as well as comprehensive reporting and control obligations. The W&W Group is addressing the expanded statutory and regulatory requirements for banks and insurance companies. Regulatory and political issues with material or potentially material effects on the risk management of companies of the W&W Group:

- Change to the Solvency II regime as a result of the Solvency II review, including the impact on solvency indicators, as well as adjustments to the interpretation decisions and calculation bases of the German Federal Financial Supervisory Authority (BaFin),
- Regulations under the EBA's Supervisory Review and Evaluation Process (SREP) and supervision by the European Central Bank,
- BaFin stipulations on capitalisation as part of macroprudential packages of measures,
- Sustainability, including the EU Taxonomy Regulation and the German Supply Chain Act (Lieferkettensorgfaltspflichtgesetz) (see "Sustainability aspects"),
- Potentially heightened regulatory requirements in the area of digitalisation, e.g. DORA (Digital Operational Resilience Act).

It is also possible that changed accounting rules, including IFRS 17 "Insurance Contracts", will have an adverse impact on results and cause them to be more volatile. We report on the Solvency II review in the section "Regulatory requirements" of the chapter "Group fundamentals".

**Pool risk.** Risks from changed customer behaviour in home loan savings business may result from the exploitation of existing product options and elective opportunities, irrespective of trends in market interest rates. Such changes specific to home loan savings may be, for example, special payments or the discontinuation of saving, cancellations during the savings phase or changes to the home loan savings amount.

**Reputation risk.** Damage to the company's reputation or brand poses a risk of an immediate or future loss in business volume. This could lower the enterprise value. We permanently monitor the W&W Group's public image, and we strive to maintain our reputation by means of a transparent communication policy when faced with critical situations.

### Strategy and organisation

**Strategy process.** A rolling strategy process has been implemented in the W&W Group. The Group business strategy forms the brackets for both the division sub-strategies and the cross-division strategies, such as risk and IT strategies. In accordance with internal Group risk governance regulations, each of the individual W&W companies in risk classes 1 and 2 has its own documented risk strategy, which is aligned with the company-specific business model and risk profile.

**Focus on core business.** The W&W Group operates almost exclusively in Germany. In addition to retail customers, the insurance companies also service the commercial customers segment.

**"W&W - Besser!".** For further information, please see the section "Group fundamentals – Business model".

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

**Rating.** In June 2022, S&P confirmed the ratings of the W&W core companies W&W AG, Wüstenrot Bausparkasse AG, Württembergische Lebensversicherung AG and Württembergische Versicherung AG. This confirmation reflects factors including the positive view of the W&W Group's risk management system.

#### Risk management methods and risk controlling

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

**Economic risk-bearing capacity model.** Collective risks are depicted under the business risks of the home loan and savings bank, whose risk capital requirements accounted for 2.3% (previous year: 1.1%) of the Group's total risk capital requirements. Other business risks are deducted from the capital available for risk coverage. Business risks beyond these are assessed by means of event based scenario calculations and expert estimates and then assigned risk coverage potential.

**Risk assessment.** Business risks are managed systematically at an aggregated level by a software application. Based on findings from the risk controlling and risk governance procedures, the risks are classified with respect to their probability of occurrence and potential for damage.

**Early risk identification.** Risk indicators and early-warning risk indicators are used to optimally govern business risks, and they are analysed on a regular basis.

**Sensitivity and scenario analyses.** We use sensitivity analyses to assess risks, including those in the mid-to long term, as well as our options for action. As part of our planning, we develop a variety of scenarios in order to quantify the W&W Group's capitalisation risks and then introduce corresponding measures.

### Liquidity risks

- Competitive advantage as a financial conglomerate: diversification of refinancing sources.
- Solid liquidity basis: refinancing assured for W&W companies as at the reporting date.

#### Risk definition

Liquidity risk means the risk that money can be borrowed only at higher market interest rates at the time it is needed (refinancing risk) or that it can be obtained only with discounts (market liquidity risk) in order to satisfy payment obligations at maturity (avoidance of illiquidity risk).

#### Market environment

As at the end of 2022, the rate for main refinancing operations was 2.50% (previous year: 0.00%) and the rate for the marginal lending facility was 2.75% (previous year: 0.25%). The rate for the deposit facility was raised to 2.00% in 2022 (previous year: –0.50%).

#### Risk position

**Illiquidity risk.** In their capacity as financial services providers, several W&W companies are subject to specific statutory and supervisory requirements, which are intended to ensure that they are able to meet current and future payment obligations at all times.

Liquidity is secured at the level of the W&W Group. Sufficient liquidity is available to ensure solvency.

Even under adverse scenarios, the W&W Group and the individual companies have sufficient liquidity or can procure it at short notice, meaning that, as things stand today, we do not expect any acute liquidity shortages.

**Refinancing risk.** Because of its business model, Wüstenrot Bausparkasse AG, in particular, requires careful liquidity management. Refinancing on a rolling basis is required in order to satisfy the demand for loans and to make loans. Its refinancing volume is assured through a diversified funding potential. The main sources of potential funding are the available offer volume for open-market operations/repos, issuing potential of German covered bonds, available money market and credit lines, issues of promissory notes and uncollateralised securities, and funding from new deposit business. The growth targets defined for Wüstenrot Bausparkasse AG during the planning process require increased funding. The resulting requirements are closely monitored and backed up with appropriate measures. For example, customer deposits are being promoted (e.g. by holding home loan savings deposits, increasing overnight lending rates and introducing customer term deposits), as is the provision of cover assets to increase issuance of German covered bonds. As central banks tighten their monetary policy, it has once again become much more important to raise funds in the capital market.

As the financial market crisis showed, the sudden elimination of institutional funding sources presents a particular challenge for banks. As central banks tighten their monetary policy, it is entirely possible that refinancing conditions will be tightened.

Based on a haircut of 23.0% on the funding potential, refinancing costs would be –€75.5 million (previous year: –€71.4 million). That value assumes refinancing costs of 5.5% (previous year: 5.5%) (maximum Euribor interest rate during the financial market crisis) on the arising maximum liquidity gap in the adverse scenario.

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

**Market liquidity risk.** Market liquidity risks mainly result from inadequate market depth or market disruptions in crisis situations. When these risks materialise, investments may be able to be sold, if at all, only in small volumes or by agreeing to discounts.

The current situation on capital markets does not indicate any acute material market liquidity risks for the W&W Group’s investments. Based on a haircut of 23.0% for emergency liquidity, this would result in a value loss of –€115.0 million (previous year: –€102.0 million).

For further information about the liquidity and refinancing structure, please see “Development of business” (section “Financial position: refinancing/liquidity”) and the presentation of the measurement hierarchies for our financial instruments (Note 38).

### Strategy and organisation

**Liquidity premise.** We manage our liquidity in such a way that we can consistently meet our financial obligations at all times. Our investment policy focuses on ensuring liquidity at all times, among other things. In the process, existing statutory, supervisory and internal provisions must be satisfied at all times and on a permanent basis. Through forward-looking planning and operational cash management, the established systems are designed to identify liquidity shortages early on and to respond to expected liquidity shortages with suitable (emergency) measures.

**Diversification.** As a financial conglomerate, we benefit from the diversification of our funding sources, especially in difficult markets. In addition to having a lower refinancing risk, we also benefit from the reduction of our refinancing costs through diversification of funding potential. Through a defined share of good-quality securities that are eligible for central bank and repurchase transactions, our home loan and savings bank retains flexibility in refinancing. We use savings deposits and fixed-term deposits primarily in order to substitute short-term, uncovered refinancing. Aspects of maturity diversification are incorporated into our investment policy. The maturity structure of our financial instruments is shown in Note 48 in the notes to the consolidated financial statements.

**Organisational structure.** The individual companies manage cash and cash equivalents balances primarily on their own responsibility. The Risk and Compliance department (“Risk” section) monitors and consolidates the liquidity plans from a Group perspective. The Group Liquidity Committee is responsible for the Group-wide controlling of liquidity risks. The liquidity position is regularly discussed in the meetings of the Group Board Risk. Governance measures are initiated when necessary. Known or foreseeable liquidity risks are immediately reported to management as part of ad-hoc reporting.

### Risk management methods and risk controlling

**Net liquidity and liquidity gaps.** We assess liquidity risks by regularly calculating potential liquidity gaps and comparing them with the net liquidity available to us. In order to identify potential liquidity needs, we also compare our funding potential with the needed refinancing resources.

**Regulatory indicators.** The risk situation of Wüstenrot Bausparkasse AG is managed in particular by taking into consideration the supervisory indicators liquidity coverage ratio, net stable funding ratio and asset encumbrance.

**Liquidity classes.** In order to monitor the liquidity of our investments, we group them into liquidity classes so as to control concentrations in illiquid asset classes.
Sensitivity and scenario analyses. In the area of liquidity risks, we regularly view stress scenarios from a Group perspective. On this basis, we analyse, among other things, the effects of changed cash inflows and outflows, simulated discounts to our funding potential, changed refinancing costs and our emergency liquidity.

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

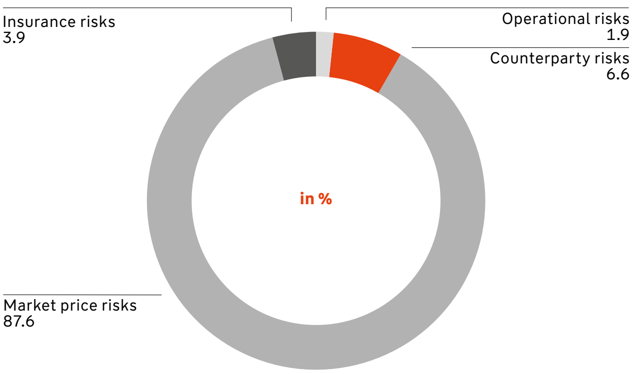
**Contingency measures.** Contingency plans and the monitoring of liquidity buffers are designed to ensure that we are able to handle even extraordinary situations. If a company is unable to cope with existing liquidity shortages on its own, internal Group refinancing options are available pursuant to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

## Risk landscape and risk profile of W&W AG

As the parent company of the financial conglomerate and the Solvency II group, Wüstenrot & Württembergische AG (W&W AG) is responsible for defining and enhancing risk management standards, as well as for controlling compliance with these standards. Accordingly, the risk management and risk controlling system of W&W AG is closely interlocked with the monitoring system at the Group level and is structured so as to be dovetailed with respect to many processes, systems and methods (see the depictions in the section “Risk management system in the W&W Group”). The following depictions address the specifics of W&W AG as an individual company. W&W AG has the same risk areas as the W&W Group (see also the chart “Risk landscape of the W&W Group”).

As at 31 December 2022, the W&W Group’s total risk capital requirements amounted to €1,982.5 million (previous year: €1,785.2 million). The risk profile of the quantified risk areas as at 31 December 2022, which was determined according to our methods for calculating risk-bearing capacity (see the section “Economic capital adequacy”), was distributed in accordance with the following chart.

**Risk profile of W&W AG**




We take business risks and liquidity risks into consideration in our calculation of risk-bearing capacity by performing a flat-rate discount in determining risk capital. Owing to the volume of our holdings, market price risks constituted the predominant risk area, accounting for 87.6% (previous year: 85.4%).

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

## Market price risks

**Interest rate risk.** W&W AG is subject to interest rate change risks and interest rate guarantee risks on account of interest obligations to employees (pension provisions), investments consisting of interest-bearing assets and the subordinated bonds issued in 2021.

As at 31 December 2022, under a parallel shift in the swap yield curve, fixed-income securities (direct and fund portfolios, including interest rate derivatives) with a market value of €1,836.8 million (previous year: €2,016.1 million) experienced the following changes in market value:

### Interest rate change

| | Market value change | |
|---|---|---|
| in € million | 31.12.2022 | 31.12.2021 |
| Increase by 100 basis points | -79.6 | -116.4 |
| Increase by 200 basis points | -150.9 | -218.7 |
| Decrease by 100 basis points | 89.4 | 133.2 |
| Decrease by 200 basis points | 190.9 | 289.0 |

**Credit spread risk.** Credit spread risk means the risk that the value of receivables will change because of a change to the applicable credit spread for the respective issuer or counterparty – despite an unchanged credit rating over time. Credit spread risks result from the bond portfolio of W&W AG, which consists of bonds issued both outside and, in particular, within the Group.

**Equity risk.** Changes in the value of investments (write-downs), non-payment of dividends and the need to make contributions to earnings lead to equity risks. For W&W AG, the strategic participation portfolio constitutes the key risk. As at 31 December 2022, investments in affiliated companies and holdings as well as in equities, investment interests and other variable-yield securities had a total carrying amount of €2,829.8 million (previous year: €2,703.3 million). This also included alternative investments (private equity, private debt and infrastructure investments), which were additionally expanded. Interests in affiliated companies accounted for €1,399.4 million (previous year: €1,345.6 million). When investment risks materialise, measurement losses can lead to changes in value of investments being recognised as a loss (write-downs), the non-payment of dividends or the need to make contributions to earnings.

**Stock price risk.** Sudden and severe price slumps on the equity markets could impair the value of the stock portfolio held by W&W AG by forcing write-downs. For our portfolios with a market value of €43.3 million (previous year: €123.5 million), an index fluctuation of the EURO STOXX 50 would result in the following changes in market value as at 31 December 2022:

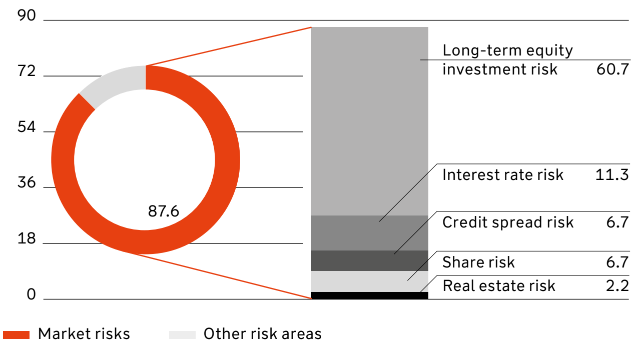
### Index change

| | Market value change | |
|---|---|---|
| in € million | 31.12.2022 | 31.12.2021 |
| Increase by 20% | 5.7 | 21.2 |
| Increase by 10% | 2.7 | 10.6 |
| Decrease by 10% | -2.3 | -10.6 |
| Decrease by 20% | -4.2 | -21.0 |

**Risk capital requirements.** Since W&W AG's investments mainly consist of equity holdings, equity risks within market price risks were the most significant in terms of risk capital weighting. Measured against total economic risk capital, the proportion amounted to 60.7% (previous year: 54.4%).

### Risk profile for market risks

in %




In 2022 the market price risks that we accepted were in conformity with the risk strategy and the strategic asset allocation. The risk limit of W&W AG for market price risk was consistently complied with.

Because of the war in Ukraine, the coronavirus pandemic and the associated uncertainties about further developments, we expect that W&W AG will be exposed to increased risks in the area of market price risk in 2023 as well (see the remarks in the section “ Market price risks” for the W&W Group).

## Counterparty credit risks

W&W AG is exposed to counterparty credit risks from investments (proprietary business), as well as to counterparty credit risks with respect to contract partners in reinsurance.

**Investments.** In line with our strategic orientation, the credit rating structure of our interest-bearing investments is conservative, with 94.3% (prior year: 93.3%) of investments in the investment grade range.

**Interest-bearing investments**
**Rating (Moody’s scale)**

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Portfolio carrying amount | Share | Portfolio carrying amount | Share |
| | in € million | in % | in € million | in % |
| Aaa | 573.6 | 28.9 | 552.2 | 28.6 |
| Aa1 | 103.5 | 5.2 | 81.9 | 4.2 |
| Aa2 | 95.5 | 4.8 | 98.7 | 5.1 |
| Aa3 | 119.9 | 6.1 | 103.4 | 5.4 |
| A1 | 22.4 | 1.1 | 28.4 | 1.5 |
| A2 | 72.1 | 3.6 | 70.5 | 3.6 |
| A3 | 207.3 | 10.5 | 241.4 | 12.5 |
| Baa1 | 528.2 | 26.7 | 480.5 | 24.9 |
| Baa2 | 84.2 | 4.3 | 82.0 | 4.2 |
| Baa3 | 61.3 | 3.1 | 63.0 | 3.3 |
| Non-investment-grade/non-rated | 113.5 | 5.7 | 130.4 | 6.7 |
| **Total** | **1981.5** | **100.0** | **1932.4** | **100.0** |

Our interest-bearing investments generally have a good collateralisation structure. A large share of the investments with financial institutions are secured by government liability or liens.

## Interest-bearing investments
## Seniority

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Portfolio carrying amount | Share | Portfolio carrying amount | Share |
| | in € million | in % | in € million | in % |
| Public | 522.4 | 26.4 | 502.7 | 26.0 |
| German covered bond | 452.0 | 22.8 | 426.3 | 22.1 |
| Deposit guarantee or government liability | 113.4 | 5.7 | 128.8 | 6.7 |
| Uncovered | 893.7 | 45.1 | 874.6 | 45.3 |
| **Total** | **1,981.5** | **100.0** | **1,932.4** | **100.0** |

**Subordinate exposure.** Our subordinate exposures (profit participation rights, silent partnerships and other subordinate receivables) amounted to €249.5 million (previous year: €251.8 million).

**Reinsurance.** Counterparty credit risks in reinsurance business again remained at a low level. No material risks are currently foreseeable. Also, our retrocessionaires have very good credit ratings.

**Credit ratings.** As at the end of the reporting period, 97.3% (previous year: 98.8%) of the recognised receivables from reinsurance business of €285.9 million (previous year: €422.7 million) were due from companies with a rating of A or better. All told, the sharp decline in receivables from reinsurance business compared with the previous year was attributable to a reduction in natural disaster events.

## Receivables from reinsurance business[1)]
## Standard & Poor's rating

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Portfolio carrying amount[1] | Share | Portfolio carrying amount[1] | Share |
| | in € million | in % | in € million | in % |
| AAA | – | – | – | – |
| AA | 144.1 | 50.4 | 214.3 | 50.7 |
| A | 134.1 | 46.9 | 203.2 | 48.1 |
| BBB | 2.6 | 0.9 | – | – |
| BB | – | – | – | – |
| B | – | – | – | – |
| CCC and lower | – | – | – | – |
| No rating | 5.1 | 1.8 | 5.2 | 1.2 |
| **Total** | **285.9** | **100.0** | **422.7** | **100.0** |

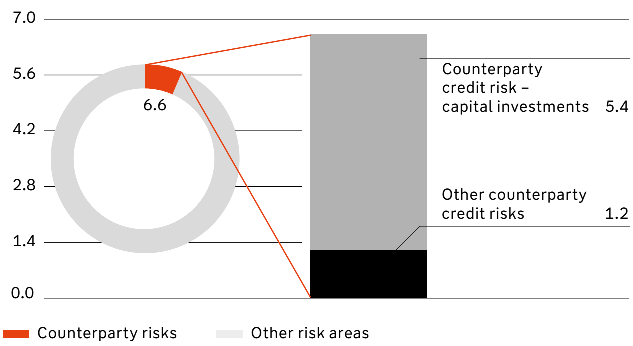
1 Amounts receivable + funds withheld by ceding companies + shares of technical provisions, less collateral.

As at the reporting date, €8.1 million (previous year: €30.3 million) of the recognised receivables due from reinsurers had been outstanding for more than 90 days. The high prior-year figure was attributable to catastrophic flooding in July 2021.

**Risk capital requirements.** At 6.6% (previous year: 8.9%), counterparty credit risks accounted for the second-largest share of the total risk capital requirements of W&W AG. Among counterparty credit risks, the risks from our investments accounted for the major share, at 5.4% (previous year: 7.8%).

### Risk profile for counterparty risks

in %




In 2022, counterparty credit risks were consistently in line with the risk strategy. The risk limit of W&W AG was consistently complied with.

Owing to the war in Ukraine, the coronavirus pandemic and the associated uncertainties about further developments, we expect that W&W AG will be exposed to increased risks in the area of counterparty credit risk in 2023 as well (see the remarks in the section "Counterparty credit risks" for the W&W Group).

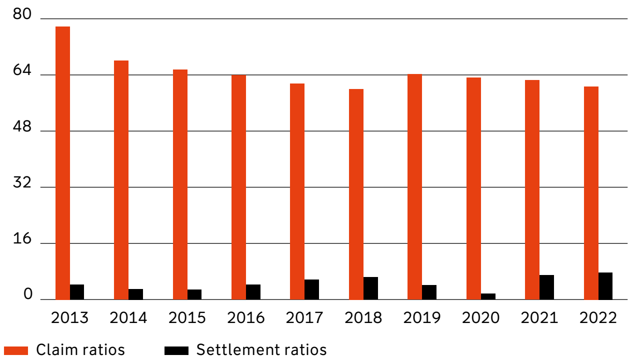
## Underwriting risks

W&W AG is subject to the same risk types as the W&W Group. Underwriting risk is a particularly important type of risk in property and casualty insurance, and in this regard, W&W AG is exposed especially to premium risk.

**Premium risk.** If costs and claims remain stable or increase, premiums may be inadequate if they fall or are not calculated in line with needs. The long-term trends in net loss ratios (ratio of net expenses for insured events to net premiums) and net settlement ratios (ratio of net settlement results from provisions for outstanding insurance claims to initial loss provisions) for W&W AG were as follows:

**Claim and settlement ratios**

in %




**Risk capital requirements.** The chart “W&W AG risk profile” (see section “Risk profile and material risks of W&W AG”) depicts the weighting of the risk capital reserved for underwriting risks. Underwriting risks accounted for a share of 3.9% (previous year: 3.3%) of the total risk capital requirements of W&W AG.

In 2022, underwriting risks were consistently in line with the risk strategy. The risk limit of W&W AG was consistently complied with.

## Operational risks

**Risk capital requirements.** Risk capital requirements for operational risks are ascertained through simulations on the basis of the operational risks included in the risk inventory and their loss potential and probability of occurrence. The chart “W&W AG risk profile” (see the section “Risk profile and material risks of W&W AG”) depicts the weighting of the risk capital reserved for operational risks. In all, operational risks at W&W AG accounted for 1.9% (previous year: 2.4%) of total risk capital requirements.

In 2022, the assumed operational risks were consistently in line with the risk strategy. The risk limit of W&W AG was consistently complied with.

Because of the coronavirus pandemic and the associated uncertainties about further developments, we expect that the W&W AG will be exposed to increased risks in the area of operational risk in 2023 as well (see the remarks in the section “Operational risks” for the W&W Group).

## Business risks

As the parent company of the financial conglomerate and the Solvency II group, W&W AG is subject to the same risks as presented for the W&W Group in the section “Business risks”.

## Liquidity risks

W&W AG benefits from the diversification of its refinancing sources. Please see the remarks in the section “Liquidity risks” for the W&W Group.

# Select risk issues

## Emerging risks

Emerging risks describe conditions, developments or trends that in future may have a significant adverse impact on the financial strength, risk profile or competitive position of the W&W Group or an individual company. Emerging risks typically arise because of changing basic conditions, such as those of an economic, geopolitical, social, technological or environmental nature. The uncertainty with respect to the loss potential and the probability of occurrence is usually very high.

For our company, the main challenges are posed by technological trends (digitalisation, cybertechnologies), social trends (demographics, changed customer behaviour, pandemic) and economic trends (current interest rates, systemic risks).

In the risk management process, emerging risks are observed with the aim of identifying the strategic risks that result from them in a timely manner (early risk warning) and of taking them into consideration in setting the company’s business strategy.

## Risk concentrations

Risk concentration means potential losses that may result either from the accumulation of similar risks or from the accumulation of different risks, such as at a single counterparty, and that are large enough to jeopardise the solvency or financial position of the individual company or the Group.

The potential losses in terms of risk concentration may result either from intra-risk concentrations or from inter-risk concentrations. Intra-risk concentrations describe those risk concentrations that arise from the synchronisation of risk positions within a risk area or at the Group level through the accumulation of similar risks at several companies affiliated with the Group. Inter-risk concentrations describe those risk concentrations that arise from the synchronisation of risk positions across various risk areas at the level of the individual company and the Group.

Because of the business model of the W&W Group and its individual companies, potential risk concentrations may result, in particular, from investments and from the economic and regional structure of customer business (customer lending business, insurance business). However, owing to regulatory requirements and internal rating requirements, the W&W Group is heavily invested, in sectoral terms, in government bonds and financial services companies and, in regional terms, in Europe, which is typical for the industry. Accordingly, in addition to the credit risk associated with the relevant counterparty, the W&W Group in particular bears the systemic risk of the financial sector and the specific counterparties belonging to it.

On the other hand, because of their high granularity, our customer loan portfolios do not exhibit any appreciable risk concentrations.

Other concentrations exist through positions that we intentionally take in certain assets classes (equities, holdings, bonds) through strategic asset allocation.

As a financial conglomerate, the W&W Group is influenced to an extensive degree by a variety of external factors (e.g. interest rate changes, economic cycle, changed customer behaviour, digitalisation, regulatory pressure, industry reputation). This risk concentration intentionally forms a part of the business strategy.

Operational risk concentrations may arise in connection with outsourcing (a single comprehensive mandate or several equivalent mandates), through process dependencies of IT systems and through an accumulation of projects, particularly large projects.

Adequate instruments and methods are in place to manage concentrations.
We counter concentrations in the area of investments, inter alia, through mixing and diversification, the use of limit and line systems, and the monitoring of exposure concentrations. In lending and insurance business, we apply clearly defined acceptance and underwriting policies and purchase appropriate reinsurance coverage from various providers with good credit ratings.

For each risk area, we measure intra-risk concentrations implicitly through risk quantification and accompanying stress tests. In this regard, concentrations of market price risk are limited in connection with strategic asset allocation through the observance of specific mix ratios across various asset classes. Concentrations of counterparty credit risk are limited through a risk line system that restricts the volume of investment in specific debtor groups.

Potential inter-risk concentrations result from a heightened interdependency of risks across risk areas and thus from various risk areas. The total risk capital requirements at the level of W&W AG and the W&W Group are quantified in an undiversified manner by totalling the risk capital requirements of the individual risks areas (e.g. market price risk, counterparty credit risk, underwriting risk), which thus takes into account a high degree of interdependence between the risk areas. In addition, stress tests are performed across risk areas to show possible interdependencies between market price risks and counterparty credit risks, particularly in phases of serious economic downturn.

## Sustainability aspects

The issue of sustainability is firmly rooted in the organisational structure of the W&W Group. All Executive Board members are responsible for sustainability, with the CEO having overarching responsibility for the strategic orientation in terms of sustainability. The CRO is responsible for reporting and for sustainability in investments. The CIO is responsible for sustainable operations. The Spokesman for Human Resources is in charge of the topic area of personnel development and employer attractiveness. The CRO is responsible for integrating sustainability aspects, particularly the risks associated with this, into the risk management system.

To enable cross-divisional coordination, a sustainability officer has been appointed as the interface for sustainability activities in the W&W Group and a sustainability board consisting of Executive Board members and managers has been established as an internal body. The sustainability board is organised by the Group Development unit. The board is composed of representatives of the six fields of action that are defined in the sustainability strategy. In addition to representatives of the Housing and Insurance divisions, they include individuals responsible for Groupwide issues, as well as from the areas of compliance and regulatory matters. Risk management is also represented. In addition, interfaces exist with other Group units, such as Communication and Audit.

In particular, the sustainability board discusses societal trends and developments, analyses regulatory requirements, reviews the strategic orientation with respect to current developments and trends in society and the industry and carries out controlling of strategic conformity of existing and planned measures in the divisions.

Sustainability risks may materialise from internal and external risk drivers or triggering events in the areas of the climate, the environment, social affairs, politics, corporate governance and compliance, which, in the individual risk areas, may have a negative impact on the net assets, financial position or financial performance of the W&W Group. Accordingly, sustainability risks are to be addressed in the organisation and actions of the W&W Group and the associated individual companies in such a way as to avoid manifestations that pose a threat to their existence. Sustainability risks are to be treated in a forward-looking manner. In this regard, the risk strategy of the W&W Group also specifies the framework with which sustainability risks are integrated into risk management.

Risk management addresses the issue of sustainability and the sustainability risks emerging from it along the established risk management process. In doing so, our risk management process takes into consideration each of the relevant types of sustainability risk. To accomplish this, an internal project was carried out in the W&W Group during the financial year in order to integrate ESG issues into our current risk management process. It included the integration of these issues into the risk inventory process, the adaptation of our written regulations and the consideration of climate change scenarios. Sustainability risks are thus also an element of the monitoring of the risk profile by the Group Board Risk. Sustainability risks are identified and assessed as part of the risk inventory process. This involves reviewing the scope of the relevant ESG drivers (environmental, social and governance (ESG) events) on the one hand and assessing the relevance of sustainability aspects to individual risk areas and risk types on the other.

Of particular importance in this regard are reputational risks, transformation risks in investments (transition to a low-carbon economy) and physical risks in the area of underwriting risks (natural hazard risks).

In order to limit, in particular, reputation risks that arise from sustainability aspects, the sustainability strategy of the W&W Group specifies the principles for sustainable and responsible actions. Compliance with the Supply Chain Due Diligence Act should result in the avoidance of risks related to human rights or the environment, among other things. The aim is to identify and assess such risks in supply chains and take appropriate measures.

Sustainability risks in the area of investments are limited by defining corresponding exclusion criteria. Adequate consideration must be given to sustainability aspects, particularly in strategic asset allocation as an investment framework. This includes, among other things, the constant addition of sustainable instruments to the investment portfolio and the constant reduction of the portfolio’s CO2 emissions in order to achieve the long-term goal of climate neutrality within the portfolio.

Sustainability risks also include climate risks. Climate risks take the form, in particular, of physical risks. In the area of underwriting risks, these are limited, inter alia, through underwriting policies and reinsurance agreements. In addition, physical risks within our internal work processes can lead to failures in infrastructure or system availability (process and information risk) or an increased workload in operations (process risk), for example.

Further information on W&W's commitment to sustainability is contained in the chapter "Business model – commitment to sustainability" and in the non-financial report, which is published on the website of the W&W Group at www.ww-ag.com/en/about-us/sustainability.

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

In 2022, the W&W Group and W&W AG at all times had sufficient economic and supervisory risk-bearing capacity. In line with our economic risk bearing capacity model, we had sufficient funds to cover the risks taken with a high degree of assurance. The indicators are described in the section "Capital management in the W&W Group".

As a result of increasing uncertainty in the current environment, the entire financial sector and thus the W&W Group face risks that could present considerable risks of economic loss in our scenario calculations and, in extreme scenarios, could certainly have effects that threaten the existence of the company as a going concern.

With respect to the war in Ukraine, the direct effects discernible at this time are manageable for the W&W Group. Exposures to government bonds issued by the Russian Federation, Belarus and Ukraine were completely eliminated by the beginning of April 2022. The direct effects on underwriting are immaterial. To strengthen information security, further measures have already been launched to proactively manage the potential rise in threats from cyber attacks.

Indirect effects on the risk position may arise from economic and capital market risks (including risk relating to interest rates, equities, inflation and credit spreads as well as higher capital market volatility and counterparty credit risks). The volatility of the capital market environment and uncertainties about future economic development increase the risks to which W&W is exposed.

Rising interest rates decrease the reserves present in investments, especially in the commercial accounts, and cause the formation of hidden liabilities that may result in write-downs and limit the scope for managing profits.

A further increase in inflation could also adversely affect expenses, costs and provisioning.

On the other hand, a sustained decline in interest rates can substantially compromise the profitability of endowment life insurance policies and home loan savings contracts. Here, the portfolio has significant risks from interest rate guarantees.

Inflation risks and economic risks could also drive up loan defaults and adversely affect new business.

Links within the financial sector give rise to a systemic risk of contagion that the W&W companies are, of course, not completely immune to.

Taking into consideration adopted measures, financial burdens may arise that cannot be estimated reliably due to the uncertainty of the further development of the war in Ukraine and the economic environment.

Underwriting risks include risks from large or frequent natural disasters. However, these risks are contained by reinsurance.

We pay close attention to changes in the regulatory environment in order to be able to respond flexibly and early on. Although we are meeting the requirements of tighter regulation, they tie up a significant amount of financial, technical and personnel resources and thus pose substantial cost and earnings risks. In addition, changes in the legal environment may create further, possibly significant risk potentials.

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

For instance, owing in part to our business model, we had a secure, diversified liquidity basis as at the reporting date.

Despite the rapid rise in interest rates, the volatile capital market environment and stricter regulatory requirements, the W&W Group has worked hard to achieve a basic economic robustness that has proven its worth during the coronavirus pandemic and the course of the war in Ukraine. This is manifested in our current risk-bearing capacity, particularly on the basis of our economic risk-bearing capacity model. Expanding the robustness of the W&W Group remains the subject of our ongoing risk management activities.

With respect to the defined risk horizon and the chosen confidence level, no risks were discernible as at the reporting date that could threaten the continued existence of the W&W Group or W&W AG.

The further course of the war in Ukraine and the further trajectory of the coronavirus pandemic are still hard to foresee. Given the great uncertainty surrounding future developments, it is therefore not possible to provide a reliable estimate of the financial impact. Thus it is not possible to exclude a deterioration in net assets, financial position and risk situation depending on the future developments.

## Enhancements and planned measures

We account for changes in the internal and external framework conditions and their effects on the risk position of the Group and individual companies by constantly enhancing and improving our systems, procedures and processes.

Systematic advancement of the existing Group-wide risk management system is intended to ensure the stable, sustained development of the W&W Group also in future. We intend to constantly and vigorously raise our risk management standards in the 2023 financial year. For this purpose, we have defined a number of measures and projects in connection with our risk management process. In this regard, we are focussing on the following issues in particular:

- Regulations: Adapting to new and changing regulatory requirements,
- Sustainability: Further development of established management instruments for managing sustainability risks in the risk management system of the W&W Group,
- Risk-bearing capacity: continuation of measures to ensure risk-bearing capacity, continuous development of risk-bearing capacity concepts and models in a dynamic environment,
- Risk governance of non-financial risks (operational risks, etc.), e.g. increased integration of the process and risk management software solution implemented in 2022, as well as the internal control system,
- Process and data optimisation: Ongoing optimisation of processes and data processing in risk management.

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

## Features of the internal control and risk management system in relation to the (Group) accounting process (report pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (HGB))

The internal control and risk management system with respect to the (Group) accounting process comprises principles, procedures and measures designed to ensure

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

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

In particular, the Executive Board has delegated responsibility for the in the W&W Group to the Customer Data Protection and Operational Security departments. They are responsible, in particular, for designing the processes and for reporting deviations to the Group Board Risk and the Internal Audit department of W&W AG.

The W&W Group companies are integrated by means of a clearly defined governance and reporting organisation. The IFRS consolidated financial statements and parts of the combined management report are prepared, in particular, by the Group Accounting department. The annual financial statements of W&W AG and parts of the combined management report are prepared, in particular, by the Accounting department of Württembergische Versicherung AG under an agency relationship.

As a component of the internal control system, the Group Audit department reviews the effectiveness and suitability of the risk management and internal control systems in a risk-oriented and process-independent manner.

The Supervisory Board and above all the Audit Committee monitor the (Group) accounting process, the consolidated financial statements and the effectiveness of the internal control system, the risk management system and the internal audit function in the W&W Group and W&W AG.

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

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

Business transactions and other circumstances are recognised and documented for the purposes of the consolidated and annual financial statements using a variety of systems, and they are booked via automated interfaces into accounts of a central system solution, taking into account the (Group) accounting guidelines. Key source systems are the SimCorpDimension securities management system, the portfolio management systems for insurance policies, the commission settlement systems and the customer current accounts.

Information contained in the local accounting systems about business transactions and other circumstances at companies and investment funds is aggregated into Group reporting data for the purposes of preparing the consolidated financial statements. The accounting depiction of investments in a management system for the purposes of the consolidated and annual financial statements, as well as their transformation to Group reporting data, is handled centrally by Wüstenrot Bausparkasse AG in connection with a services agreement.

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

The respective companies are responsible for the completeness and accuracy of the standardised reporting packages. The standardised reporting packages are subsequently compiled centrally by the Group Accounting department in consolidation software and subjected to a validation process.

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

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

Work perspectives

# Green lung

More than 60% of the 6 hectares of the W&W Campus are green areas and meadows. That's good for nature – and good for us, because green is not just pleasant to look at, it also calms and motivates us.
A good basis for success.

# Outlook

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

## Macroeconomic outlook

Germany's economic outlook is clouded by various negative factors. For example, inflation, which is well above the long-term average, is depriving private households of purchasing power and will likely result in weak consumer demand. However, a predicted decline in inflation in 2023, supportive federal policies such as the energy price cap and faster increases in nominal wages will alleviate the burden at least somewhat. The ECB's more restrictive monetary policy is weighing on sectors that are more sensitive to interest rates such as corporate and construction investment. Finally, geopolitical conditions as well as sluggish growth in key target markets such as the USA suggest that export growth will be modest. All it all, the most likely scenario is that German economic output will stagnate in 2023. The German federal government, for example, has forecast an increase in gross domestic product of 0.2%.

The main influencing factors suggest a gradual slowdown in inflation in the course of 2023. The most likely scenario is that energy and commodity prices will not continue to rise as rapidly as last year and that the annual rates used to calculate inflation will be even lower in future. There is also reason to hope that the supply shortages for intermediate products will ease. On the other hand, wages in Germany have already increased at above-average rates, partly to maintain real incomes. Including climate neutrality in economic decision-making will also tend to structurally increase prices. As a result, inflation is expected to decline in 2023 but still remain above pre-pandemic levels.

Short-term interest rates track key interest rates closely. After the ECB announced its intention to continue with significant rate hikes after its December 2022 meeting and maintain the final level for an extended period of time, the most likely scenario for 2023 is a slight increase in short-term interest rates. The outlook for long-term interest rates is less clear. Higher key rates, continued above-average inflation and still-negative real interest rates suggest that yields on long-term bonds will rise. On the other hand, there are signs that inflation will at least trend downward over the year and that the ECB will stop raising key interest rates. This, together with the expected weak economy, could gradually put long-term interest rates under pressure again.

Various scenarios are conceivable for the European bond market outlook moving forwards. Share prices are generally negatively affected when leading central banks are expected to raise key rates further in response to a less favourable monetary environment. Bonds have also become more attractive than shares due to the renewed rise in interest rates. Furthermore, the economic environment is expected to be rather difficult for companies in 2023; positive profit performance is not guaranteed. Disappointing company figures could also result in price declines. Finally, the geopolitical situation seems likely to remain tense in 2023. Investor risk appetite and willingness to buy shares will probably be limited due to political and economic uncertainty. By the same token, price corrections in 2022 have lowered equity valuations to the point that they appear cheaper again. Also, the leading central banks are likely to slow or even stop key rate hikes as the year progresses. Equity markets may rally at the prospect of a monetary policy stance that is not more restrictive. Towards the end of the year, market participants may start looking ahead to the following year and a long-awaited economic recovery. Since the stock markets often anticipate future economic developments, this increasingly confident outlook could also push up prices again. Finally, positive geopolitical developments, e.g. an end to the fighting in Ukraine, could still happen as a possible favourable equity market scenario.

## Industry outlook

Residential housing construction and the residential property market face a challenging situation in 2023. Households wanting to build a home, developers, building investors and prospective buyers for existing properties continue to show restraint. The market has not yet re-established its equilibrium after the rapid rise in interest rates for existing housing purchases. Sellers are still asking for the old prices, but buyers are no longer able or willing to pay them. Experts forecast property price declines of up to 15%. Construction interest rates will likely increase further, which may put further pressure on property prices. Housing market experts expect housing completions and transactions to decline in 2023 due to the changing environment, despite high overall unsatisfied housing demand. Property developers announced a decline of up to 60% in projected construction volumes for 2023. This contrasts with the growing modernisation market, particularly in the energy efficiency segment. At the same time, KfW and BAFA continue to provide substantial funding for thermal insulation projects and retrofits with energy transition technologies.

We expect that financing volumes for modernisation projects cannot be ramped up enough in the short term to fully make up for the drop-off in construction and purchase financing, which had reached large volumes in recent years in response to low interest rates and rising property prices. We therefore expect a double-digit decline in market volume for private residential construction financing in 2023 despite the assumption of a recovery during the year.

The German Insurance Association (GDV) expects life insurance premiums to be almost stagnant in 2023 in both the regular premium and single premium business. Premiums to pension funds are expected to decrease slightly.

Due to inflation-related coverage adjustments in property insurance, coupled with weak growth in motor insurance, the GDV expects that premium volume for property and personal accident insurance will rise 6.1% in 2023. However, the forecast continues to be characterised by a high level of uncertainty.

## Company forecasts

The 2022 financial year was characterised by the war in Ukraine, supply shortages in goods markets, exceptionally high inflation, high capital market uncertainty and a historic rise in interest rates.

The following forecasts are based on our Group-wide planning process (see the section “Business management system”). As insurance contracts will be accounted for under IFRS 17 beginning on 1 January 2023, the earnings forecasts were made based on the new accounting regulations.

When calculating our results and general administrative expenses, we assumed modest macroeconomic growth and a consistently high rate of inflation. Interest rates increased significantly and were highly volatile in the 2022 financial year. We expect interest rates to stabilise in 2023 based on signals from the central banks and inflation expectations. At the same time, we are projecting low increases on stock markets and a normalised claims experience.

Economic and geopolitical uncertainty remains high overall. If the basic conditions darken, this will also have an effect on the following forecasts.

### Future business performance of the W&W Group (IFRS)

Overall, we are adhering to our medium- to long-term target range of €220 million to €250 million for the W&W Group’s consolidated net profit. Despite the above uncertainties, we expect **consolidated net profit** to remain within the target range in the 2023 financial year.

We will also continue the digital transformation in 2023. Because of the associated investments and the predicted inflation trend, we expect **general administrative expenses expenses** in the Group for the 2023 financial year to come in moderately above the level of the reporting year.

The W&W Besser! initiative will be continued in 2023. We will continue to rigorously ensure that products, services and processes are aligned with customer benefits throughout the entire W&W Group, which should result in increased efficiencies. In line with our strategic objective, we will service at least 6.5 million **customers** in 2023.

We manage our liquidity within the W&W Group in such a way that we can consistently meet our financial obligations at all times. Liquidity planning shows that in 2023 we will have sufficient liquidity available at all times. Please see the “Liquidity risks” section in the opportunity and risk report for details on our liquidity position.

Opportunities and risks include, in particular, trends on the capital markets, as well as in claims. Furthermore, economic developments or the political environment could have a positive or negative effect on the W&W Group. Additional opportunities may present themselves in connection with the strategic alignment of individual segments, new innovative products and business models, additional sales channels as well as further cost optimisation and the increased willingness of our customers to undertake financial planning. Other risks may arise from potential counterparty defaults and increased regulatory or statutory requirements. Furthermore, the Ukraine war and increased inflation in particular represent important elements of uncertainty. For further information about opportunities and risks in the W&W Group, please see the opportunity and risk report.

### Housing segment

For the 2023 financial year, we are planning for the Housing segment to post **net income after taxes** that is moderately lower than the level of the reporting year.

**General administrative expenses** for the 2023 financial year are expected to come in slightly higher than the level of the reporting year.

For **new construction financing business** (approvals), we expect 2023 to come in at level moderately higher than that of the reporting year. We are projecting **net new home loan savings business** in 2023 to be at the same level as in the reporting year. In this regard, we are continuing to pay attention to profitability and risk.

### Life and Health Insurance segment

For the 2023 financial year, we are planning for the Life and Health Insurance segment to post **net income after taxes** that is moderately higher than in 2022.

In 2023, we expect **general administrative expenses** to be moderately higher than in the reporting year.

In terms of new business, we are striving for the sale of products that are less dependent on interest rates, such as our Genius products as well as term life insurance and occupational disability insurance. In the 2023 financial year, we are planning for **total premiums** to come in higher than in 2022.

### Property/Casualty Insurance segment

In the 2023 financial year, we expect **net income after taxes** from the Property/Casualty Insurance segment to be significantly below the reporting year’s level.

**General administrative expenses** are expected to be moderately above the level of the reporting year.

We will continue to strive for sales of profitable insurance policies to retail and corporate customers. For 2023, we expect **new and replacement business** (annual contribution to the portfolio) to come in slightly above the level of the reporting year.

## Future business performance of W&W AG (HGB)

Due to its structure as a holding company, the net income of W&W AG after taxes is determined by the dividends and profit transfers from subsidiaries and participations.

For 2023, we are planning **net income after taxes** of around € 120 million.

Opportunities and risks for W&W AG will result in particular from the earnings performance of subsidiaries and participations, as well as their valuations in the annual financial statements of W&W AG. In addition, directly held investments and trends in claims and costs will have an impact on W&W AG. In addition, risks may arise from the further development of war in Ukraine and inflation.

## Forward-looking statements

This annual report, including, without limitation, the outlook, contains forward-looking statements and information.

These forward-looking statements constitute estimates that were made on the basis of information that is available at the present time and is considered to be material. They may involve known and unknown risks as well as uncertainties and opportunities. Because of the multitude of factors that influence our business operations, actual results may differ from those currently anticipated.

We are therefore unable to assume any liability for forward-looking statements.

# Other information

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

Pursuant to Sections 289a and 315a HGB, we are required to make the following statements as at 31 December 2022, provided they are relevant to Wüstenrot & Württembergische AG:

### Composition of subscribed capital

The share capital of W&W AG amounts to €490,311,035.60 and is divided into 93,749,720 registered no-par-value shares that are fully paid in.

A total of 960 shares are covered by the exclusion of voting rights within the meaning of Section 136 (1) of the German Stock Corporation Act (AktG), since they are owned by members of the Supervisory Board or the Executive Board. W&W AG holds a total of 34,632 treasury shares. Pursuant to Section 71b AktG, W&W AG is not entitled to any rights in connection with treasury shares. A total of 247,755 employee shares are subject to a restriction on sale. The restriction applies to April/May 2023 for 78,634 employee shares, to April/May 2024 for 82,787 employee shares and to April/May 2025 for 86,334 employee shares. The restriction on sale starts on the day that the purchased employee shares are credited to the employee's custodial account. There are no further restrictions affecting voting rights or the transfer of the registered shares. Each share entitles the holder thereof to one vote at the Annual General Meeting. The amount of the company's profit to which shareholders are entitled is determined in accordance with the proportion of the share capital that they hold (Section 60 AktG). If the share capital is increased, the participation of new shares in profit may be determined in deviation from Section 60 (2) AktG.

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

The shareholder structure of Kornwestheim-based W&W AG remained stable over the course of the reporting year. The anchor shareholder is the non-profit foundation Wüstenrot Stiftung, Gemeinschaft der Freunde Deutscher Eigenheimverein e. V., Ludwigsburg. It maintains an indirect participation in W&W AG of 67.16% through two holding companies. Of this, 27.25% is held by WS Holding AG, Stuttgart, and 39.91% by Wüstenrot Holding AG, Ludwigsburg. The other major shareholder of W&W AG is

FS BW Holding GmbH, Munich, with more than 10% of the shares. 0.04% of the issued shares are non-voting treasury shares.

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

## Provisions concerning the appointment and removal of Executive Board members and the amendment of the Articles of Association

Members of the Executive Board are appointed and removed in accordance with Article 6 (1) of the Articles of Association, Sections 84 and 85 of the German Stock Corporation Act (AktG) in conjunction with Section 31 of the German Codetermination Act (MitbestG) and Sections 24 and 47 of the German Act on the Supervision of Insurance Undertakings (VAG). Amendments to the Articles of Association take place in accordance with Sections 124 (2) sentence 3, 133 (1) and 179 et seqq. AktG. However, pursuant to Article 18(2) of the Articles of Association in conjunction with section 179(2) sentence 2 AktG, resolutions of the Annual General Meeting to amend the Articles of Association are adopted by a simple majority of the share capital represented at the time of adoption, unless required otherwise by law, for example with regard to a change of the company's purpose. Pursuant to Section 179 (1) sentence 2 AktG in conjunction with Article 10 (10) of the Articles of Association, the Supervisory Board may make amendments to the Articles of Association that relate solely to their wording. The Executive Board has no powers over and above the general statutory rights and duties of a management board under German law of stock corporations.

## Powers of the Executive Board to issue shares

### Authorised capital 2022

Pursuant to Article 5 (5) of the Articles of Association, the Executive Board is authorised to increase the company's share capital, on one or more occasions on or before 24 May 2027, by up to €100,000,000.00 via issuance of new registered no-par-value shares in exchange for cash or contributions in kind, subject to approval by the Supervisory Board (Authorised Capital 2022). The shareholders have a statutory subscription right. Shareholders may also be accorded the statutory subscription right by having one or more credit institutions or companies equivalent thereto pursuant to Section 186 (5) of the German Stock Corporation Act (AktG) subscribe to the new shares under an obligation to offer them to shareholders for subscription (indirect subscription right). Subject to approval by the Supervisory Board, the Executive Board is however authorised to preclude shareholders from exercising the statutory subscription right in the following cases:

- for fractional amounts; or
- in the case of capital increases in exchange for contributions in kind, in order to be able to offer the new shares in connection with company mergers or in the case of the direct or indirect acquisition of companies, parts of companies or participations in companies or for the direct or indirect acquisition of other assets (including claims, also to the extent that they are directed against the company or subordinate group companies); or
- if, pursuant to Section 186 (3) sentence 4 AktG, new shares are issued in exchange for cash at a price that is not significantly below the stock exchange price of the shares that are already listed and the pro rata amount of the new shares does not exceed 10% of the share capital at the time this authorisation is recorded in the commercial register or, if less, at the relevant time the authorisation was exercised. Counting towards the 10% limit are other shares that may have been newly issued or, following buyback, resold by the company during the term of this authorisation under preclusion of the subscription right or, in accordance with Section 186 (3) sentence 4 AktG, in connection with a cash capital in-crease. Also counting towards the 10% limit are shares with respect to which a warrant or conversion right, a warrant or conversion obligation, or a right in favour of the company to delivery of shares exists on account of warrant bonds, convertible bonds or profit participation certificates with warrant or conversion rights or obligations, or rights in favour of the company to delivery of shares that had been issued by the company or its subordinate Group companies during the term of this authorisation under preclusion of the subscription right pursuant to Section 221 (4) sentence 2 in conjunction with Section 186 (3) sentence 4 AktG; or
- insofar as it is necessary in order to grant holders or creditors of warrant rights or convertible bonds or profit participation rights with conversion rights that have been or will be issued by the company or its subordinate Group companies a right to subscribe to new shares to the extent to which they would be entitled after exercising warrant rights, conversion rights or rights to delivery of shares or after satisfying warrant or conversion obligations.

Subject to approval by the Supervisory Board, the Executive Board is authorised to specify the profit participation of the new shares in derogation from Section 60 (2) AktG and to stipulate the further details of capital increases out of Authorised Capital 2022 and their implementation, including the issue price and the contribution to be paid for the new no-par-value shares. The Supervisory Board is authorised to modify the wording of the Articles of Association after implementation of an increase of the share capital out of Authorised Capital 2022 to conform to the respective increase of the share capital, as well as after expiry of the term of the authorisation.

## Contingent Capital 2022/Authorisation to issue warrant bonds, convertible bonds, profit participation certificates, profit participation bonds or a combination of these instruments

By resolution adopted at the Annual General Meeting on 25 May 2022, the Executive Board was authorised to issue warrant bonds, convertible bonds, participation rights, profit participation bonds or a combination of these instruments on or before 24 May 2027. Article 5 (6) of the Articles of Association accordingly provides that the share capital is contingently increased by at most €240,000,003.46, divided into at most 45,889,102 no-par-value registered shares (Contingent Capital 2022). The contingent capital increase is to be implemented only if

- holders or creditors of warrant rights or conversion rights or those obligated to exercise the warrant or to convert under warrant bonds, convertible bonds or profit participation rights that, on the basis of the authorisation granted to the Executive Board by the Annual General Meeting on 25 May 2022, are issued by the company or a subordinate Group company or guaranteed by the company on or before 24 May 2027 make use of their warrant rights or conversion rights, or

- holders or creditors of warrant bonds, convertible bonds or profit participation rights that, on the basis of the authorisation granted to the Executive Board by the Annual General Meeting on 25 May 2022, are issued by the company or a subordinate Group company or guaranteed by the company on or before 24 May 2027 are obligated to exercise the warrant or to convert and satisfy such obligation, or

- the company exercises a right to deliver to holders or creditors of bonds or participation rights that, on the basis of the authorisation granted to the Executive Board by the Annual General Meeting on 25 May 2022, are issued by the company or a subordinate Group company or guaranteed by the company on or before 24 May 2027 shares of the company in lieu of cash payment, either in whole or in part, and provided that neither cash settlement is granted nor shares from authorised capital, treasury shares or shares of some other publicly traded company are used to service it. The new shares are to be issued at the warrant or conversion price to be stipulated in accordance with the aforementioned authorisation resolution of 25 May 2022. The new shares participate in profit from the start of the financial year in which they come about. To the extent permitted by law, and subject to approval by the Supervisory Board, the Executive Board is authorised to stipulate that in the event that, at the time of issue, a resolution on appropriation of profit has not been adopted for the financial year immediately preceding the year of issue, the new shares are to participate in profit from the start of the financial year immediately preceding the year of issue. Subject to approval by the Supervisory Board, the Executive Board is further authorised to stipulate the further details of the implementation of the contingent capital increase. Use may be made of the authorisation granted by resolution of the Annual General Meeting on 25 May 2022 to issue warrant bonds, convertible bonds and profit participation rights only if the warrant bonds, convertible bonds or profit participation rights are structured in such a way that the capital that is paid in for them satisfies the supervisory requirements in effect at the time the authorisation is used for eligibility as own funds at the level of the company and/or the Group and/or the financial conglomerate and does not exceed any intake limits. Furthermore, use may be made of the authorisation granted by resolution of the Annual General Meeting on 25 May 2022 to permit subordinate Group companies to issue warrant bonds, convertible bonds and profit participation rights and have them guaranteed by the company if this is permissible under the supervisory provisions applying in each case.

## Authorisation to purchase and use treasury shares

By resolution of the Annual General Meeting of 25 May 2022, the Executive Board was authorised pursuant to Section 71 (1), no. 8 of the German Stock Corporation Act (AktG) until 24 May 2027 to purchase own shares with the approval of the Supervisory Board in an amount of up to 10% of the share capital in existence at the time of adoption of the resolution or – if this value is lower – of the share capital in existence at the time of exercise of the authorisation and to use such shares for other purposes. Taken together with other treasury shares in the possession of the company or that are attributable to them in accordance with Section 71a et seqq. AktG, these shares must not at any point make up more than 10% of the share capital. The shares purchased pursuant to this authorisation may be used under exclusion of the subscription right of other shareholders for all legally permissible purposes, including those specified in the authorisation.

### Change-of-control agreements

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

### Change-of-control remuneration agreements

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

## Relationships with affiliated companies

Wüstenrot Holding AG, Ludwigsburg, holds 39.91% of the shares, and WS Holding AG, Stuttgart, holds 27.25% of the shares. Both holding companies are wholly owned by Wüstenrot Stiftung, Ludwigsburg.

There are close relationships with various group companies as a result of contracts for outsourcing services and functions. They govern services that have been transferred in whole or in part, including appropriate compensation.

# Corporate Governance Statement

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

In 2007 BaFin (Germany's Federal Financial Supervisory Authority) determined that Wüstenrot Holding AG, Stuttgart, which at that time held about 66% of the shares of W&W AG, and affiliates of Wüstenrot Holding AG constitute a financial conglomerate. In this regard, W&W AG was defined as the superordinate financial conglomerate undertaking. With the spin-off of WS Holding AG from Wüstenrot Holding AG in August 2016, the financial conglomerate now consists of W&W AG and the affiliates of W&W AG.

The insurance group of W&W AG is covered by the scope of Solvency II and thus is likewise subject to supervision by BaFin. W&W AG is the ultimate parent undertaking of the Solvency II group of W&W AG.

## Working methods and composition of the Executive Board

The Executive Board manages W&W AG on its own responsibility with the aim of sustainable valuation creation for the benefit of the W&W Group. It represents the company in transactions with third parties.

The Executive Board of W&W AG has four members.

| Members of the Executive Board |
| --- |
| Jürgen Albert Junker (Chair) |
| Alexander Mayer |
| Jürgen Steffan |
| Jens Wieland |

In view of the special features of the Housing and Insurance divisions, as well as the common Group perspective, it is necessary for members of the Executive Board of W&W AG to have demonstrated experience, professional knowledge and expertise in the areas of insurance, banking and home loan and savings banking, as well as extensive management experience. All Executive Board members satisfy these criteria. This ensures that Executive Board members will meet the comprehensive fit-and proper requirements under supervisory law.

As part of the diversity concept established by the Supervisory Board for the Executive Board, W&W AG is to strive to achieve sufficient diversity on the Executive Board in terms of gender, age and professional background, expertise and experience. Under the provisions of German stock corporation law, at least one woman and at least one man must be a member of the Executive Board of W&W AG. W&W AG did not meet this requirement in the reporting year since the Executive Board does not have a woman on it. However, under a transitional provision, the statutory minimum quota applies only from the next appointment or reappointment of a member of the Executive Board. There were no changes in the Executive Board in the reporting year. W&W AG will satisfy the legal requirements in due course.

In addition, attention must be paid to compliance with the age limit of 65 provided for as a target requirement in the Executive Board bylaws. No current Executive Board member is older than age 65. The members of the Executive Board should complement one another in terms of their background and professional experience and expertise, such that proper company guidance is assured. This is reviewed and documented once a year by the Nomination Committee and the Supervisory Board.

Working together with the Executive Board, the Supervisory Board provides for long-term succession planning. When, as part of senior-management development, the Executive Board identifies potential candidates for a manager position, it forwards their names to the Chair of the Supervisory Board. The Personnel Committee also includes these candidates in its regular discussion of long-term succession planning for the Executive Board. In doing do, it takes into account the company's senior-management planning.

The Executive Board had stipulated that women are to make up 25% of the first executive level below the Executive Board and 30% of the second executive level below the Executive Board and had set a target deadline of 30 June 2022 for doing so. The target quota for the second executive level was exceeded. As at 30 June 2022, women accounted for 37% of the second executive level. However, the target quota for the first executive level was missed by a small margin. As at 30 June 2022, women accounted for 23% of the first executive level. This is due to low turnover at the first executive level as well as the situation in the internal and external market for female applicants.

In accordance with the provisions of German stock corporation law, the Executive Board has again set target quotas for the proportion of women at the first and second executive levels. It set a target quota of 30% women for both the first and second executive levels along with a target achievement deadline of 30 June 2027.

The main tasks of the Executive Board have to do with strategic alignment and control of the W&W Group, including maintaining and monitoring an efficient risk management system. The Executive Board is responsible for ensuring a suitable and effective internal auditing and control system. The Executive Board determines the strategies, ensures that the company has an organisational and operational structure that is suitable and transparent, and sets company policy. Bylaws address in detail how the activities of the Executive Board are structured.

The central governance bodies of the W&W Group are the Management Board, the division boards and the Group boards. The Management Board of W&W AG is composed of the members of the Executive Board, along with the heads of the Housing and Insurance divisions. The Management Board is the central steering body of the W&W Group. The Management Board concerns itself with, among other things, Group control and the definition and development of the business strategy for the W&W Group. In addition, it facilitates the exchange of information between the Executive Board and the division heads with regard to the integration of the divisions into the Group strategy. The Management Board holds regular meetings, which are to take place at least twice per month. Those meetings are simultaneously considered to be meetings of the W&W AG Executive Board.

The division boards – i.e. the Housing division board and the Insurance division board – coordinate and decide on division-specific issues. They meet at least once per month, and those meetings are simultaneously considered to be meetings of the Executive Boards of the individual companies. The Group boards coordinate cross-division initiatives in the areas of sales, risk, investments and personnel.

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

# Working methods and composition of the Supervisory Board

In accordance with the Articles of Association, the Supervisory Board of W&W AG is composed of 16 members, of whom eight are shareholder representatives and eight are employee representatives.

## Members of the Supervisory Board: overview of qualifications

| | **Entry date (Month/Year)** | **Personal aptitude** | | | **Diversity** | |
|---|---|---|---|---|---|---|
| | Entry date (month/year) | Regulatory requirement | Independence | No overboarding[1] | Gender | Year of birth |
| **Shareholder representatives** | | | | | | |
| Hans Dietmar Sauer (Chairman) (until 31 August 2022) | 7/2004 | ✓ | ✓ | ✓ | male | 1941 |
| Dr Michael Gutjahr (Chairman) (from 1 September 2022) | 9/2022 | ✓ | ✓ | ✓ | male | 1957 |
| Dr Frank Ellenbürger | 5/2021 | ✓ | ✓ | ✓ | male | 1960 |
| Prof. Dr Nadine Gatzert | 6/2018 | ✓ | ✓ | ✓ | female | 1979 |
| Dr Reiner Hagemann | 6/2006 | ✓ | ✓ | ✓ | male | 1947 |
| Corinna Linner | 6/2015 | ✓ | ✓ | ✓ | female | 1958 |
| Marika Lulay (until 9 August 2022) | 6/2016 | ✓ | ✓ | ✓ | female | 1962 |
| Dr Wolfgang Salzberger (from 1 September 2022) | 9/2022 | ✓ | ✓ | ✓ | male | 1963 |
| Hans-Ulrich Schulz (until 31 August 2022) | 6/2016 | ✓ | ✓ | ✓ | male | 1943 |
| Jutta Stöcker | 6/2016 | ✓ | ✓ | ✓ | female | 1954 |
| Edith Weymayr (from 1 September 2022) | 9/2022 | ✓ | ✓ | ✓ | female | 1964 |
| **Employee representatives** | | | | | | |
| Frank Weber (Deputy Chair) | 6/2006 | ✓ | – | ✓ | male | 1966 |
| Jutta Eberle | 5/2021 | ✓ | – | ✓ | female | 1973 |
| Jochen Höpken | 6/2011 | ✓ | – | ✓ | male | 1960 |
| Ute Kinzinger | 6/2011 | ✓ | – | ✓ | female | 1961 |
| Bernd Mader | 6/2016 | ✓ | – | ✓ | male | 1968 |
| Andreas Rothbauer | 6/2011 | ✓ | – | ✓ | male | 1964 |
| Christoph Seeger | 6/2011 | ✓ | – | ✓ | male | 1962 |
| Susanne Ulshöfer | 6/2019 | ✓ | – | ✓ | female | 1963 |

✓ Criterion met. The professional aptitude criteria are based on an annual self-assessment by the Supervisory Board. A tick indicates at least “good knowledge” and thus the ability to understand the relevant issues well and make informed decisions on the basis of existing qualifications and continuing education regularly received by all Supervisory Board members. On a scale of A-E, this corresponds to a rating of at least B.

1 According to the German Corporate Governance Code

| Professional aptitude | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Actuarial practice | Investments | Accounting | Banking / home loan savings | IT / digital transformation | Human Resources | Risk management | Sustainability | Strategy / corpo-rate governance / controlling | Supervisory law / regulatory framework / auditing |
| | | | | | | | | | |
| ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| ✓ | ✓ | ✓ | ✓ | – | ✓ | ✓ | ✓ | ✓ | ✓ |
| ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| – | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | | | | | | | | | |
| ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| ✓ | ✓ | – | ✓ | ✓ | ✓ | – | ✓ | ✓ | – |
| ✓ | – | – | ✓ | ✓ | ✓ | – | ✓ | – | – |
| – | ✓ | – | ✓ | ✓ | ✓ | – | ✓ | – | – |
| ✓ | – | ✓ | ✓ | ✓ | ✓ | ✓ | – | ✓ | – |
| – | ✓ | ✓ | ✓ | ✓ | ✓ | – | – | ✓ | ✓ |
| ✓ | ✓ | ✓ | ✓ | – | ✓ | – | ✓ | ✓ | ✓ |
| – | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

Bylaws likewise address in detail how the activities of the Supervisory Board are structured. The Supervisory Board holds at least two meetings in each calendar half-year. It also meets when necessary. In the 2022 financial year, the Supervisory Board held four ordinary meetings.

The Supervisory Board strives for a composition that ensures that the Executive Board of W&W AG will receive qualified supervision and advice. Therefore, special requirements are placed on Supervisory Board members with respect to their qualification, aptitude and independence. These aims take into account the statutory requirements concerning the composition of the Supervisory Board and the corresponding recommendations of the German Corporate Governance Code. In addition to these personal requirements for each individual Supervisory Board member, an expertise profile and a diversity concept is in place for the body as a whole.

In view of the Housing and Insurance divisions and the common Group perspective, the candidates nominated by the Supervisory Board for election to the body are evaluated in terms of their expertise, experience and professional knowledge, particularly in the sectors of insurance, banking and home loan and savings banking, as well as their individual abilities. Other criteria for Supervisory Board nominees who are proposed to the Annual General Meeting include whether the candidates are independent and have sufficient time to carry out their duties.

In the estimation of the shareholder representatives on the Supervisory Board, all shareholder representatives on the Supervisory Board are independent.

Dr Reiner Hagemann has been a member of the Supervisory Board of W&W AG for more than twelve years. This means that he exhibits one of the indicators that pursuant to Recommendation C.7 of the German Corporate Governance Code (DCGK) is to be given particular consideration in evaluating independence. However, the shareholder representatives on the Supervisory Board nevertheless consider Dr Reiner Hagemann to be independent. Essentially, a long length of service on the Supervisory Board should therefore be able to be called into question if and when the required distance to the Executive Board and the company is no longer maintained. This is not the case here. Because of his long length of service on the Supervisory Board, Dr Reiner Hagemann is thoroughly familiar with the company's circumstances and its executives. As is shown by the collaborative work on the Supervisory Board, however, this familiarity does not compromise his independence. On the contrary, he employs this familiarity acquired over many years, as well as his expertise, in the work of the Supervisory Board in a way that promotes the proper fulfilment of duties by the Supervisory Board. Therefore, in the assessment of the shareholder representatives, Dr Reiner Hagemann is to be considered independent, notwithstanding that he has served on the Supervisory Board for many years. The same applies to Mr Hans Dietmar Sauer for the period of his service of the Supervisory Board.

Going forward as well, an appropriate number of independent members will belong to the Supervisory Board. In terms of shareholder representatives, the shareholder representatives on the Supervisory Board consider at least five independent members to be appropriate.

On account of the company-specific situation, the Supervisory Board does not consider it necessary to strive for a certain minimum number of members who represent, in particular, the quality of "internationality", since the main focus of the W&W Group's business operations are the national insurance and home loan savings sectors. Beyond the aspect of "internationality", however, the inclusion of and collaboration between Supervisory Board members with different backgrounds and ways of thinking fundamentally enriches the body and promotes the discussion culture. This ultimately leads to control and advisory activities that are more efficient and more effective.

The Supervisory Board does not consider it necessary to specify a regular limit to the length of service on the Supervisory Board. It is difficult to recruit qualified Supervisory Board members who meet the requirements of supervisory law, including with respect to whether candidates are fit and proper and do not exceed the maximum number of mandates.

In accordance with the expertise profile for the Supervisory Board, it is necessary for the body as a whole to have an appropriate representation of knowledge and experience in the following sectors: actuarial practice, banking/home loan savings, supervisory law/regulatory framework/auditing as well as strategy, corporate governance, controlling, accounting, risk management, investment, sustainability, IT/digital transformation and human resources.

Once a year, as well as at the time of each new appointment, the members of the Supervisory Board evaluate their strengths in the fields of investment, actuarial practice, accounting and in other areas by means of a self-assessment. This informs a development plan that the Supervisory Board prepares every year in which it determines areas in which the entire Board or individual Supervisory Board members want to develop further.

As part of the diversity concept, the Supervisory Board strives to achieve sufficient diversity in terms of gender, age and professional background, expertise and experience in the interest of achieving collaboration that is complementary. In accordance with the German Stock Corporation Act (AktG), the Supervisory Board is composed of at least 30% women and at least 30% men. The Supervisory Board currently consists of nine men and seven women, of whom four women represent the shareholders and three the employees. Accordingly, women make up 44% of the Supervisory Board. The shareholder representatives achieve full gender parity at 50 %. Pursuant to the bylaws for the Supervisory Board, members of the Supervisory should not be older than age 70 at the time of their election. The Annual General Meeting re-elected Dr Reiner Hagemann, Hans Dietmar Sauer and Hans-Ulrich Schulz for a new term of office on the Supervisory Board, although they had already reached the age of 70. They were elected because of their demonstrated expertise and extensive knowledge of the company. The members of the Supervisory Board should complement one another in terms of their background and professional experience and expertise, such that the body can draw on a well of experience that is a deep as possible and on wide variety of specialised expertise. This is reviewed and documented once a year by the Nomination Committee and the Supervisory Board.

The Supervisory Board regularly reviews the efficiency of its work. The next review of the efficiency will take place in 2023. Supervisory Board work is reviewed on the basis of an internally prepared questionnaire. The focus is on the issues of Supervisory Board and committee information, conduct of Supervisory Board and committee meetings, structure and composition of the Supervisory Board and the committees and conflicts of interest/miscellaneous.

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

In the 2022 financial year, the Supervisory Board of W&W AG had established four standing committees, i.e. the Risk and Audit, Nomination, Personnel and Conciliation Committees.

## Risk and Audit Committee

The Risk and Audit Committee meets twice a year to prepare for Supervisory Board meetings dealing with the balance sheet and planning. In addition, it discusses half-yearly financial reports with the Executive Board at a further meeting. It also meets when necessary. The Risk and Audit Committee met three times during the 2022 financial year.

The Risk and Audit Committee concerns itself with the auditing of the accounting and the monitoring of the accounting process. It prepares the decisions of the Supervisory Board regarding the approval of the annual financial statements and the consolidated financial statements, the result of the auditing of the management report and the Group management report or, as the case may be, a combined management report, and the proposal for the appropriation of profit, as well as regarding submission of the corporate governance statement and regarding the audit of the separate non-financial Group report. For this purpose, it is responsible for the advance review and, if necessary, preparation of the corresponding documentation. The auditor participates in these committee negotiations and discusses the assessment of audit risk, the audit strategy and audit planning as well as the audit findings with the Risk and Audit Committee.

The responsibilities of the Risk and Audit Committee also include monitoring the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as dealing with issues involving compliance and the auditing of financial statements. In addition, it advises the Supervisory Board on current and future overall risk tolerance and business and risk strategies at the company and Group level and supports it in monitoring the implementation of these strategies. The Executive Board reports to the committee on business and risk strategies, as well as on the risk situation of the company and the W&W Group. In addition, reports are made to it about the work of the Internal Audit and Compliance departments, including the audit plan, as well as about especially serious findings and their handling. Every member of the Risk and Audit Committee can, through the committee chair, obtain information directly from the heads of those central departments that are responsible within the company for the tasks that concern the Risk and Audit Committee in accordance with Section

107 (3) sentence 2 of the German Stock Corporation Act (AktG). The Executive Board is to be informed of this without delay. The committee chair shares the obtained information with all members of the Risk and Audit Committee.

The proposal by the Supervisory Board to the Annual General Meeting concerning the selection of the statutory auditor is based on the recommendation by the Risk and Audit Committee.

The Risk and Audit Committee decides on the agreement with the auditor (in particular, the audit mandate, the specification of the main audit areas and the fee agreement), as well as on termination or continuation of the audit mandate. It adopts suitable measures in order to ascertain and monitor the independence of the auditor and the additional services provided by the auditor for the company. The Risk and Audit Committee can submit recommendations and proposals for ensuring the integrity of the accounting process. In addition, the Risk and Audit Committee regularly assesses the quality of the auditing. The Supervisory Board supports the Executive Board in monitoring the implementation of statutory audits of accounts. The Risk and Audit Committee supports the Supervisory Board in monitoring the swift rectification by the Executive Board of the deficiencies identified by the auditor. The Risk and Audit Committee consults regularly with the auditor in the presence or absence of the Executive Board. The Chair of the Risk and Audit Committee regularly discusses the progress of the audit with the auditor and reports to the committee.

The Risk and Audit Committee consists of eight members, of whom four are shareholder representatives and four are employee representatives. All members of the Risk and Audit Committee are familiar with the sector in which the company operates. According to the German Stock Corporation Act (AktG), at least one member of the Supervisory Board and the Audit Committee must have expertise in the field of accounting and at least one other member of the Supervisory Board and the Audit Committee must have expertise in the field of auditing. According to the German Corporate Governance Code, expertise in the field of accounting must consist of special knowledge and experience in the application of accounting principles and internal control and risk management systems, and expertise in the field of auditing must consist of special knowledge and experience in auditing the financial statements. Accounting and financial statement auditing also include sustainability reporting and audits of sustainability reporting.

The Supervisory Board and its Risk and Audit Committee each include Dr Wolfgang Salzberger, a member with expertise in accounting, and the Chairman of the Risk and Audit Committee, Dr Frank Ellenbürger, another member with expertise in auditing.

In the course of his professional career, Dr Wolfgang Salzberger has worked for many years as the chief financial officer of a German investment company and therefore brings special knowledge and experience in the application of accounting principles and internal control and risk management systems, including sustainability reporting. His job as the chief financial officer of an investment company includes handling and reporting on non-financial aspects. He has presented his special knowledge and experience in the application of internal control and risk management systems in numerous publications, among others. In addition, Dr Wolfgang Salzberger was an untenured professor for accounting at the Free University of Bolzano and for general business administration at the University of Essen for many years.

Dr Wolfgang Salzberger follows and monitors current developments in the field of sustainability reporting and actively contributes this expertise to the Supervisory Board and the Risk and Audit Committee of W&W AG.

Dr Frank Ellenbürger has special knowledge and experience in the field of auditing due to his many years of working for a large auditing company (KPMG AG) as well as his work as a self-employed auditor. As acting Chair of the Risk and Audit Committee of W&W AG and from his many years of working at KPMG, Dr Frank Ellenbürger also has expertise in sustainability reporting.

Dr Frank Ellenbürger follows and monitors current developments in the field of sustainability reporting and audits of sustainability reporting. He actively contributes this expertise to the Supervisory Board and the Risk and Audit Committee of W&W AG.

The Chair of the Risk and Audit Committee should not be the Chair of the Supervisory Board or a former member of the company's Executive Board whose appointment ended less than two years ago. He or she should have special knowledge and experience in the application of accounting principles and internal control procedures, be familiar with the audit of financial statements and be independent of the company, the Executive Board and the controlling shareholder. The Chair of the Risk and Audit Committee, Dr Frank Ellenbürger, meets these requirements.

| **Members of the Risk and Audit Committee** |
| --- |
| Dr Frank Ellenbürger (Chair) |
| Prof. Dr Nadine Gatzert |
| Dr Reiner Hagemann (until 31 August 2022) |
| Dr Wolfgang Salzberger (as of 19 September 2022) |
| Ute Kinzinger |
| Bernd Mader |
| Andreas Rothbauer |
| Jutta Stöcker |
| Susanne Ulshöfer |

## Nomination Committee

The Nomination Committee meets at least once per calendar year, as well as when necessary. It held two ordinary meetings during the 2022 financial year.

The Nomination Committee assists the Supervisory Board

- in preparing nominations for submission to the Annual General Meeting regarding the election of the members of the Supervisory Board, whereby only the shareholder representatives are responsible for providing this assistance;
- in establishing targets for women on the Executive Board and the Supervisory Board and setting deadlines and defining a policy for meeting those targets;
- in conducting the annual review in accordance with the Supervisory Board's policy on "Fit and proper requirements for managers and members of the Supervisory Board", as amended.

The Nomination Committee consists of the Chair of the Supervisory Board, his or her deputy by virtue of his or her office, two additional shareholder representatives and two additional employee representatives. The Chair of the Supervisory Board is the committee chair.

| **Members of the Nomination Committee** |
| --- |
| Hans Dietmar Sauer (Chair, until 31 August 2022) |
| Dr Michael Gutjahr (Chair, as of 1 September 2022) |
| Corinna Linner |
| Dr Reiner Hagemann (until 31 August 2022) |
| Dr Frank Ellenbürger |
| Jochen Höpken |
| Christoph Seeger |
| Frank Weber |

## Personnel Committee

The Personnel Committee meets at least once per calendar year, as well as when necessary. It met twice during the 2022 financial year.

The Personnel Committee prepares the personnel decisions of the Supervisory Board, in particular the appointment and dismissal of members of the Executive Board and the appointment of the Chair of the Executive Board. Attention is to be paid to diversity in the composition of the Executive Board. In addition, the Personnel Committee prepares, among other things, the resolutions of the Supervisory Board on the determination of the remuneration of the Executive Board members, the determination of targets and target achievement for the variable remuneration, the review of the appropriateness of the Executive Board remuneration as well as the annual remuneration report.

The Personnel Committee regularly deliberates on the long-term succession planning for the Executive Board. In doing do, it takes into account the company's senior-management planning.

The Personnel Committee decides in place of the Supervisory Board, in particular, on the conclusion, amendment and termination of the employment and pension agreements of Executive Board members wherever stipulated by law.

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

| **Members of the Personnel Committee** |
| --- |
| Hans Dietmar Sauer (Chair, until 31 August 2022) |
| Dr Michael Gutjahr (Chair, as of 1 September 2022) |
| Christoph Seeger |
| Hans-Ulrich Schulz (until 31 August 2022) |
| Dr Reiner Hagemann (as of 19 September 2022) |
| Frank Weber |

## Conciliation Committee

In addition, the Supervisory Board has at its disposal the Conciliation Committee, which is required to be formed by the German Codetermination Act (MitbestG). The Conciliation Committee makes personnel proposals to the Supervisory Board where the required majority is lacking for the appointment and dismissal of Executive Board members. The Conciliation Committee did not meet during the 2022 financial year.

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

| **Members of the Conciliation Committee** |
| --- |
| Hans Dietmar Sauer (Chair, until 31 August 2022) |
| Dr Michael Gutjahr (Chair, as of 1 September 2022) |
| Ute Kinzinger |
| Marika Lulay (until 9 August 2022) |
| Edith Weymayr (as of 19 September 2022) |
| Frank Weber |

# Remuneration report/remuneration system

The remuneration systems for the members of the Executive Board and Supervisory Board, which were approved by the Annual General Meeting on 20 May 2021, are published on the website at www.ww-ag.com/go/verguetung.

The 2022 remuneration report required by section 162 AktG will be published after its approval by the Annual General Meeting on 23 May 2023 at www.ww-ag.com/go/media/verguetungsbericht-2022.

Information concerning the total remuneration of the Executive Board pursuant to Section 285, no. 9 of the German Commercial Code (HGB) and Section 314 (1), no. 6 HGB is contained in an annex to the remuneration report.

## Statement of compliance by Wüstenrot & Württembergische AG with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) dated December 2022

Since the submission of the last statement of compliance on 3 December 2021 until 27 June 2022, Wüstenrot & Württembergische AG has complied with the recommendations of the Government Commission for the German Corporate Governance Code, in the version of 16 December 2019 (the "2020 Code"), which were made public by the German Federal Ministry of Justice and Consumer Protection in the official part of the German Federal Gazette, except as follows:

- According to Recommendation D.3 sentence 1 of the Code, the Supervisory Board is to establish an Audit Committee that – provided no other committee or the plenary meeting of the Supervisory Board has been entrusted with this work – addresses, inter alia, the review of the accounting and the monitoring of the accounting process. The accounting comprises, in particular, interim financial information (Recommendation D.3 sentence 2 of the 2020 version of the Code). Discussion of the consolidated financial statements and the Group Management Report (including the CSR report), as well as the annual financial statements and the half-year financial statements, are a fixed part of the agenda for meetings of the Supervisory Board or the Risk and Audit Committee. In addition, the Supervisory Board, particularly its Chair, regularly exchanges information with the Executive Board about all issues of importance to the W&W Group, as well as about strategy, planning, business performance, risk position, risk management and compliance. The Executive Board promptly notifies the Chair of the Supervisory Board about important events that are of major significance for the assessment of the company's position and performance, as well as for its management. As a result, Wüstenrot & Württembergische AG does not consider it necessary to have the Executive Board and the Supervisory Board or Risk and Audit Committee separately discuss additional financial information, particularly quarterly reports.

  According to Recommendation D.5 of the Code, the Supervisory Board is to form a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting. Section 25d (11) of the German Banking Act (KWG) assigns further responsibilities to the company's Nomination Committee. These are to be handled not just by shareholder representatives on the Supervisory Board. By way of letter dated 22 July 2020, the German Federal Financial Supervisory Authority (BaFin) determined that supervision was to be discontinued on the basis of the consolidated situation of Wüstenrot & Württembergische AG as a financial holding company pursuant to Article 4(1) No. 20 of the CRR (Regulation (EU) No 575/2013). Since then, Wüstenrot & Württembergische AG is no longer obligated by law to comply with the requirements of Section 25d (11) of the German Banking Act (KWG). Nevertheless, the Supervisory Board of Wüstenrot & Württembergische AG has decided to continue to maintain the previous, sound assignment of other tasks to the Nomination Committee. Therefore, in departure from Recommendation D.5 of the Code, the Nomination Committee also continues to include employee representatives. However, it is assured that the candidates that the Nomination Committee proposes to the Supervisory Board for its nominations to the Annual General Meeting are determined only by the shareholder representatives on the committee.

- In departure from Recommendation G.10 sentence 1 of the 2020 version of the Code, the variable remuneration of Executive Board members is not predominantly invested by them in company shares or granted predominantly as share-based remuneration, taking their respective tax burden into consideration. The remuneration system for members of the Executive Board of Wüstenrot & Württembergische AG provides diverse incentives so that they align their actions with sustainable, longterm business performance. Therefore, it does not appear necessary for variable remuneration to be additionally invested in company shares or to be granted as share-based remuneration.

- Contrary to Recommendation G.15 of the 2020 version of the Code, if Executive Board members also serve on Supervisory Boards within the Group, any remuneration they receive for this is not counted against their remuneration as Executive Board members. This is mainly based on two considerations. First, by serving on Supervisory Boards within the Group, Executive Board members are exposed to additional liability risks. Second, the remuneration of Executive Board members appears reasonable on whole, including taking into consideration additional remuneration for serving on Supervisory Boards within the Group.

In the period from 27 June 2022, Wüstenrot & Württembergische AG has complied with, and will continue to comply with, the recommendations of the Government

Commission for the German Corporate Governance Code in the version of 28 April 2022 (“2022 Code”), which were made public by the Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette, except as follows:

- According to Recommendation C.1 sentence 2 of the 2022 Code, the competence profile of the supervisory board shall also include expertise on sustainability issues of importance to the company. The company deviated from this recommendation in the period from the entry into force of the GCGC 2022 on 27 June 2022 to the first subsequent Supervisory Board meeting on 19 September 2022. At the Supervisory Board meeting on 19 September 2022, the Supervisory Board of Wüstenrot & Württembergische AG adopted a competence profile that also complies with Recommendation C.1 sentence 2 of the 2022 Code.

- According to Recommendation D.4 of the 2022 version of the Code, the Supervisory Board is to form a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting. For the reasons stated above regarding Recommendation D.5 Code 2020, the company is departing from Recommendation D.4 Code 2022 in that the Supervisory Board of Wüstenrot & Württembergische AG has decided to retain the previous allocation of additional tasks to the Nomination Committee. Therefore, in departure from Recommendation D.4 of the 2022 Code, the Nomination Committee also continues to include employee representatives.

- According to Recommendation F.2, 2nd part, of the 2022 Code, the quarterly reports of the Group must be publicly accessible within 45 days after the end of the respective reporting period. This recommendation also applies under the new accounting standard IFRS 17 “Insurance Contracts”, which has to be applied from 2023 onwards. The application of IFRS 17 not only requires significantly more complex calculations than previously applicable accounting standards, but also uses the previous German Commercial Code (HGB) values as inputs. These values would have to be estimated or approximated in order to comply with the existing timeline. This would entail the risk of subsequent corrections or even a last-minute postponement of the publication. For this reason, Wüstenrot & Württembergische AG is deviating from Recommendation F.2, 2nd part, of the 2022 Code until further notice.

- In departure from Recommendation G.10 sentence 1 of the 2022 version of the Code, the variable remuneration of Executive Board members is not predominantly invested by them in company shares or granted predominantly as share-based remuneration, taking their respective tax burden into consideration. The deviation is based on the reasons stated above for Recommendation G.10 sentence 1 of the 2020 Code.

- Contrary to Recommendation G.15 of the 2022 version of the Code, if Executive Board members also serve on Supervisory Boards within the Group, any remuneration they receive for this is not counted against their remuneration as Executive Board members. The deviation is based on the reasons stated above for Recommendation G.15 of the 2020 Code.

## Information about corporate governance practices

W&W AG works to ensure compliance with national and European statutory requirements and internal company guidelines by means of a Group-wide compliance organisation. The compliance function is an essential component of the W&W compliance management system, and it is embedded in the W&W governance system and forms part of the internal control system of the W&W Group.

The Group Compliance Officer coordinates the operational implementation of the compliance control loop and the handling of rules violations.

In order to further enhance integrity in the sales-related tied-agents organisations of the W&W Group, the Group Compliance Officer is supported by Sales Compliance Officers, who take into account each of their sales-specific features and are available as separate points of contact and coordinators specifically for sales issues. In addition, the Compliance Officer is supported by various compliance points of contact in each of the subsidiaries.

In order to enhance efficiency, as well as provide a basis for the regular exchange of information, a Group Compliance Committee has been set up, which is convened by the Compliance Officer on a regular basis. It is composed of representatives from all compliance-relevant areas (inter alia, Group Legal, Risk Management/Controlling, Group Audit, Group Accounting and Taxes, Sales Compliance, Fraud and Money Laundering Prevention, Securities Compliance, Data Protection/Information Security, Outsourcing Management, Fraud Prevention, etc.).

A Code of Conduct is in place to provide all persons working in the W&W Group with binding orientation for their daily work – including with respect to ethical conduct – in implementing internal and external legal requirements, and it is regularly updated. It applies to all members of governing bodies, managers, in-house employees and the mobile sales force staff. The Code of Conduct specifies the minimum standard for dealings between company employees, as well as in relation to customers, competitors, business partners, government authorities and shareholders. There are also specific codes of conduct for the sales organisations.

Together with its subsidiaries that conduct primary insurance business, W&W AG has acceded to the "Code of Conduct for the Sale of Insurance Products" enacted by the German Insurance Association (GDV). Following the amendment of the Code on 25 September 2018, audits are conducted every three years for whether a company has adopted the arrangements contained in the Code in its (internal) rules and is practising them. The independent audit called for in the Code was most recently performed in April 2020. The Code and the audit reports can be viewed at www.gdv.de.

In addition to the Compliance Officer, an external ombudsman is available to all W&W Group employees should they wish to bring to light events that are harmful to it or are criminally significant. This is intended to ensure that notifications can be made anonymously if desired.

Managers and all employees are provided with extensive documentation to keep them abreast of insider-trading legislation, antitrust legislation, money laundering and the issues of corruption and compliance. The legal areas are explained in understandable terms using examples and self-monitoring options.

The W&W Group conducts its business in a sustainable manner. As a financial planning specialist in the areas of financial security, residential property ownership, risk protection and savings and investment, we generate sustainable growth that retains value. This understanding is not only part of the W&W business strategy, but it also has expressly been made binding in W&W AG's own sustainability strategy. This strategy covers such fields of action as investments and refinancing, employees, customers and products, own operations, organisation and society as well as compliance with legal regulations as elements of the sustainability concept.

The W&W Group underscored its sustainability ambitions by creating the position of sustainability officer in June 2022. The sustainability officer is centrally based in the Group Development department and serves as an interface for sustainability activities throughout the W&W Group.

The task of comprehensive sustainability management has been assigned to the Group Development department in order to further intensify the sustainability activities of the W&W Group and meet the increasing requirements. A Sustainability Board was also established. It consists of the sustainability officer of W&W AG (Chair of the Sustainability Board), members of the Executive Board of W&W AG and people in charge of various areas of the Group. Every three months, the Sustainability Board analyses social developments and trends with respect to sustainability, evaluates current and anticipated standards and rules, and initiates and monitors the sustainability activities that result from this.

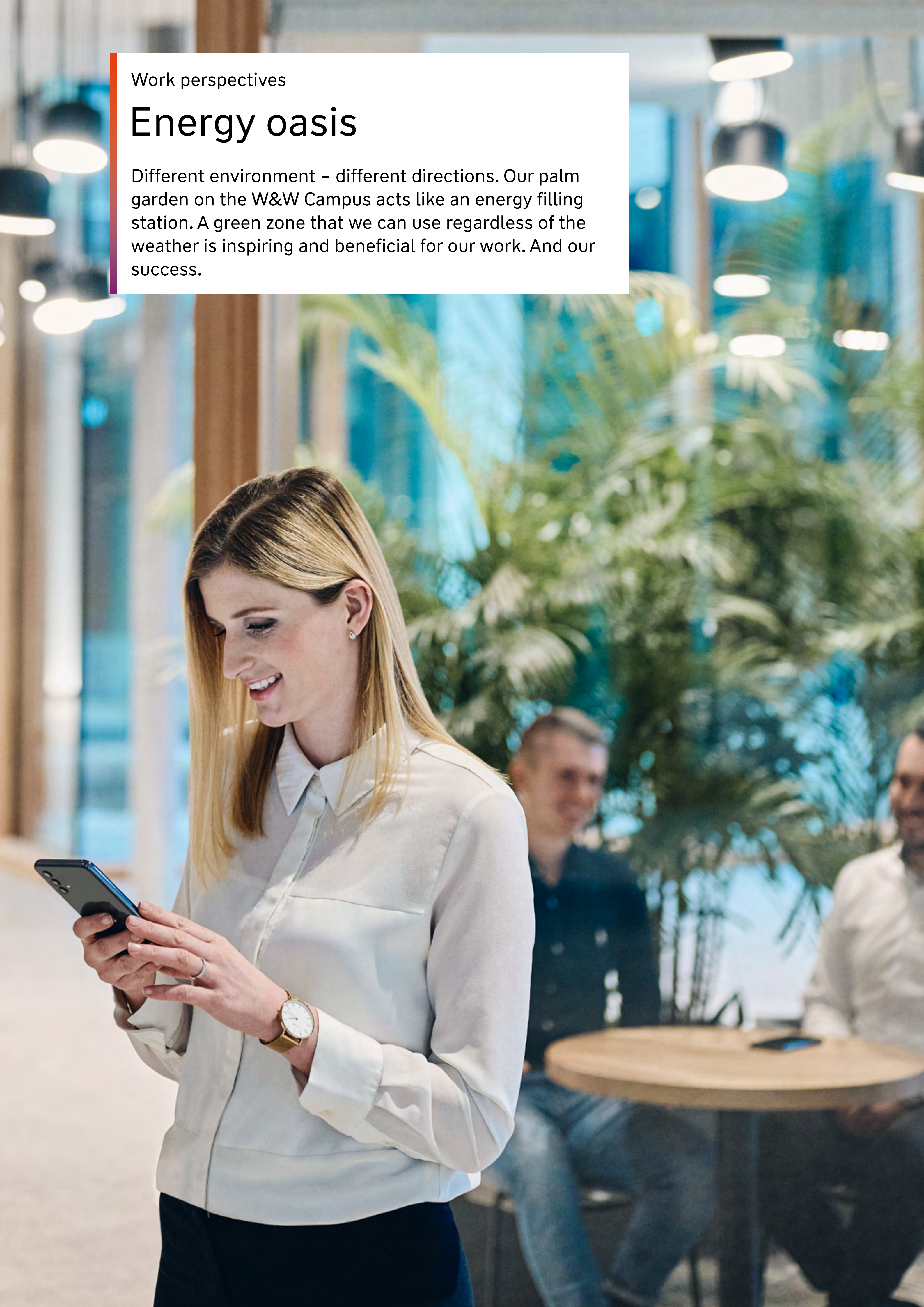
By signing on to the Principles for Sustainable Insurance and the Principles for Responsible Investment, the W&W Group is underscoring its commitment to sustainability activities. By doing so, the W&W Group is, on the one hand, placing greater emphasis on environmental, social and governance (ESG) aspects in its insurance business and, on the other, underscoring the sustainable orientation of its investment business.

In addition, the company signed the "Charta der Vielfalt". The W&W Group thus undertakes to promote diversity in the company. By implementing the "Charta der Vielfalt", the W&W Group is seeking to become even more engaged in creating an appreciative work environment for all employees – regardless of age, ethnic origin and nationality, gender and gender identity, physical and mental capabilities, religion and ideology, sexual orientation or social background.

Work perspectives

# Energy oasis

Different environment – different directions. Our palm garden on the W&W Campus acts like an energy filling station. A green zone that we can use regardless of the weather is inspiring and beneficial for our work. And our success.



# Wüstenrot & Württembergische AG Report on equality and equal remuneration pursuant to the German Transparency in Remuneration Act (EntgTransG)

Wüstenrot & Württembergische AG is subject to the German Transparency in Remuneration Act (EntgTranspG) and is therefore obliged to prepare and publish a report on equality that particularly covers equal pay for women and men. In accordance with the five-year rule in Section 22 (1) EntgTransG, we prepared a report for 2022.

## Measures to promote equality between women and men

Female and male employees are an important asset and play a special role at our Group. To keep our Group viable and competitive for a long time to come, it is necessary not only to pay attention to costs and earnings, but also to invest sustainably in people. Value creation and appreciation – these values are the foundation of the W&W Group's human resources strategy. W&W's understanding of leadership involves working together constructively as equal partners and empowering employees to take on the authority to make decisions. Safeguarding employee rights and promoting diversity represent an important basis for the W&W Group's human resources activities.

Diversity and the utilisation of the potential unleashed by diversity are therefore regarded as tremendous assets and supported accordingly. A strong focus is placed on equal opportunities for women and men. Based on the commitment to the Diversity Charter, various communication programmes, events and activities on diversity were implemented in 2022, including participation in the German Diversity Day and a workshop on unconscious bias. The W&W Group also offers advisory services such as career counselling and coaching as well as the established women's network FiT ("Frauen in Topppositionen" – Women in Top Positions), which regularly holds events.

To promote diversity, the W&W Group offers employees equal access to career development programmes regardless of gender. The "potential development process" guides and supports employees as they work toward a desired target position as a manager, expert or project manager. It includes systematic career and development counselling as well as personal development plans for employees.

Among other things, W&W offers flexible time management and working conditions that can be adapted to employee's personal situation as part of "Beruf+" so that employees can achieve a healthy work-life balance. This also includes the possibility of taking on leadership responsibility temporarily or permanently. In addition, the collaboration partner "pmeFamilienservice" offers a range of options such as childcare services as well as free support, information and advice on family caregiving.

## Measures to achieve equal pay for women and men

W&W AG is subject to the collective agreement for the private insurance industry. This ensures equal pay for women and men.

Exempt women and men and executives are remunerated according to their position. This is ensured by an external evaluation system. Only the function or position is described and evaluated within the system. No distinction is made between genders in the evaluation.

W&W AG has assumed the responsibility for providing the information in accordance with Section 14 (2) EntgTranspG.

## Disclosures concerning employees of W&W AG

### Employee disclosures

| | 2022 | | 2017 | |
|---|---|---|---|---|
| Annual average | Female | Male | Female | Male |
| **Total employees** | **282** | **256** | **273** | **263** |
| Full-time employees | 155 | 237 | 168 | 250 |
| Part-time employees | 127 | 19 | 105 | 13 |

# Consolidates financial statements
# Contents

# Wüstenrot & Württembergische AG
# Consolidated financial statements

## Consolidated statement of financial position

### Assets

| In € thousands | Cf. Note no.[1] | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| **Cash reserve** | 1 | **116,167** | **72,136** |
| **Non-current assets held for sale and discontinued operations** | 2 | **3,647** | **8,258** |
| **Financial assets at fair value through profit or loss** | 3 | **10,276,031** | **10,721,688** |
| **Financial assets at fair value through other comprehensive income** | 4 | **22,878,366** | **34,492,518** |
| of which: sold under repurchase agreements or lent under securities lending transactions | | 465,270 | 767,810 |
| **Financial assets at amortised cost** | 5 | **28,099,559** | **26,171,128** |
| Subordinated securities and receivables | | 185,625 | 180,764 |
| Senior debenture bonds and registered bonds | | 49,899 | 42,429 |
| Senior fixed-income securities | | 9 | 9 |
| Building loans | | 25,424,927 | 23,819,744 |
| Other receivables | | 2,552,274 | 2,098,555 |
| Active portfolio hedge adjustment | | -113,175 | 29,627 |
| **Positive market values from hedges** | 6 | **522** | **6,099** |
| **Financial assets accounted for under the equity method** | 7 | **109,604** | **90,638** |
| **Investment property** | 8 | **1,828,706** | **1,909,393** |
| **Reinsurers' portion of technical provisions** | 9 | **295,277** | **416,448** |
| **Other assets** | | **1,894,621** | **1,324,620** |
| Intangible assets | 10 | 127,788 | 114,398 |
| Property, plant and equipment | 11 | 538,494 | 511,739 |
| Inventories | 12 | 156,611 | 192,560 |
| Current tax assets | 13 | 55,648 | 36,208 |
| Deferred tax assets | 14 | 950,880 | 409,458 |
| Other assets | 15 | 65,200 | 60,257 |
| **Total assets** | | **65,502,500** | **75,212,926** |

1 See numbered explanations in the notes to the Consolidated financial statements starting from page xxx.

## Equity and liabilities

| In € thousands | Cf. Note no. | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| **Financial liabilities at fair value through profit or loss** | 16 | **40,462** | **218,201** |
| **Liabilities** | 17 | **28,023,274** | **27,963,791** |
| Liabilities evidenced by certificates | | 1,885,306 | 1,866,084 |
| Liabilities to credit institutions | | 2,697,422 | 2,145,894 |
| Liabilities to customers | | 22,932,498 | 22,587,984 |
| Lease liabilities | | 53,455 | 66,663 |
| Miscellaneous liabilities | | 1,322,694 | 1,327,310 |
| Passive portfolio hedge adjustment | | -868,101 | -30,144 |
| **Negative market values from hedges** | 18 | **25,466** | **–** |
| **Technical provisions** | 19 | **30,914,512** | **38,423,335** |
| **Other provisions** | 20 | **1,905,562** | **2,720,053** |
| **Other liabilities** | | **242,204** | **372,874** |
| Current tax liabilities | 21 | 161,960 | 212,403 |
| Deferred tax liabilities | 22 | 67,208 | 147,401 |
| Other liabilities | 23 | 13,036 | 13,070 |
| **Subordinated capital** | 24 | **641,468** | **641,098** |
| **Equity** | 25 | **3,709,552** | **4,873,574** |
| Share in paid-in capital attributable to shareholders of W&W AG | | 1,486,252 | 1,485,588 |
| Share in retained earnings attributable to shareholders of W&W AG | | 2,228,231 | 3,359,259 |
| Retained earnings | | 3,637,641 | 3,441,733 |
| Other reserves (OCI) | | –1,409,410 | -82,474 |
| Non-controlling interests in equity | | -4,931 | 28,727 |
| **Total equity and liabilities** | | **65,502,500** | **75,212,926** |

Further information relating to several balance sheet items can be found under

- 38– 43 Disclosures on financial instruments and fair value,
- 44– 48 Disclosures concerning risks under financial instruments and insurance contracts,
- 52 et seqq. Other disclosures

# Consolidated income statement

| In € thousands | Cf. Note no. | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|---|
| **Current net income** | 26 | **1,124,226** | **1,153,285** |
| Net interest income | | 774,064 | 791,234 |
| Interest income | | 1,132,182 | 1,221,791 |
| of which: calculated using the effective interest method | | 1,006,010 | 1,084,930 |
| Interest expenses | | -358,118 | -430,557 |
| Dividend income | | 283,526 | 309,886 |
| Other current net income | | 66,636 | 52,165 |
| **Net income/expense from risk provision** | 27 | **-13,216** | **1,394** |
| Income from credit risk adjustments | | 93,425 | 92,906 |
| Expenses for credit risk adjustments | | -106,641 | -91,512 |
| **Net measurement gain/loss** | 28 | **–1,343,595** | **505,088** |
| Measurement gains | | 5,584,609 | 2,865,955 |
| Measurement losses | | –6,928,204 | –2,360,867 |
| **Net income from disposals** | 29 | **362,415** | **849,392** |
| Income from disposals | | 725,718 | 868,304 |
| Expenses from disposals | | -363,303 | -18,912 |
| of which: gains/losses from financial assets at amortised cost | 43 | 98 | 341 |
| **Net financial result** | | **129,830** | **2,509,159** |
| of which: net income/expense from financial assets accounted for under the equity method | | 19,820 | 7,459 |
| **Earned premiums (net)** | 30 | **4,376,453** | **4,638,412** |
| Earned premiums (gross) | | 4,574,207 | 4,797,554 |
| Premiums ceded to reinsurers | | -197,754 | -159,142 |
| **Insurance benefits (net)** | 31 | **–2,691,962** | **–5,149,702** |
| Insurance benefits (gross) | | –2,809,341 | –5,591,518 |
| Received insurance premiums | | 117,379 | 441,816 |
| **Net commission income** | 32 | **-559,782** | **-534,897** |
| Commission income | | 375,017 | 284,567 |
| Commission expenses | | -934,799 | -819,464 |
| **Carryover/transfer** | | **1,254,539** | **1,462,972** |

| In € thousands | Cf. Note no. | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|---|
| **Carryover/transfer** | | **1,254,539** | **1,462,972** |
| **General administrative expenses** | 33 | **–1,085,429** | **–1,036,664** |
| Personnel expenses | | -634,241 | -612,495 |
| Materials costs | | -376,273 | -348,682 |
| Depreciation/amortisation | | -74,915 | -75,487 |
| **Net other operating income/expense** | 34 | **184,424** | **54,351** |
| Other operating income | | 507,408 | 322,019 |
| Other operating expenses | | -322,984 | -267,668 |
| **Earnings before income taxes from continued operations** | | **353,534** | **480,659** |
| of which sales revenues[1] | | 6,648,080 | 6,779,110 |
| Income taxes | 35 | -92,038 | -128,506 |
| **Consolidated net profit** | | **261,496** | **352,153** |
| Result attributable to shareholders of W&W AG | | 259,575 | 350,525 |
| Result attributable to non-controlling interests | | 1,921 | 1,628 |
| **Basic (= diluted) earnings per share in €** | 36 | **2.77** | **3.74** |
| of which: from continued operations in € | | 2.77 | 3.74 |

1 Interest, dividend, commission and rental income from property development business and gross premiums written in Insurance.

# Consolidated statement of comprehensive income

| In € thousands | Cf. Note no. | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|---|
| **Consolidated net profit** | | **261,496** | **352,153** |
| **Other comprehensive income (OCI)** | | | |
| **Elements not reclassified to the consolidated income statement:** | | | |
| Actuarial gains/losses (–) from pension commitments (gross) | 20 | 562,945 | 216,405 |
| Provision for deferred premium refunds | | -34,360 | -14,063 |
| Deferred taxes | | -157,516 | -68,216 |
| **Actuarial gains/losses (–) from pension commitments (net)** | | **371,069** | **134,126** |
| **Elements subsequently reclassified to the consolidated income statement:** | | | |
| Unrealised gains/losses (–) from financial assets at fair value through other comprehensive income (OCI; gross) | 42 | –8,910,686 | –3,685,698 |
| Provision for deferred premium refunds | | 6,442,187 | 2,760,363 |
| Deferred taxes | | 735,613 | 287,780 |
| **Unrealised gains/losses (–) from financial assets at fair value through other comprehensive income (OCI; net)** | | **–1,732,886** | **-637,555** |
| Unrealised gains/losses (–) from financial assets accounted for using the equity method (gross) | 7, 37 | -709 | -106 |
| Provision for deferred premium refunds | | – | – |
| Deferred taxes | | 11 | 3 |
| **Unrealised gains/losses (–) from financial assets accounted for using the equity method (net)** | | **-698** | **-103** |
| Total other comprehensive income (OCI; gross) | | –8,348,450 | –3,469,399 |
| Total provision for deferred premium refunds | | 6,407,827 | 2,746,300 |
| Total deferred taxes | | 578,108 | 219,567 |
| **Total other comprehensive income (OCI; net)** | | **–1,362,515** | **-503,532** |
| **Total comprehensive income for the period** | | **–1,101,019** | **-151,379** |
| Result attributable to shareholders of W&W AG | | –1,067,361 | -137,612 |
| Result attributable to non-controlling interests | | -33,658 | -13,767 |

# Consolidated statement of changes in equity

| | Cf. Note no. | Share in paid-in capital attributable to shareholders of W&W AG | |
|---|---|---|---|
| | | Share capital | Capital reserve |
| In € thousands | | | |
| **Equity 1.1.2021** | | **490,231** | **996,232** |
| Changes to the scope of consolidation | | – | – |
| Total comprehensive income for the period | | | |
| Consolidated net profit | | – | – |
| Other comprehensive income (OCI) | | – | – |
| **Total comprehensive income for the period** | | **–** | **–** |
| Dividends to shareholders | 25 | – | – |
| Treasury shares | | -338 | -537 |
| Other | | – | – |
| **Equity 31.12.2021** | | **489,893** | **995,695** |
| **Equity 1.1.2022** | | **489,893** | **995,695** |
| Total comprehensive income for the period | | | |
| Consolidated net profit | | – | – |
| Other comprehensive income (OCI) | | – | – |
| **Total comprehensive income for the period** | | **–** | **–** |
| Dividends to shareholders | 25 | – | – |
| Treasury shares | | 237 | 427 |
| Other | | – | – |
| **Equity 31.12.2022** | | **490,130** | **996,122** |

| | Share in retained earnings attributable to shareholders of W&W AG | | | | Equity attributable to W&W shareholders | Non-controlling interests in equity | Total equity |
|---|---|---|---|---|---|---|---|
| | Retained earnings | Other reserves (OCI) | | | | | |
| | | Reserve for pension commitments | Reserve for financial assets at fair value through other comprehensive income (OCI) | Reserve for financial assets accounted for under the equity method | | | |
| | | | | | | | |
| | | | | | | | |
| | **3,158,949** | **-821,498** | **1,218,637** | **106** | **5,042,657** | **42,494** | **5,085,151** |
| | -8,109 | – | 8,109 | – | – | – | – |
| | | | | | | | |
| | 350,525 | – | – | – | 350,525 | 1,628 | 352,153 |
| | – | 134,046 | -622,080 | -103 | -488,137 | -15,395 | -503,532 |
| | **350,525** | **134,046** | **-622,080** | **-103** | **-137,612** | **-13,767** | **-151,379** |
| | -60,885 | – | – | – | -60,885 | – | -60,885 |
| | -324 | – | – | – | -1,199 | – | -1,199 |
| | 1,577 | 309 | – | – | 1,886 | – | 1,886 |
| | **3,441,733** | **-687,143** | **604,666** | **3** | **4,844,847** | **28,727** | **4,873,574** |
| | | | | | | | |
| | **3,441,733** | **-687,143** | **604,666** | **3** | **4,844,847** | **28,727** | **4,873,574** |
| | | | | | | | |
| | 259,575 | – | – | – | 259,575 | 1,921 | 261,496 |
| | – | 370,875 | –1,697,113 | -698 | –1,326,936 | -35,579 | –1,362,515 |
| | **259,575** | **370,875** | **–1,697,113** | **-698** | **–1,067,361** | **-33,658** | **–1,101,019** |
| | -60,915 | – | – | – | -60,915 | – | -60,915 |
| | 227 | – | – | – | 891 | – | 891 |
| | -2,979 | – | – | – | -2,979 | – | -2,979 |
| | **3,637,641** | **-316,268** | **–1,092,447** | **-695** | **3,714,483** | **-4,931** | **3,709,552** |

# Consolidated cash flow statement

| In € thousands | Cf. Note no. | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|---|
| **Consolidated net profit** | | **261,496** | **352,153** |
| **Items in the consolidated financial statements that have no effect on cash and are reconciled in "Cash flow from operating activities"** | | | |
| Net income/expense from financial assets accounted for using the equity method | 7, 26 | -19,813 | -7,459 |
| Write-downs (+)/write-ups (–) on intangible assets and property, plant and equipment | 33 | 74,915 | 75,487 |
| Write-downs (+)/write-ups (–) on financial assets | 27, 28 | 86,645 | 58,179 |
| Increase (+)/decrease (–) in technical provisions | 19 | –1,100,997 | 1,759,970 |
| Increase (+)/decrease (–) in other provisions | 20 | -181,468 | -128,186 |
| Changes in deferred tax assets and liabilities | 35 | -35,763 | -39,094 |
| Gain (–)/loss (+) from the disposal of intangible assets and property, plant and equipment | 34 | -20,451 | 205 |
| Gain (–)/loss (+) from the disposal of financial investments (excluding participations) | 29 | -778 | -867,268 |
| Other expenses(+)/income (–) with no effect on cash | 26-29 | 630,943 | -591,046 |
| Other adjustments | | 2,356 | -1,548 |
| **Subtotal** | | **-302,915** | **611,393** |
| **Changes in assets and liabilities from operating activities** | | | |
| Increase (–)/decrease (+) in construction loans | 5 | –1,783,051 | –1,174,644 |
| Increase (–)/decrease (+) in other assets | 5, 6, 9, 12, 13, 15 | 2,772,190 | 683,567 |
| Increase (–)/decrease (+) in derivative financial instruments with positive and negative market values | 3, 16 | -3,823 | 13,020 |
| Increase (+)/decrease (–) in liabilities evidenced by certificates | 17 | 19,223 | 453,107 |
| Increase (+)/decrease (–) in liabilities to credit institutions | 17 | 551,528 | -47,945 |
| Increase (+)/decrease (–) in liabilities from reinsurance business | 17 | 10,820 | -78,030 |
| Increase (+)/decrease (–) in liabilities to customers | 17 | 344,514 | 106,831 |
| Increase (+)/decrease (–) in other liabilities | 17, 18, 20, 21, 23 | –3,842,844 | –1,363,287 |
| **Subtotal** | | **–1,931,443** | **–1,407,381** |
| **I. Cash flow from operating activities** | | **–2,234,358** | **-795,988** |

## Consolidated cash flow statement (continued)

| In € thousands | Cf. Note no. | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|---|
| Cash receipts from the disposal of intangible assets and property, plant and equipment | 10, 11 | 36,110 | 3,513 |
| Cash payments for investments in intangible assets and property, plant and equipment | 10, 11 | -122,610 | -116,955 |
| Cash receipts from the disposal of financial assets | 3, 4, 5, 8 | 12,645,740 | 12,981,252 |
| Cash payments to acquire financial assets | 3, 4, 5, 8 | −10,000,961 | −12,516,880 |
| Cash payments to acquire shares in financial assets accounted for under the equity method | 7 | -5,287 | – |
| **II. Cash flows from investment activities** | | **2,552,992** | **350,930** |
| Dividend payments to shareholders | 25 | -60,915 | -60,885 |
| Transactions between shareholders | | 460 | -1,613 |
| Change in funds resulting from subordinated capital | 24 | – | 295,881 |
| Interest payments on subordinated capital | 26 | -24,527 | -17,107 |
| Cash payments for the reduction of lease liabilities | 17 | -17,538 | -18,903 |
| **III. Cash flows from financing activities** | | **-102,520** | **197,373** |
| **Cash and cash equivalents as at 1.1.** | | **981,067** | **1,202,263** |
| Net change in cash and cash equivalents (I.+II.+III.) | | 216,114 | -247,685 |
| Effects of exchange rate changes on cash and cash equivalents | | 3,069 | -610 |
| Effects of scope of consolidation changes on cash and cash equivalents | | – | 27,099 |
| **Cash and cash equivalents as at 31.12.** | | **1,200,250** | **981,067** |
| **Composition of cash and cash equivalents** | | | |
| Cash reserve | 1 | 116,167 | 72,136 |
| Bank account balances that are available at all times without termination notice period | 5 | 1,084,083 | 908,931 |
| **Cash and cash equivalents at the end of the financial year** | | **1,200,250** | **981,067** |

In the 2021 financial year, cash flow from interest received amounted to €1, 209.0 million (previous year: €1,246.9million), cash flow from interest paid amounted to −€177.1 million (previous year: −€245.8 million), cash flow from dividends received amounted to €290.7 million (previous year: €312.8 million) and cash flow from income taxes paid/received amounted to −€194.9 million (previous year: −€116.6 million). These amounts are included in cash flow from operating activities.

The W&W Group can freely access the balance of cash and cash equivalents.

## Reconciliation of changes in liabilities with cash flow from financing activities

| | Subordinated capital | | Lease liabilities | |
|---|---|---|---|---|
| In € thousands | 2022 | 2021 | 2022 | 2021 |
| **As at 1 January** | **641,098** | **343,163** | **66,663** | **83,215** |
| | | | | |
| Coupons | -24,527 | -17,107 | – | – |
| Issue/redemption | – | 295,881 | -17,538 | -18,903 |
| **Net change with an effect on cash** | **-24,527** | **278,774** | **-17,538** | **-18,903** |
| | | | | |
| Acquisitions/disposals of lease liabilities | – | – | 3,820 | 1,633 |
| Change in accrued interest | 24,533 | 19,086 | – | – |
| Amortisation | 364 | 75 | 510 | 718 |
| **Net change with no effect on cash** | **24,897** | **19,161** | **4,330** | **2,351** |
| | | | | |
| **As at 31 December** | **641,468** | **641,098** | **53,455** | **66,663** |

# Notes to the consolidated financial statements

## General accounting principles and application of IFRS

### Disclosure of general information about financial statements

Wüstenrot & Württembergische AG is a publicly traded company with registered office in Kornwestheim (W&W-Platz 1, 70806 Kornwestheim, Germany; previous address: Gutenbergstraße 30, 70176 Stuttgart, Germany) and is the parent company of the W&W Group. The company is entered in the commercial register of maintained by the Local Court of Stuttgart under HRB 20203. Wüstenrot & Württembergische AG is the W&W Group's strategic management holding company. It coordinates all activities, sets standards, manages capital and manages the W&W Group. As an individual entity, Wüstenrot & Württembergische AG's operations mainly relate to reinsuring the insurance policies written by the W&W Group. The W&W Group operates almost exclusively in Germany and is represented there by two key offices in Stuttgart and Ludwigsburg/Kornwestheim.

The W&W Group is a financial planning group that provides the four components of modern financial planning:

- Financial coverage,
- residential property,
- risk protection,
- savings and investment.

The Executive Board of Wüstenrot & Württembergische AG authorised publication of the consolidated financial statements on 28 February 2023. They were presented to the Supervisory Board for approval on 29 March 2023. The consolidated financial statements will be presented to the shareholders (virtually) at the Annual General Meeting on 23 May 2023.

The consolidated financial statements of Wüstenrot & Württembergische AG – consisting of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements – were prepared on the basis of Section 315e (1) of the German Commercial Code (HGB) in conjunction with Article 4 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of IFRS international accounting standards, as they are to be applied in the European Union. In addition, a combined management report was prepared in accordance with the rules of commercial law.

In conformity with IFRS 4 "Insurance Contracts", insurance-specific business transactions for which IFRS do not include any specific rules are recognised for domestic Group companies in accordance with the relevant rules of commercial law pursuant to Sections 341 et seq. HGB and the regulations based on them.

The consolidated financial statements of the W&W Group were drawn up in euros (€) on the basis of the going concern principle. Where figures are provided in millions of euros or thousands of euros, totalled amounts may have rounding differences due to commercial rounding rules, since the calculations for the individual items are based on whole numbers.

### Comparative information

Unless indicated otherwise, comparative information about items in the consolidated income statement relates to the period 1 January 2021 to 31 December 2021, whereas comparative information about items in the consolidated balance sheet relates to 31 December 2021.

### Impact of the war in Ukraine and the coronavirus pandemic

The Russian invasion of Ukraine and further developments in the coronavirus pandemic influenced the W&W Group's economic environment in the 2022 financial year. In particular, the ongoing war in Ukraine is increasing levels of uncertainty in terms of economic, political and geopolitical conditions. The sharp rise in interest rates and prices, economic sanctions, resulting disruptions to global supply chains and worse sentiment among economic players had a particular impact. Moreover, the risk for the security of our IT infrastructure has increased as a result of more intense cyber attacks. At present, it is not possible to rule out the possibility of the current geopolitical situation getting worse, combined with the war in Ukraine spreading to other participants or the coronavirus pandemic picking up speed again, and this could further affect general conditions.

Major central banks have already raised interest rates to constrain the high inflation and have hinted at further hikes. In terms of interest-bearing investments, the sharp rise in interest rates caused a major drop in the fair values of investments held. These declines, most of which are non-taxable, are a major factor in the increase in deferred tax assets to €951 million. In the W&W Group, financial instruments affected by this are largely classified in the " financial assets at fair value through other comprehensive income(OCI)" category and so the changes are shown in equity. At the same time, issuer credit ratings have seen only minor changes to date. The high share of solvent exposures with investment grade securities continued to reduce the recognition of risk provisions. Higher inflation puts significant strain on private households, especially low and middle-income families. The federal government has recognised this and put together extensive relief packages to address energy costs. In addition, unemployment also remains at a low level in view of the ongoing labour shortage and so no higher default probabilities are discernible in the customer lending business at present. Higher interest rates in the customer lending business in combination with slight declines in house prices were accounted for by regularly adjusting macroeconomic parameters when recognising risk provisions. Claims expenses in underwriting are expected to trend upwards as a result of high inflation. This development was given appropriate consideration in provisioning.

In addition, higher interest rates on the market at present result in opportunity losses for personal insurers. Policyholders' participation in results means that a negative deferred provision for premium refunds is recognised. Please see the consolidated statement of comprehensive income and Note 19 (Technical provisions) for information on changes in the provision for premium refunds.

Higher interest rates also mean a lower pension provisions valuation. The effects of the decline in provisions (mid-triple-digit millions) are recognised in equity through other comprehensive income. No material price declines were reported when measuring investment property.

Capital markets remained volatile in the 2022 financial year with prices down considerably. This resulted in through profit or loss losses on measurement and disposal in the high double-digit millions, especially for equity investments.

The Russian invasion had a direct impact on the W&W Group's capital investments. All government bonds of the countries affected (Ukraine, Russia and Belarus) acquired in previous years were sold in the first half of the year after the war broke out. This decrease in the customer portfolio reduced consolidated net profit by a figure in the low double-digit millions in the 2022 financial year.

The customer lending business, which essentially relates to customer loans and – to a lower extent – mortgage portfolios, has not so far experienced a rise in payment defaults. An additional risk provision was recognised at the start of the coronavirus pandemic based on management's risk expectation at the time. However, no measurably higher counterparty default risks have occurred at the W&W Group since the outbreak of the coronavirus pandemic and so the additional risk provision of €15.9 million in connection with the pandemic was reversed in full in 2022.

In terms of property, there were no rent arrears in the 2022 financial year due to the pandemic, as the government closures and moratoria granted in 2020 are now further in the past. Total past rent arrears were largely reduced in 2022 by way of negotiations with contractual partners and timely repayments. They came to €1.4 million after the risk provision as at the reporting date. As part of the risk provision, write-downs of €0.4 million were recognised in 2022. By contrast, there were no additions to the provisions for the recovery of rent payments made. Instead, these were reversed in full in the amount of about €3.5 million.

In underwriting, existing general provisions of €13.1 million in connection with unexpected expenses under business closure insurance policies were reversed in full due to the legal clarity obtained and current developments.

Depending on the duration and progression of the war in Ukraine and the coronavirus pandemic, the net assets, financial position and financial performance and risk situation may continue to deteriorate in the medium term. Further information can be found in the management report.

## Climate-related circumstances

Climate-related circumstances can impair the value of the Group’s assets and liabilities in various ways.

In connection with our capital investments, we counter adverse sustainability effects by investing in green/sustainable bonds, renewable energies (mainly wind and solar) and properties with ecological features. Green bonds do not necessarily need to differ from conventional bonds in terms of their structure, yield or risk of financing. The main difference is that funds raised from issuing a green bond must be used to (re)finance a “green” project. In the case of sustainability-linked bonds (SLB), on the other hand, the SLB issuer generally agrees additional targets known as SPTs (specific sustainability performance targets) in addition to conventional bond terms. These targets are to be achieved during a predefined period of time. If the SPT is not achieved, the financial structure of the bond changes. The SLB is measured at fair value through profit or loss.

In creating risk provisions for our capital investments, it was taken into account that certain sectors may come under pressure through climate change. This may then lead to an increased need for impairment allowances or a decline in fair values on account of poorer future expectations and the creditworthiness of the affected borrowers.

The climate performance of the property portfolio plays a significant role for the W&W Group. For instance, starting in the first quarter of 2022, an internally developed scoring tool, which takes into account ESG criteria and thus climate protection, will be used both for acquisition projects and for existing properties. Climate aspects are also considered when examining the property portfolio for value-creation potentials. For example, considerations for saving grey energy and thus $CO_2$ are also taken into account in connection with the evaluation of realisation alternatives for properties that have been in own use to date.

Climate risks can also take the form, in particular, of physical risks (natural disaster risks). In the area of underwriting risks, these are limited, inter alia, through underwriting policies and reinsurance agreements. Technical provisions, as well as the structure of our provisions for future policy benefits, are explained in Note 19.

In terms of products, the W&W Group is promoting the “Wohndarlehen Klima”, a home loan savings contract with a climate bonus, “Genius”, a unit-linked annuity product more strongly aligned with sustainability, and “IndexClever”.

In the 2022 financial year, climate-related circumstances did not have any direct, material impact on the net assets, financial position or financial performance.

# Accounting policies

## Disclosure of changes in accounting policies

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

With the exception of the standards to be applied for the first time described below, the same accounting policies were used as in the consolidated financial statements as at 31 December 2021:

- Amendments to IFRS 3 Business Combinations: Update of references and addition of provisions stating that the regulations of IAS 37 and IFRIC 21 are to be applied to the identification of liabilities in an acquisition and on the prohibition on recognising contingent assets.

- Amendments to IAS 16 Property, Plant and Equipment: Clarification that proceeds from selling items of property, plant and equipment intended for use cannot be offset against the cost of the item of property, plant and equipment.

- IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Clarification of which costs are included when assessing whether a contract is onerous.

- Amendments to the collective standard for annual improvements 2018-2020 with the following changes that are relevant to the W&W Group:

  IFRS 9 Financial Instruments:
  Clarifies the fees a company includes when applying the 10% test to assess whether a financial liability is to be derecognised.

  IFRS 16 Leases:
  Lessors are no longer required to account for the reimbursement of leasehold improvements by the lessee.

The amendments were adopted in EU law on 28 June 2021 and are mandatory for financial years beginning on or after 1 January 2022. Only individual aspects are affected by the amendments at the W&W Group and these do not have a material impact on the presentation of the W&W Group's net assets, financial position or financial performance.

### Accounting requirements that have been published but are not yet mandatory

**IFRS 17 Insurance Contracts**
The International Accounting Standards Board (IASB) published the standard IFRS 17 Insurance Contracts in May 2017. In response to problems identified with regard to application, the IASB published "Amendments to IFRS 17" in June 2020, which, among other changes, postpones the date of initial application for IFRS 17 to financial years beginning on or after 1 January 2023. As part of the EU endorsement process, an addition was made compared to the IASB version that gives EU companies the option to exempt certain contracts from the annual cohort requirement of IFRS 17. EU endorsement was completed with publication in the Official Journal of the European Union (EU Regulation 2021/2036) on 23 November 2021 and the IFRS 17 regulations came into effect on 1 January 2023. In view of efforts to improve the usefulness of comparative information required under IFRS 17, the IAS published a narrow scope amendment to IFRS 17 on 9 December 2021 and approved this on 8 September 2022 in Regulation (EU) 2022/1491. The amendments provide the option for a different classification under IFRS 9 Financial Instruments (known as the "classification overlay approach") if certain conditions are met. This option is not relevant for the W&W Group as it has applied IFRS 9 since the 2018 financial year and does not redesignate financial assets in connection with exercising the option under IFRS 17.C29. The IFRS Interpretations Committee also made various agenda decisions regarding IFRS 17. The decision on profit recognition for certain annuity contracts, which is still to be published in July 2022, will be taken into account in the W&W Group. The decision published in October 2022 regarding separate consideration of insurance contracts with foreign currency cash flows has no impact on the W&W Group in the current implementation of the standard.

IFRS 17 replaces IFRS 4 Insurance Contracts, which had been in effect since 1 January 2005, in full and for the first time introduces standardised requirements for the recognition, valuation, presentation and notes on insurance contracts and reinsurance contracts issued or held by the W&W Group's insurance companies. In some cases, the W&W Group does not apply IFRS 17 when accounting for products and services that also have both financial and insurance characteristics. As well as financial guarantees for which there is an option under FRS 17.7e, this also applies to policy loans and premium deposits. These are still accounted for in accordance with IFRS 9.

**Recognition**

To ensure that the reporting insurance company's net assets, financial position and financial performance are determined reliably, IFRS 17 states that the **unit of account** (level of aggregation) is to be recognised. For initial recognition, groups of insurance contracts (GIC) that are subject to similar risks and managed together are formed as the unit of account within the portfolio. Insurance contracts within the portfolios are also divided into three profitability groups and into cohorts based on timing. There must not be more than one year between the underwriting dates of insurance contracts allocated to the same group. At the W&W Group, these requirements to recognise units of account are implemented at line level (life insurance, health insurance and property and casualty insurance). The W&W Group applies the optional exemption as part of the EU endorsement process (EU carve-out option) for recognising annual cohorts under IFRS 17.22 at life insurance and health insurance level to groups of insurance contracts with direct participation features.

A group of insurance contracts issued is **recognised for the first time** for the purposes of IFRS 17 from the earlier of the date on which this GIC's coverage period begins and the date on which a premium payment in the GIC first falls due or the date of the first premium payment, if there is no due date. The **coverage period** is the period in which the company provides insurance contract services and for which premiums were paid within the boundaries of the contract. In the case of onerous groups of contracts, initial application applies from the date on which it becomes known that the group is onerous. The date of first-time recognition for a group of reinsurance contracts held depends on the beginning of their coverage period and the date of first-time recognition for the onerous underlying insurance contracts. Regardless of this, the first-time recognition of quota share reinsurance contracts is postponed until the date at which an underlying insurance contract was recognised for the first time if this date is after the start of the reinsurance contracts' coverage period.

**Measurement**

IFRS 17 initially stipulates the general measurement model (GMM), also known as the **building block approach** (BBA) for measuring groups of insurance contracts. The carrying amount of a GIC is measured as the sum of **fulfilment cash flows** and the **contractual service margin** (CSM). Fulfilment cash flows are the present value of expected future cash flows taking account of an explicit risk adjustment for non-financial risk. The CSM is the unrealised future profit from the insurance contracts. In accordance with the core principle of IFRS 17, the company will not earn this until the services are provided over the coverage period. By contrast, the expected loss from business expected to be onerous at initial recognition is recognised immediately as an expense. In this case, the CSM is zero as it cannot assume a negative value for the primary insurance business. Instead, a **loss component** is recognised in the balance sheet and reduced in stages over the coverage period.

At the end of a reporting period, the carrying amount of a GIC comprises the two following technical provisions: (1) the provision for future policy benefits, which comprises the **liability for remaining coverage** and the adjusted CSM; and (2) the provision for outstanding insurance claims (**liability for incurred coverage**), which represents expected cost and claims payments over the settlement period. Under the BBA, the CSM is adjusted to account for the effects of new business, changes in fulfilment cash flows for future service and the unwinding of the discount using the interest rate at the time of initial recognition. The CSM is then released through profit or loss on a pro rata basis for the services provided during the reporting period. It is realised on the basis of **coverage units**. At the W&W Group, these are determined in the relevant lines depending on the product. For insurance contracts with direct participation features, the coverage unit in life insurance comprises two components. Investment-related services are measured at the amount of capital under management. Either risk capital or the insured pension is used for insurance services, depending on the nature of insurance coverage. These components are weighted based on expert evaluations and reviewed each year. In health insurance, earned premiums are used to measure insurance and investment-related services. For contracts without participation features, earned premiums are used as the coverage unit. The coverage unit for the passive reinsurance business is based on the coverage unit for the underlying primary insurance business, taking account of the cover ratio.

Regarding the subsequent measurement of the CSM, IFRS 17 applies a modified BBA for certain insurance business with direct participation features. The **variable fee approach** (VFA) may be used to measure insurance contracts if all the following three criteria are met: (1) the policyholders contractually participate in a clearly identified pool of underlying items; (2) the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and (3) the entity expects a substantial proportion of the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. At the W&W Group, the VFA applies for all primary insurance business in life insurance and for a large share of health insurance business. Compared to the BBA, measurement under the VFA features an additional adjustment of the CSM to account for changes to the entity's share of the fair value of the underlying items. These are considered part of the variable fee that the entity withholds in the future in exchange for settling its obligations to the policyholder. Thus, this portion of the unearned profit is also recognised in the income statement via the reversal of the CSM adjusted as described above.

IFRS 17 allows the use of approximations (known as the **Premium Allocation Approach**, PAA) for measuring the provision for future policy benefits for short-term contracts. Presentation of the provision for future policy benefits is simplified using the provision for unearned premiums. In addition, the PAA can be applied for groups of insurance contracts for which the entity can reasonably expect the PAA to result in a measurement of the provision for future policy benefits that does not differ materially from the measurement under the BBA. When measuring the provision for outstanding insurance claims, the same simplification procedure is applied as under the BBA: it is not necessary to discount expected future cash flows if claims are settled within one year or less from the date the claims are incurred.

The W&W Group applies all three IFRS 17 measurement models. The VFA is applied for participating business in life and health insurance. The PAA is also used in health insurance for short-term contracts. Both the BBA and the PAA are used in property and casualty insurance in both of the cases described above. This also applies to passive reinsurance business in health insurance and property and casualty insurance. Reinsurance business in the area of life insurance is measured according to the BBA. The basic concepts of the individual measurement components of these models at the W&W Group are discussed below.

When determining **expected future cash flows,** the W&W Group considers all cash flows within the boundaries of the contract and thus directly related to meeting contractual obligations. In particular, these include payments to policyholders, commission payments and other payments for the purposes of fulfilling the contract. All reasonable and supportable information available as at the reporting date is used when generating the cash flows. The estimates reflect the W&W Group's own current assessment of future developments that may have a significant impact on cash flows. Expectations regarding future changes in the law that would amend or replace an existing obligation or create obligations from existing contracts are not taken into account until these take effect.

Where necessary, the W&W Group uses stochastic modelling methods that project future cash flows using a high number of potential economic scenarios for market variables (such as interest rates and equity returns). These methods are used to account for the customary options and guarantees included, in particular, in life insurance. The cash flows are allocated to closing activities, other settlement activities and other activities by way of process cost accounting methods. Cash flows allocated to closing and other settlement activities are allocated to groups of contracts using methods that are systematically applied appropriately and consistently to all costs with similar features. In the projection, assumptions are made from current company-specific and line-specific perspectives, relating to areas including actuarial bases (interest rates, biometrics and costs), policyholder behaviour when exercising contractual option rights (such as dynamic premium option, lump-sum payment, call-up and annuity commencement, cancellation) and the internal management of the transaction. These assumptions are consistent with those of the ORSA (own risk and solvency assessment) under Solvency II, provided IFRS 17 does not require deviations from these. A deterministic projection was applied in health insurance. The W&W Group believes that this model gives sufficient consideration to the value of options and guarantees that are customary for German health insurance business, as changes in the capital market have already been essentially compensated via an appropriate premium structure. Furthermore, in health insurance, a modification of the contract that would have to be modelled as new business in accordance with the annual cohort arrangement is represented in a simplified manner by a rate change probability as part of the premium adjustment. In property and casualty insurance, premium cash flows are determined on the basis of premium amounts and maturities from individual contract information and, where necessary, adjusted on the basis of empirical observations.

Actuarial techniques/economic business models are used to estimate cash flows from future claims/claims already incurred. Here, basic losses, large losses and losses from natural events (such as storms, earthquakes, flooding and hail) are modelled separately to suitably present the differences in amount and frequency. Annual parameterisation is based on established actuarial procedures. The simulated expected loss ratios in the modelling risk model are validated by way of back testing.

Estimates of cash flows within the boundaries of the contract also cover cash flows of the **investment components**. Under IFRS 17, these are the amounts to which the policyholder is entitled under all circumstances – including the expiry of the contract. There is no investment component only if there is a scenario in which the policyholder does not receive any services. Investment components at the W&W Group are primarily in life insurance primary insurance contracts. These are often linked to the underlying insurance contract and thus not recognised separately.

In addition, costs attributable to underwriting must be projected for the future. Cost cash flows to determine the provision for future policy benefits include cash flows for future claim adjustment, contract administration and acquisition costs. Service commissions as part of administrative costs and, for direct participating business, asset management costs are considered separately here. On the other hand, provisions for outstanding insurance claims include exclusively provisions for claim adjustment costs. As a simplification, the W&W Group assumes that **acquisition costs** are incurred with the first premium. Accordingly, corresponding receivables are not capitalised before the initial recognition of an allocated GIC. Instead, the acquisition costs are taken into account in the CSM and are systematically distributed in the income statement over the coverage period of the GIC in line with the coverage units. The W&W Group exercises the option in accordance with IFRS 17.59a to recognise acquisition costs directly in the income statement for GICs that include insurance contracts with a term of no more than one year and that are measured using the PAA.

The yield curve used for **discounting** under IFRS 17 reflects the liquidity properties of the insurance contracts and is consistent with interest rates derived from the prices of securities traded on the market. The W&W Group uses the bottom-up approach for estimating the yield curve, which is based on a liquid risk-free yield curve derived from market-traded interest rates of securities. From a last liquid point, the yield curve is determined using the weighted average between the interest rates still observable on the market and the interest rates extrapolated to the ultimate forward rate using the Smith-Wilson method. The ultimate forward rate reflects the interest rate expected in the long term that changes if significant changes are made to long-term expectations. The “illiquidity premium” is added to this base yield curve to reflect the different liquidity characteristics of the securities and insurance contracts underlying the base yield curve. For this, a liquidity measure is established that differentiates between liquid and illiquid securities. The premium for the illiquidity of insurance contracts is calculated as the product of a liquidity spread based on the investments underlying the insurance contracts and an application ratio that reflects the illiquidity of the insurance contracts. The W&W Group uses fixed-for-floating swaps as securities used to determine the base yield curve. The host instrument underlying the fixed-for-floating swap is initially six-month Euribor (for EUR) and an interest rate benchmark equivalent for foreign currencies (USD and GBP). Interest rates are provided for fixed interest periods of up to 120 years. Any fixed interest rates required during the year are determined by interpolating the interest rates in annual tranches. For fixed interest periods of up to two years, fixed interest periods can be supplemented in six-month tranches to make the greatest possible use of market data in accordance with IFRS 17.B78(a).

The **risk adjustment for non-financial risks** is the compensation requested for bearing the uncertainty about the amount and timing of the technical cash flows when fulfilling insurance contracts. Pursuant to the requirements under IFRS 17, the W&W Group incorporates the entity’s own perspective when quantifying the risk adjustment and takes account only of the risks identified as underwriting risks in line with the entity’s own risk and solvency assessment (ORSA). The legal units individually apply the methods of computation and allocation procedures that are appropriate for their risks and in terms of the timing of calculation requirements. Diversification effects between the units are not taken into account here. The risk adjustment is initially determined at the level of the legal units and so diversification effects between the GICs formed are accounted for directly. The risk adjustment is then allocated to the GIC – generally proportionally or on the basis of volume using the undiversified risk capital of the individual groups. The capital cost method was selected as the method for calculating the risk adjustment. Under this method, the required risk capital at the 99.5% quantile is calculated at each measurement date to fulfil future obligations under the insurance contracts. The cost of capital, which is calculated using the company-specific cost of capital, is applied to this risk capital and used for present value calculation to determine the risk adjustment. For Life and Health Insurance, the risk capital projection from Solvency II was used, which involves making the required adjustments based on specific requirements under IFRS 17. The company’s own economic business model is used in property/casualty insurance.

#### Presentation and disclosure

In comparison to IFRS 4, **insurance revenue** is recognised as changes from the provision for future policy benefits as opposed to premium income in each period. Under IFRS 17, payments and receipts of investment components are not recognised as revenue/income or expense in the income statement. Only the difference between actual and expected investment components is offset against the CSM and is indirectly accounted for in the income statement as a result of their reversal over the coverage period. The same applies for changes to assumptions not relating to interest rates or financial risks. Where they relate to future insurance coverage, these are initially posted against the CSM and distributed with this over the remaining coverage period as insurance revenue in the income statement. Changes in estimates are recognised immediately in **insurance expenses** through profit or loss only for GICs where there is a risk of losses.

**Insurance finance income or expenses** are the result of accounting for the time value of money and changes in financial risks. IFRS 17 provides the option to recognise the effects resulting from changes to financial assumptions either through profit or loss in the income statement or through **other comprehensive income** (OCI option). To reduce volatility in the income statement, the W&W Group applies the OCI option under IFRS 17.88b/89b described across all business lines and measurement approaches. Measurement discrepancies resulting from the joint application of IFRS 9 and IFRS 17 can thus generally be avoided. In addition, IFRS 17.C29 allows a one-off redesignation of financial assets under IFRS 9 at the date of first-time adoption of IFRS 17. In this context, interactions from exercising the OCI option under IFRS 17 and the categorisation of the financial assets under IFRS 9 were analysed. As a result, it was decided not to apply the redesignation option at the W&W Group. .

Changes to the risk adjustment for non-financial risks are generally to be broken down into the insurance service result and insurance finance income and expenses (such as the effects from the change in the discount rate). However, IFRS 17.81 allows the entire change in the risk adjustment to be recognised in net insurance service result. The W&W Group makes use of this option in Life and Health Insurance.

In comparison to IFRS 4, IFRS 17 contains extensive changes and additions to the quantitative and qualitative information in the notes to the consolidated financial statements. The aim is to increase transparency regarding the effects of primary and reinsurance contracts on the reporting entity's net assets, financial position and financial performance and risk situation.

**Measurement at the transition date**

Full retrospective application using the **full retrospective approach** (FRA) is the transitional approach generally applicable under IFRS 17, unless it proves impracticable for the entity concerned within the meaning of IFRS. As part of this, each GIC must be identified, recognised and measured as if IFRS 17 had always applied. The decision as to which transitional approach can be used depends on factors including the date of initial recognition of the relevant GIC. In the case of insurance contracts that have already been in force for a longer period of time, data availability is not comparable with that of recently concluded contracts and so the W&W Group applies the **modified retrospective approach** (MRA) in particular for the portfolio available as at the transition date 1 January 2022. In this case, evidence must be provided for the GIC that no sufficient data is available. Within the framework of the MRA, the W&W Group simplifies the identification and classification of GIC, the valuation of the CSM/the loss component for contracts with and without direct participation contracts at the transition date and the allocation of insurance finance income or expenses.

In life insurance, the MRA is used for the primary insurance portfolio available as at the transition date, which is valued using the VFA. Information available as at the transition date 1 January 2022 is used to define the GIC. For the initial valuation of technical provisions at the end of the years from 2019 to 2021, the yield curves available at the start of the year are used for discounting. The CSM is measured under the MRA as at 31 December 2019 and is further developed in the subsequent valuation at the transition date. The CSM and the loss components for insurance contracts with direct participation features are determined in line with IFRS 17.C17 and the simplification options provided here. By exercising the OCI option IFRS 17.89b, insurance finance income or expenses for direct participation contracts are divided into through profit or loss and through other comprehensive income. The OCI amount is determined at the value recognised for the underlying items at the transition date.

For GIC in health insurance, the MRA is applied with the exception of short-term property insurance rates and passive reinsurance contracts. By contrast, the FRA can be used in full for short-term rates. The CSM is measured under the MRA as at 31 December 2018 and is further developed in the subsequent valuation at the transition date. The CSM and the loss components for insurance contracts with direct participation features are determined in line with IFRS 17.C17 and the simplification options provided here. The OCI option is also exercised for participating insurance business and the OCI amount is determined at the value recognised for the underlying items at the transition date.

Based on the remaining coverage, a distinction is drawn between different contract components when accounting for property and casualty insurance contracts. Firstly, there are contracts without remaining coverage in 2017 that were in the process of being settled and for which a provision was recognised only for already incurred claims. Secondly, there are contracts with remaining coverage in 2017. Only the MRA is used for the first group. For reasons of simplicity, illiquidity when determining the yield curve is taken into account for the period from 2017 until the transition date. For years prior to 2017, the arithmetic mean of the illiquidity premium from 2017 to 2022 is used in accordance with the relief under IFRS 17.C13. The FRA is used for contracts with remaining coverage. Regardless of this, methodological simplifications are used in determining cost and loss ratios, in risk adjustment and in testing for onerous business.

**Effects of the initial application of IFRS 17 Insurance Contracts**

To introduce IFRS 17 Insurance Contracts, the W&W Group launched a multi-year implementation project that ensures application of the new standard as at 1 January 2023. This project involved developing IT solutions for IFRS 17-specific data retention, calculation and accounting. The processes and controls required were also implemented. At the W&W Group, these ensure that the new standard is properly applied across departments and that various institutions and bodies take account of relevant developments relating to IFRS 17 in good time.

In the future, investment property in Life and Health Insurance measured using the cost model in this annual report will be accounted for at fair value in accordance with IAS 40.32A in connection with the initial application of IFRS 17. This avoids inconsistencies that would result when measuring insurance contracts with direct participation features under the VFA and underlying property under the current cost model. It is remeasured retroactively as at 1 January 2022. This avoided a decline in Group equity as at the transition date. The carrying amount of investment property at the transition date rose by around €0.6 billion to €2.5 billion.

Expected cash flows for business measured using the VFA in Life and Health Insurance are determined in part using stochastic modelling methods. Here, the fair values of the underlying items (chiefly capital investments and liabilities) are included in the measurement of obligations. Hidden assets/liabilities are now accounted for in full as part of technical provisions. In addition, under IFRS 17 revenue is recognised in stages as services are provided in accordance with the insurance contract by reversing the CSM over the coverage period. At the date of transitioning to IFRS 17, this meant that some of the gains from retained earnings recognised under IFRS 4 had to be reclassified to the CSM. This resulted in a corresponding decline in Group equity. As part of measurement according to the principles of the new standard, total technical provisions (after reinsurance) in Life and Health Insurance increased at the transition date.

In property and casualty insurance, reserves established under IFRS 4 in accordance with the prudence principle of German commercial law were partially derecognised, as IFRS 17 reflects the economic value of the insurance contracts in the sense of the best estimate. This led to a decrease in technical provisions (after reinsurance) in property and casualty.

Accordingly, the initial application of IFRS 17 as at 1 January 2022 both increased and decreased Group equity. As described, these effects were influenced primarily by the retrospective adjustment of the measurement model for investment property and by the measurement of the technical provisions (after reinsurance). Including insurance receivables and liabilities under IFRS 4, the latter rose by a total of around €0.2 billion to €38.6 billion. Technical provisions under IFRS 17 included a CSM of around €1.2 billion at the transition date. Overall, Group equity increased by between €250 and €300 million after tax at the transition date in comparison to IFRS 4.

**Other amendments**
The IASB also published the following amendments:

Amendments with initial application for financial years beginning on or after 1 January 2023

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies. The amendments provide greater detail on the materiality of accounting policies and disclosures. The requirement to disclose “significant” accounting policies is replaced by a requirement to disclose “material“ accounting policies on the basis of a flow chart. The Practice Statement 2 adds guidelines and illustrative examples to help apply the materiality concept when assessing disclosures of accounting policies.

- Amendments to IAS 8 Definition of Accounting Estimates specifies the difference between accounting policies and accounting estimates to make it easier for companies to distinguish these. The distinction is important as changes to accounting policies are generally to be applied retrospectively while changes in estimates are accounted for prospectively.

- Amendments to IAS 12 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction. Under certain circumstances, entities are exempt from recognising deferred taxes when recognising assets or liabilities for the first time (initial recognition exemption). The amendments stipulate that the exemption does not apply if the transaction gives rise to equal deductible and taxable differences. In these cases, entities must recognise deferred taxes for these transactions.

The amendments were adopted in EU law on 2 March and the latter on 11 August 2022. Early application is allowed but there are no intentions to do so. The amendments are not expected to have any material impact on the presentation of the W&W Group’s net assets, financial position and financial performance.

Amendments with initial application for financial years beginning on or after 1 January 2024

- Amendments to IAS 1 Presentation of Financial Statements:
  - Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date: The amendment clarifies that the classification of liabilities as current depends on the entity’s right as at the reporting date to defer settlement of a liability for at least twelve months. This liability is classified as non-current if the entity is entitled to do so. If it is not, the liability is considered current. The effective date was deferred from 1 January 2023 to 1 January 2024.
  - Non-current Liabilities with Covenants: Clarifies that, for non-current liabilities, covenants are to be taken into account for the classification as current or non-current where these must be complied with on or before the reporting date.

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback provides additional details about the subsequent measurement of the lease liability as a result of a sale and leaseback transaction. It states that the lease liability is to be subsequently measured in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

EU endorsement has not yet been granted for these amendments. The amendments are not expected to have any material impact on the presentation of the W&W Group's net assets, financial position and financial performance.

## Consolidation principles

The annual financial statements of Wüstenrot & Württembergische AG and the consolidated subsidiaries, including structured entities (public and special funds and certain investments in alternative investment funds) and consolidated joint ventures and associates, all of which are prepared according to accounting policies that are uniform throughout the Group, form the basis for the consolidated financial statements of the W&W Group.

### Reporting date

The consolidated financial statements were prepared as at the reporting date for the annual financial statements of the parent company, i.e. 31 December 2022.

### Subsidiaries

All subsidiaries are entities that are directly or indirectly controlled by W&W AG. Control exists where W&W AG has the power to direct the relevant activities of the entity, has a right to significant variable returns from the entity and has the ability to use its power of direction to influence the amount of the significant variable returns.

The subsidiaries also include consolidated structured entities within the meaning of IFRS 12. These are entities that have been designed in such a way that voting or similar rights are not the dominant factor in determining whether control exists. With regard to W&W AG, these include public and special funds that are characterised, in particular, by narrowly circumscribed business activities, such as a specific capital investment strategy or limited investor rights (lack of voting rights).

Public and special funds are consolidated if, despite insufficient voting rights, they are directly or indirectly controlled by W&W AG on the basis of contractual agreements concerning management of the relevant activities.

Subsidiaries, including directly and indirectly controlled public and special funds are included in the scope of consolidation. Consolidation begins when control is attained and ends when it is lost. Consolidation uses the acquisition method in accordance with IFRS 10.B86 in conjunction with IFRS 3. Here, the carrying amount of the parent's investment in each subsidiary is offset against the portion of equity in each subsidiary.

Interests in the acquired pro rata net assets of subsidiaries that are attributable to non-Group third parties are recognised under the item "Non-controlling interests in equity" in the consolidated balance sheet and the consolidated statement of changes in equity. The interests of non-Group third parties in the profits, losses and total income of companies included in the consolidated financial statements are recognised in the consolidated income statement and the consolidated statement of comprehensive income under the item "Non-controlling interests in equity".

Interests in public and special funds that are attributable to non-Group third parties are recognised in the consolidated balance sheet under "Miscellaneous liabilities" (Note 17). Interests in the profits and losses of non-Group third parties can be found in the consolidated income statement under "Net other operating income/expense" (Note 34).

Intragroup receivables and liabilities and expenses, income and intercompany profit and loss are adjusted as part of debt consolidation, the consolidation of income and expenses and the elimination of intercompany profit and loss.

### Joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

Associates are entities that are neither subsidiaries nor joint ventures and where the Group is in a position to exert significant influence over the entity’s financial and operating policy decisions but does not exercise control. Significant influence generally means directly or indirectly holding 20-50% of the entity’s voting rights. Where less than 20% of the voting rights are held, it is assumed that a significant influence does not exist, unless such influence can be unambiguously demonstrated. Associates are included in the consolidated financial statements when significant influence is attained, and they are accounted for using the equity method. Inclusion ceases when significant influence ends.

Under the equity method, the income effects and the carrying amount of financial investments generally correspond to the share of the entity’s net income and net assets attributable to the Group. When acquired, holdings in associates and joint ventures are recognised in the consolidated financial statements at cost. In subsequent periods, the carrying amount of the holdings increases or decreases according to the W&W Group’s share of the entity’s net income for the period. Unrealised gains and losses, which are elements of the consolidated statement of comprehensive income, are recognised under “Other reserves” under the reserve for financial assets accounted for using the equity method in the consolidated statement of changes in equity.

## Currency translation

The euro is the functional currency and the reporting currency of W&W AG.

Transactions in foreign currencies are posted at the exchange rate prevailing at the time of the transaction. Monetary assets and liabilities that deviate from the functional currency of the respective Group company are translated into the functional currency using the reference rate of the European Central Bank (ECB) as at the reporting date. Non-monetary items that are recognised at fair value are likewise translated into the functional currency at the ECB’s reference rate as at the reporting date. Other non-monetary assets and liabilities are measured at the rate prevailing on the date of the transaction (historical rate).

Translation differences resulting from monetary items are recognised in the consolidated income statement through profit or loss. In the case of non-monetary items recognised at fair value, translation differences are recognised in line with their measurement gains and losses.

# Methods and rules

## Financial instruments

### Classes

If disclosures are required for individual classes of financial instruments, these are based on the classification depicted in the following.

Each IFRS 7 class in the following table is derived from the combination of balance sheet item (columns) and risk category (rows).

Financial instruments are assigned to individual risk categories based on their characteristics.

## Classes of financial instruments

| Risk category | | | | |
|---|---|---|---|---|
| | Cash reserve | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income | |
| **Financial assets** | | | | |
| Cash reserve | Amortised cost | | | |
| Equity investments not including alternative investments | | Fair value | | |
| Equity investments in alternative investments | | Fair value | | |
| Equities | | Fair value | | |
| Investment fund units | | Fair value | | |
| Senior fixed-income securities | | Fair value | Fair value | |
| Subordinated securities and receivables | | | Fair value | |
| Derivative financial instruments | | Fair value | | |
| Fixed-income financial instruments that do not pass the SPPI test | | Fair value | | |
| Positive market values from hedges | | | | |
| Investments for the benefit of life insurance policyholders who bear the investment risk | | Fair value | | |
| Building loans | | | | |
| Senior debenture bonds and registered bonds | | | Fair value | |
| Other receivables | | | | |
| Miscellaneous receivables[1] | | | | |
| Reinsurers' portion of technical provisions[1] | | | | |
| **Financial liabilities** | | | | |
| Liabilities evidenced by certificates | | | | |
| Liabilities to credit institutions | | | | |
| Liabilities to customers | | | | |
| Lease liabilities | | | | |
| Other liabilities | | | | |
| Miscellaneous liabilities[1] | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Statement of financial position items and measurement basis | | | | | |
| | Financial assets at amortised cost | Positive market values from hedges | Financial liabilities at fair value through profit or loss | Liabilities | Negative market values from hedges | Subordinated capital |
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## Principles for the recognition, measurement and presentation of financial instruments

Pursuant to IFRS 9, financial assets and financial liabilities, including all derivative financial instruments, are recognised at the time that a company in the W&W Group becomes a party to the financial instrument. Exceptions to this concern, in particular, receivables and liabilities under insurance contracts, which are recognised in accordance with IFRS 4. Associates are measured in accordance with IAS 28.

In the W&W Group, financial instruments are recognised at the fair value on the settlement date. This does not include derivative financial instruments that are recognised at fair value at the trade date. Interest income and expenses are recognised on an accrual basis and recognised together with the corresponding balance sheet item. A financial instrument is derecognised once the contractual rights and obligations under it expire, or when it is transferred and the criteria for disposal are met. The categorisation of financial assets (debt instruments) is based on both the company's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The subsequent measurement of financial assets is derived from these criteria. In this regard, a distinction is made between measurement at fair value through profit or loss, at fair value through other comprehensive income, and at amortised cost. The categorisation approach is presented in the following.The exercise of discretionary judgement in the initial application of IFRS 9 is discussed in the section "Utilisation of discretionary judgements and estimates".

**Business model**

In connection with the classification of financial assets (debt instruments), a distinction is made in the W&W Group between the following business models:

- "Hold to collect": Business model with the objective of generating contractual cash flows
- "Hold to collect and sell": Business model with the objective both of generating contractual cash flows and of selling financial assets
- "Other/trading": Business model under which financial assets were acquired with the intention of selling them in the short term or financial assets were unable to be assigned to the models "Hold to collect" or "Hold to collect and sell".

Assignment to one of the business models takes place when the financial asset is acquired, and it is dependent on how the Group's companies manage a group of financial assets in order to achieve a specific business objective. Discretionary judgement needs to be exercised when assessing which business model is to be applied and how the assigned portfolios are specified, and in doing so, both factors are taken into account. The quantitative factors primarily relate to the expected frequency and the expected value of sales. With regard to qualitative factors, it is assessed how reports about the financial assets are made to the executive board of the Group company concerned and how the risks are managed.

**Characteristics of the cash flows**

If a financial asset (debt instrument) is assigned to the business model "Hold to collect" or "Hold to collect and sell", the categorisation is to be assessed on the basis of contractual cash flows. This assessment is also called the SPPI test (Solely Payments of Principal and Interest). In this regard, it is examined whether the contractual cash flows contain only principal and interest payments (known as basic loan features) toward the outstanding capital. In this regard, interest payments may consist only of consideration for the time value of money and the assumed credit risk. In addition, other elements consist of consideration for the assumed liquidity risk and premiums for administrative costs if these can be allocated to the holding of the financial asset. A profit margin is likewise an element of interest payments. In the event of characteristics that are detrimental to the SPPI, the W&W Group assesses whether these have only marginal effects on contractual cash flows and can thus be considered de minimis. In addition, we exercise discretionary judgement in assessing whether the impact on the contractual cash flows can be classified as extremely rare, highly abnormal and very unlikely to occur ("not genuine"). In addition, contracts with termination options meet the SPPI criterion if, at the time of repayment, payments of an amount are made that is equal to the outstanding contractual cash flows.

## Cash reserve

Recognised in this item are cash on hand, deposits with central banks, deposits with foreign postal giro offices and debt instruments issued by public authorities with a term to maturity of less than three months. Cash reserves are recognised at cost.

## Financial assets at fair value through profit or loss

Recognised here are financial assets that are assigned to the business model “Other/trading” or are assigned to the business models “Hold to collect” or “Hold to collect and sell” and do not pass the SPPI test. In addition, equity instruments, fund units, capital investments for the account and risk of holders of life insurance policies and derivatives are recognised in this category.

Changes in fair value and currency translations are recognised in the income state under “Net measurement gain/loss”. Interest components are shown under “Current net income/expense” and commissions under “Net commission income/expense”. Initial recognition and subsequent measurement take place at fair value.

## Financial assets at fair value through other comprehensive income

Financial assets (debt instruments) that are assigned to the business model “Hold to collect and sell” and pass the SPPI test are initially recognised at fair value(), plus or minus transaction costs that are directly attributable to the financial asset. Fees that are not a part of effective interest are recognised under “Net commission income/expense” at the time they are collected. In the case of subsequent measurement, changes in fair value are recognised through other comprehensive income, currency effects under “Net measurement gain/loss” and interest components under “Current net income/expense”. Transaction costs, premiums and discounts are depreciated using the constant effective interest method, and amortisation is recognised in the income statement. The risk provision is created/released through profit or loss and, for the purposes of accounting, shown in other comprehensive income. In the case of a disposal of the debt instrument, the changes in fair value that had previously been recognised in equity are recycled through profit or loss under “Net disposal income/expense”.

In the W&W Group, this item mainly consists of bearer bonds, registered bonds, subordinated bonds and debenture bonds.

## Financial assets at amortised cost

Financial assets that are assigned to the business model “Hold to collect” and pass the SPPI test are recognised at amortised cost. Costs at the time of acquisition correspond to fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue. Fees that are not a part of effective interest are recognised under “Net commission income/expense” at the time they are collected. In subsequent measurement, the carrying amount is amortised through profit or loss by depreciating transaction costs, premiums and discounts at a constant effective interest rate. Income and expenses for foreign currency, as well as changes in the risk provision, are likewise accounted for in the income statement under this item. Interest components are shown under “Current net income/expense”.

In the W&W Group, this category primarily includes construction loans, registered bonds, bearer bonds and debenture bonds. Receivables from direct insurance business, funds withheld by ceding companies and amounts receivable on reinsurance business are generally recognised at amortised cost. Receivables from direct insurance business from policyholders include acquisition costs recognised as claims against policyholders that were not yet due, which were determined using zillmerisation.

Financial assets at amortised cost are tested for impairment as described in the section “Risk provision – financial assets”.

## Positive market values from hedges

This item includes the positive market values of derivatives that are accounted for as a hedging instrument in accordance with hedge accounting rules. Initial recognition and subsequent measurement take place at fair value.

## Financial liabilities at fair value through profit or loss

Recognised under the item “Financial liabilities at fair value through profit or loss” are the negative market values of derivative financial instruments that are not accounted for as a hedging instrument in connection with hedge accounting.

Changes in fair value and currency translations are recognised in the income statement under “Net measurement gain/loss”. Interest components are shown under “Current net income/expense”.

## Liabilities

This item mainly includes liabilities to customers. Also recognised here are liabilities evidenced by certificates, liabilities to credit institutions, lease liabilities and miscellaneous liabilities.

Liabilities to customers and credit institutions, as well as liabilities evidenced by certificates, are recognised at amortised cost. Costs at the time of acquisition correspond to fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue. Fees that are not a part of effective interest are recognised under “Net commission income/expense” at the time they are collected. In subsequent measurement, the carrying amount is amortised through profit or loss by depreciating transaction costs, premiums and discounts at a constant effective interest rate. Interest components are shown under “Current net income/expense”.

Lease liabilities are measured at the time of initial recognition at the present value of the lease payments not yet made at such time. Thereafter, they are measured at amortised cost, as increased by interest expenses and reduced by the repayment portion of the lease payments that are made.

Miscellaneous liabilities predominantly include liabilities from direct insurance business. These consist of liabilities to policyholders, where premiums are received in advance but are not due until after the reporting date, as well as insurance benefits that have not yet been disbursed, profit participation accrued with interest and unclaimed premium refunds. Also recognised under “Miscellaneous liabilities” are liabilities to insurance agents and liabilities from reinsurance business. These liabilities are recognised in their repayment amount.

## Negative market values from hedges

This item includes the negative market values of derivative financial instruments that are accounted for as a hedging instrument in accordance with hedge accounting rules. Initial recognition and subsequent measurement take place at fair value.

## Subordinated capital

Subordinated capital consists of subordinated liabilities and profit participation certificates. The initial recognition of subordinated capital takes place at fair value. Costs at the time of acquisition correspond to fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue. Fees that are not a part of effective interest are recognised under “Net commission income/expense” at the time they are collected. In subsequent measurement, the carrying amount is amortised through profit or loss by depreciating transaction costs, premiums and discounts at a constant effective interest rate. Interest components are shown under “Current net income/expense”.

## Off-balance-sheet business

### Financial guarantees
Financial guarantees are measured in accordance with the rules in IFRS 9. Accordingly, financial guarantees are recognised at the time of issuance at fair value under “Other provisions”. This normally corresponds to the present value of the counter-performance received for assuming the financial guarantee. Thereafter, the liability is measured in the amount of the provision to be created pursuant to IAS 37 or at the original amount less subsequently recognised amortisation, whichever is higher.

### Irrevocable loan commitments
Irrevocable loan commitments are fixed obligations under which the W&W Group is required to provide loans at predetermined terms. They are carried at their nominal value. If a pending liability under a contractual obligation to a third party is likely on the reporting date, a provision is created under the item “Other provisions”. The risk provision for loan commitments is determined in accordance with the rules in IFRS 9.

## Fair value measurement

The following method is used to calculate the fair values of financial instruments, regardless of the category or class to which the financial instrument is assigned and whether the fair value calculated is used for the accounting measurement or the information in the notes. As a general rule, the class assigned for measuring fair value in accordance with IFRS 13 is the same as the class used for the expanded notes for financial instruments in accordance with IFRS 7. The extension arises through the inclusion of non-current assets classified as held for sale and discontinued operations, as well as, in analogous fashion, liabilities under non-current assets classified as held for sale and discontinued operations, investment property and the provision for future policy benefits for unit-linked life insurance policies, in order to cover the relevant assets and liabilities.

The fair value of a financial instrument is the price that the W&W Group would receive on the measurement date in an arm’s length transaction between market participants for the sale of an asset or that it would have to pay to transfer a liability. Fair value is thus a market-based measurement, not an entity-specific measurement.

The further procedure and the policies for measuring fair value are described in the chapter “Notes concerning financial instruments and fair value” in Note 38.

## Hedge accounting

In connection with the accounting of economic hedging relationships, changes in the fair value of financial assets and financial liabilities in the Group’s Housing division are depicted in dependence on the hedged risk (fair value hedge). In addition, the arrangements in IAS 39 are applied for hedge accounting.

The procedures applied and approaches established in connection with portfolio fair value hedges are consistent with the processes and objectives of the company’s risk management, specifically internal interest rate risk management. The application of portfolio fair value hedge accounting is designed to depict the economic management of interest rate risks in accordance with the economic substance of the hedging relationships in IFRS accounting. The management of these risks is reflected, inter alia, in the way portfolios are created in connection with portfolio fair value hedges, which includes the definition of the hedged risk of the portfolio being created, the definition of the selection criteria for the financial instruments to be included in the respective portfolio, the generation of the associated cash flows per portfolio and allocation in maturity bands to be specified, as well as the identification of those derivatives that, with respect to their market fluctuations caused by changes in interest rates, generate a particularly good offsetting effect.

Fair value hedges are generally used to hedge the change in the fair value of a recognised asset, a recognised liability or a fixed, off-balance-sheet obligation or a precisely described part thereof that is attributable to a precisely defined risk and may have an effect on net income for the reporting period. Each change in the fair value of the derivative used as the hedging instrument is recognised in the consolidated income statement. The carrying amount of the hedged item is adjusted in the income statement by the profit or loss attributable to the hedged risk. When the hedge is terminated, the adjustment made to the carrying amount of the hedged item is amortised over the residual term to maturity, if applicable. Hedges are concluded for a term in line with their respective hedging purpose. Whereas hedging instruments at the individual transaction level are as a rule agreed upon for a longer designation period, those at the portfolio level are usually tied to a calendar month. One-month hedge periods for hedging at the portfolio level may mean that when the designation period expires at the end of month, fewer hedged items are designated than during the hedge periods.

The cumulative changes in the fair value of the portfolio of financial assets that are attributable to the hedged risk are recognised as a separate sub-item “Portfolio hedge adjustment” under the balance sheet item “Financial assets at amortised cost” on the assets side and under the balance sheet item “Liabilities” on the liabilities side. The respective sub-item involves a measurement item from the interest-rate-based measurement of hedged items designated in connection with the portfolio fair value hedge. The change in the hedged item in relation to the hedged risk is recognised here. In addition, the market-fluctuation component allotted to the hedged risk is recognised in “Net measurement gain/loss” in the income statement.

When entering into a hedge in accordance with the hedge accounting rules under IAS 39, the hedged item and the hedging instrument are unambiguously stipulated in formal documentation. This documentation also contains statements about the hedged risk, the objective of the hedge and the rhythm and form of initial and subsequent measurement of effectiveness.

Effectiveness is prospectively measured at the beginning of the hedge. For portfolio fair value hedges, this is undertaken in accordance with the dollar offset method on the basis of interest rate scenarios for each portfolio (market data shifts). In the process, the relevant interest rate curves are adjusted by +/- 100 basis points, and effectiveness is then measured. In doing so, it is assessed whether the ratio created for the hedge adjustments to the hedged item and the hedging instrument, which are calculated from simulated changes in value, satisfies the effectiveness criterion. In accordance with IAS 39 AG 105, a hedge is regarded as prospectively effective if can be expected that it will offset changes in the fair value of the hedged item and the hedging instrument that are attributable to the hedged risk during the period for which the hedge is designated and if the actual fluctuation in value, i.e. the created ratio, is within a range of 80-125%.

The retrospective effectiveness test is performed on the basis of the change in the market interest rate per portfolio that actually occurred during the period for which the hedge was designated. Here as well, the dollar offset method is applied. In doing so, it is tested whether the ratio created for the hedge adjustments to the hedged item and the hedging instrument, which are calculated from changes in value during the period, satisfies the effectiveness criterion explained above. If the ratio is within a range of 80-125%, the hedge is also regarded as retrospectively effective.

Effectiveness is determined at the end of each month. The corresponds to the length of one-month hedge periods and applies to both the prospective and the retrospective view. As a rule, a hedge is ineffective if the changes in the value of the hedged item and the hedging instrument fall outside of the tolerance range. This would be the case, for example, if a hedged item is eliminated because of an impairment or if actual remeasurements deviate from expected remeasurements within a maturity band. Existing portfolio fair value hedges serve to reduce the risk of changes in interest rates. The so-called “remaining-term-to-maturity effect” is not a component of the hedged risk. Interest rate swaps are the only hedging instruments used to hedge the risk of changes in interest rates in the form of value losses due to a changed interest rate level. The main hedged items were construction loans, registered bonds, debenture bonds and term deposits.

Hedge accounting ceases when the conditions for doing so are no longer met. The monthly newly designated portfolio fair value hedge was ineffective in September 2022. This was due to early termination of interest rate swaps used to manage the interest rate book as a result of the sharp rise in interest rates and volatile market environment. Interest derivatives still in the portfolio were again recognised at market value, while the fair value hedge adjustment for the hedged items of €30.1 million was eliminated on account of the ineffective portfolio fair value hedge.

Given the sharp rise in interest rates combined with highly volatile interest rates, amortisation of the separate line items from the portfolio fair value hedge for the hedged items was retrospectively adjusted for the entire 2022 financial year in the second half of 2022. Cash flow changes due to changes in interest rates for hedged items still included in the portfolio are no longer taken into account in amortisation. The single line items are reversed on a straight-line basis. The adjustment of amortisation was not yet complete as at 30 June. After the adjustment of amortisation, amortisation expense is €33.9 million lower than in 2021. The half-year result was understated by €23.7 million.

## Risk provision – financial assets

The model for determining risk provision under IFRS 9 is based on expected credit losses and is therefore also referred to as the expected credit loss model. This model requires estimates regarding the extent to which the expected credit losses are affected by changes in economic or macroeconomic factors. This estimate is made on the basis of weighted probabilities.

IFRS 9 regulations on risk provision are applied to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income and loan commitments and financial guarantees issued. For assets measured at amortised cost, the risk provision is recognised directly in the risk provision item for the respective statement of financial position item. For assets measured at fair value through other comprehensive income, the risk provision is recognised through profit or loss by adjusting the reserve for financial assets at fair value through other comprehensive income (OCI). The risk provision for off-balance sheet transactions is recognised through profit or loss as an other provision. This risk provision is calculated in line with the calculation of the risk provision of financial assets. Financial assets at fair value through profit or loss and equity instruments not subject to any credit risk are not covered by the IFRS 9 risk provision model.

Under IFRS 9, the risk provision is determined using a three stage approach. In stage 1, impairment at the time of initial recognition is determined on the basis of 12-month credit defaults. These are expected credit losses due to potential default events within 12 months of the reporting date. If the credit risk (not accounting for securities) has increased significantly as at the measurement date, the financial asset is transferred from stage 1 to stage 2 unless a default event occurs. In stage 2, valuation is based on potential default events over the remaining term of the financial asset (lifetime perspective). If defaults occur over the course of time and thus there are objective indications of credit impairment, the asset is assigned to stage 3. Impairment in stage 3 is calculated in line with stage 2 impairment on the basis of the lifetime perspective, taking account of the certain occurrence of a default event. In stages 1 and 2, interest income is calculated on the basis of the gross carrying amount; in stage 3 interest income is calculated based on the gross carrying amount less the risk provision. The impact of the war in Ukraine on the risk provision is discussed in detail in the respective section.

It is essentially assumed that contracts in the customer lending business where payment is delayed by 30 or more days are deemed to have a significantly higher credit risk and are allocated to stage 2. This presumption was rebutted only for a small share of the total portfolio, which was still assigned to stage 1 despite being more than 30 days past due.

**Significant decrease in credit rating**

In the lending business, the change in the probability of default (PD) is used to carry out a quantitative assessment of whether the credit rating has experienced a material decrease since first-time recognition. The quantitative assessment criterion for a decrease in the credit rating is an actual reduction in the internal credit rating for the borrower's contract in question, which is used in the internal assessment of default risk. In addition to empirical values and credit ratings, forward-looking macroeconomic information is also taken into account here on a quantitative basis. This macroeconomic information is generally used based on qualitative considerations in risk management or technical considerations to determine the point-in-time components. Within the meaning of the true and fair view, there is a demonstrated link, which is also considered when determining the risk provision under IFRS 9, between the relevant forward-looking information and the relevant risk parameters. Further details can be found in the section Modelling the point-in-time components.

In the case of building loans, the portfolios are assigned to an internal rating class using a scoring method. Each rating class is associated with a probability of default. At the acquisition date, they are allocated to a rating class using application scoring. Over time, the change in credit quality is reviewed by way of behavioural scoring and the portfolio is assigned to the respective rating class. The question of whether there has been a significant decrease in the credit rating is determined based on the relative change in the probability of default. In addition, a qualitative criterion in the form of the need for forbearance measures is used when ascertaining a significant decrease in the credit rating. Further details can be found in the section "Concessions and renegotiations (forbearance measures)".

In the case of securities, this is based on the external issuer rating and other criteria, such as a change in price (average price for the last six months is permanently 20% lower than the carrying amount, average price for the last 12 months is permanently 10% lower than the carrying amount). Securities with an investment grade issuer ranking are assigned to stage 1. They are transferred to stage 2 if the rating changes from investment grade to non-investment grade. If, in addition to the significantly higher credit risk, there are objective indications that a security is impaired or the issuer experiences a default event, the security is transferred to stage 3.

It is allocated to stage 3 if the impairment trigger or the regulatory definition in accordance with Article 178 CRR is met. In accordance with this, the following criteria are used:

- the W&W Group considers it unlikely that liabilities to the W&W Group will be settled in full without the W&W Group having to take measures such as liquidating securities, and/or
- the receivable is more than 90 days past due.

A write-off is the direct reduction in a financial asset's gross carrying amount due to impairment by the amount that is expected to be uncollectible. A write-off results in the (partial) derecognition of an asset. A write-off is generally recognised only when the remaining receivable is considered uncollectible after successfully liquidating the securities. This amount generally represents the utilisation of a previously recognised risk provision.

The W&W Group does not have any material financial assets that were already impaired upon initial recognition.

**Measurement of the expected credit risk/loss**

To determine the expected credit loss/expected credit risk, the W&W Group uses a model based on parameters for the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). The expected credit risk is calculated based on existing (one-year) parameters that are used to determine the minimum capital requirement for credit institutions under the internal ratings-based approach (IRB) and adjusted for the requirements of IFRS 9 (e.g. multi-year horizon in the sense of a remaining term perspective and inclusion of macroeconomic factors). As part of this, existing one-year models are used and the term-dependent probability of default is approximated using one-year PDs. The central feature for determining multi-year, conditional PD profiles is the 12-month/one-year default indicator.

In the lending business, probability of default (PD) is calculated using an internal rating system. Within the W&W Group, each loan is assigned a probability of default based on a master scale. The rating is based on specific customer behaviour, taking into account factors such as general customer behaviour (e.g. income, family status), external data (e.g. Schufa information) and payment history.

As part of determining the parameters for calculating the exposure at default (EAD), the contractually agreed payments of interest and principal and optional special repayments are modelled for all products.

When determining the expected percentage loss at the time of default (LGD), multi-year parameters are modelled on the basis of features that vary over time. As well as the EAD stated, these features that vary over time comprise, for example, securities or loan-to-value ratios. Here, a point-in-time component is modelled to recognise macroeconomic effects on the loss ratio. The price index for existing residential properties is relevant for real securities, whereas non-real securities reference the long-term ten-year interest rate for German government bonds. Further details can be found in the section Modelling the point-in-time components.

Cash flows must also be discounted when determining a risk provision under IFRS 9. The effective interest rate is used as the discount factor.

### Modelling the point-in-time components (forward-looking information)

Models of point-in-time components should cover forecasts of future economic changes as well as past and current information. Due to the multi-year horizon of these components, information on expected future economic development must therefore be taken into account when assessing the default risk of a loan. Using the macroeconomic factors, forecasts extend up to a maximum of three years into the future.

Making a forward-looking correction of this nature constitutes an adjustment of the probability of default (PD). This forward-looking perspective requires including forecasts of the economic factors relevant to the default rate. First, the effect of the relevant macroeconomic factors on the default rate is determined. The point-in-time correction of the probability of default is then based on the forecast for this default rate. Accordingly, a contract-specific point-in-time corrected settlement LGD is also modelled.

In the customer lending business, the change in the probability of default in relation to macroeconomic factors depends chiefly on the change in the unemployment rate and nominal GDP growth. The probability of default and, in turn, the risk provision, tends to increase when the unemployment rate rises or nominal GDP growth declines. In the customer lending business, the amount of the expected percentage loss in the case of default in relation to macroeconomic factors depends chiefly on developments in the price index for existing residential properties and developments in the ten-year interest rate for German government bonds. The expected percentage loss at the time of default and, in turn, the risk provision, tends to increase if the price index for existing residential properties falls or the long-term ten-year interest rate for German government bonds increases.

The model for calculating the risk provision requires estimates regarding the extent to which the expected credit losses are affected by changes in macroeconomic factors. The forecast for the macroeconomic factors relevant to determining the IFRS 9 risk provision in the individual scenarios was essentially based on internal company planning and the availability of data for the forecasts.

The following scenarios were considered as at 31 December 2022 to calculate the risk provision under IFRS 9 and its sensitivity in the customer lending business. For the base scenario, in light of the coronavirus pandemic and ESMA requirements GDP growth was smoothed out in the first half of 2022 in order to use stable macroeconomic factors. This was no longer necessary in the second half of the year and so the same parameters as in the data were used as at the reporting date. The specific features of the alternative scenarios took account of the latest developments after the reporting date, including the war in Ukraine, and were based on the macroeconomic forecasts. Actual developments may differ from these assumptions as a result of how the war in Ukraine progresses moving forward.

### Forecast of relevant macroeconomic factors in the ...

| | Basis scenario | Alternative scenario – optimistic | Alternative scenario – pessimistic |
|---|---|---|---|
| Price index for existing residential properties[1] | 207.9 | 224.9 | 190.9 |
| Unemployment rate in %[2] | 3.5 | 2.9 | 3.7 |
| Nominal GDP growth in %[3] | 4.8 | 5.5 | 3.5 |
| Long-term ten-year interest rate for German government bonds in %[4] | 2.5 | 3.0 | 1.9 |

1 Base year = 2010, quarterly data from the German Federal Statistical Office forecast over three years
2 Quarterly OECD data forecast over one year
3 Quarterly OECD data forecast over one year
4 Quarterly OECD data forecast over two years.
The macroeconomic factors listed above relate to Germany.

The risk provision in accordance with IFRS 9 in the customer lending business is based exclusively on the base scenario. The risk parameters modelled in the base already account for various model scenarios (including default, no default, recovery and settlement) within the meaning of IFRS 9. In addition, the model data base used covers different economic cycles. In addition, macroeconomic factors are used for the point-in-time correction that result from the weighting of various future economic developments. A purely model scenario-weighted calculation of the risk provision in the customer lending business, taking into account the probability of the individual scenarios occurring, would not result in any material effects on the IFRS 9 risk provision recognised.

In terms of capital investments, risk parameters are derived based on information from ratings agencies and the capital markets, especially when deriving multi-year default parameters taking account of internal measurement yield curves and empirical (multi-year) default rates of unsatisfied bonds, which are regularly published by the rating agencies. Information from ratings agencies is also used when modelling multi-year parameters for the loss given default (LGD). Probabilities of default are adjusted for forward-looking macroeconomic factors in the form of a correction factor based on market-implied probabilities of default, as the macroeconomic factors listed above are implicitly included in the risk provision calculation by way of market participant expectations. This correction factor describes the relationship between current and the long-term capital market investor expectations of debtors' credit ratings, based on the credit spread. If this is greater than 1 in the pessimistic alternative scenario (less than 1 in the optimistic alternative scenario), the capital market assumes a higher (lower) probability of default for an issuer, which then has a corresponding impact on risk provision in line with the correction factor.

In the pessimistic alternative scenario, the risk provision under IFRS 9 for the W&W Group would rise by a total of €59.2 million as at 31 December 2022 for customer lending business and capital investments. In the optimistic alternative scenario, it would decline by €16.5 million for both areas.

## Concessions and renegotiations (forbearance measures)

In justified exceptional cases, restructuring agreements are reached with customers. These agreements generally provide for a temporary or permanent reduction in payments of principal with an extended total loan term, which ultimately should end in full repayment. In addition, they include adjusting interest rate conditions to account for the new repayment conditions and generally defer previous interest receivables.

These concessions can be granted to the borrower due to current or expected financial difficulties and generally include favourable conditions for the borrower compared to the original agreement. To identify these exposures at an early stage, the W&W Group regularly reviews all loan exposures to assess whether there are any indications the borrower is in financial difficulties. In particular, dunning-related arrears constitute objective evidence of financial difficulties for the borrower.

Prior to these restructuring and deferral measures, the customer's credit rating is re-reviewed on the basis of current economic circumstances. Measures adopted in the past are included in the decision-making process.

Forbearance measures impact the assignment of stages under IFRS 9. In line with the forward-looking approach to risk provision under IFRS 9, the quantitative criteria for a stage transfer are expanded to include the qualitative transfer criterion with regard to forbearance measures put in place. This ensures that all forbearance measures result in a transfer from stage 1 to stage 2 under IFRS 9.

Loan exposures with a positive credit rating, taking into account an annuity reduction, and that have not previously defaulted are directly changed over to the new repayment conditions. The effects of the modifications made were not material for the W&W Group in the current financial year (non-substantial modifications).

Nonetheless, despite carefully reviewing the credit rating and the targeted measures taken, another default cannot be ruled out. The customer's credit rating will then be re-reviewed on the basis of the new economic circumstances.

In the case of a negative credit rating or a credit default, a decision is made as to whether it seems appropriate, under the circumstances, to restructure the existing loan or even reschedule it as a new loan. Otherwise, the settlement process for defaulting loans is initiated.

The loan receivable is derecognised if no further payments are expected from the liquidation of the existing securities or from the debtor.

## Other items

### Non-current assets held for sale and discontinued operations

A non-current asset is classified as held for sale if the associated carrying amount is to be realised primarily through a sale and not through continued use.

Such assets are recognised in the balance sheet under the item “Non-current assets classified as held for sale and discontinued operations”. Associated liabilities are recognised in the balance sheet under the item “Liabilities under non-current assets classified as held for sale and discontinued operations”. Income and expenses from individual assets held for sale or disposal groups are not recognised separately in the income statement but instead are included under the normal items.

Non-current assets that are classified as held for sale are recognised at the carrying amount or at fair value less costs of disposal, whichever is lower. If the carrying amount is higher than fair value less costs of disposal, the amount of the difference is recognised as a loss for the relevant period. Assets held for sale are not subject to scheduled depreciation.

Costs of disposal mean the additionally incurred costs that are directly attributable to the sale of an asset (or a disposal group), with the exception of financing costs and the income tax expense.

The criteria for classifying an asset as held for sale are considered met only if the sale is very likely and the asset or the disposal group can be immediately sold in its current condition. In principle, it may be expected that the planned sale will take place within one year of the time of classification.

### Investment property

The item “Investment property” consists of land and buildings, as well as right-of-use assets under leases (compare section “Lease”, that are held for the purposes of generating rental income and/or appreciation in value.

Investment property is measured at acquisition or production cost, as reduced by scheduled use-related depreciation and, where applicable, impairment losses (cost model).

Each part of a property with an acquisition value that is significant in relation to the value of the entire property is subjected to separate scheduled depreciation. In so doing, a distinction is made, at a minimum, between shell construction and interior outfitting/technical systems.

The individual useful lives of shell construction and interior outfitting/technical systems are estimated by architects and engineers in the property division of the W&W Group. For shell construction, the maximum useful life is estimated to be 80 years (previous year: 80 years) for residential properties and 50 years (previous year: 50 years) for commercial properties, whereas for interior outfitting/technical systems, the maximum useful life is estimated to be 25 years (previous year: 25 years).

Shell construction and interior outfitting/technical systems are subjected to scheduled depreciation on a straight-line basis over the expected remaining useful life. Right-of-use assets from investment property are depreciated on a straight-line basis over the expected useful life of up to 99 years (previous year: 99 years). In this regard, the expected useful life corresponds to the contract term.

Investment property is tested for impairment in two steps. First, it is examined whether there is evidence of impairment on the reporting date. If this is the case, the anticipated recoverable amount is determined as the net realisable value (fair value less costs of disposal). If this value is less than amortised cost, an impairment loss is taken in the corresponding amount. In addition, it is examined on the reporting date whether there is evidence that an impairment loss taken for investment property in earlier periods no longer exists or might have declined. If this is the case, the recoverable amount is likewise determined and, if appropriate, the carrying amount is modified to reflect the recoverable amount, paying regard to amortised cost.

The fair value of investment property is essentially determined using the discounted cash flow method, with deposits and withdrawals planned in detail. In this regard, significant non-observable inputs are used, for which reason this method for investment property is allocated to Level 3 in the measurement hierarchy for determining fair value.

In connection with determining fair value, expected future cash inflows (rents, other revenues) and cash outflows (maintenance, non-apportionable operating expenses, vacancy costs, costs for re-leasing) are discounted to present value for a 10-year forecast period and planned in detail.

Cash inflows and outflows are considered on an individual basis, i.e. each lease and each construction measure is planned separately. Likewise, vacancy periods, real estate agent costs, etc. in the commercial area are viewed separately for each rental unit. With regard to residential properties, market-based assumptions about the change in the average rents of all residential units over the forecast period are taken as a basis. Because residential units are similar, we dispense with individual planning.

In particular, the following significant non-observable inputs are used:

- The adjusted capitalisation interest rate of a risk-free financial investment, plus a risk premium, is used as the internal interest rate. The risk premium for properties ranged from 174 basis points (previous year: 267 basis points) for, for example, residential properties in top locations to 593 basis points (previous year: 639 basis points) for, for example, retail locations and sites without any discernible advantages/strengths. This resulted in an adjusted capitalisation interest rate of between 3.24% (previous year: 2.49%) and 7.43% (previous year: 6.21%), although the range may vary in some cases due to special aspects of the property or location.
- An inflation rate of 2.75% (previous year: 1.50%) p.a. is used as the basis for determining rent increases and changes in average rents in the forecast period. For commercial properties, this is the basis used to make a property-specific, contractually conforming forecast of rent trends independent of location, site, building age and type of use. For residential properties, the basis used is the anticipated change in comparable local rents. In addition, on the basis of past experience, an assumption is made as to the frequency of tenant turnover p.a. for newly rented residential units. In the area of residential properties, it is assumed that rents could be expected to increase by 1.00% (previous year: 1.00%) to 2.75% (previous year: 2.00%) on average.

Investment property is initially valued using outside appraisers. Thereafter, it is valued on an ongoing basis by commercial and technical employees (portfolio managers, controllers, architects and engineers) from the property department. Management's assumptions are taken into consideration in making valuations. With property investments under outside management, fair value is normally determined by outside appraisers. Property fair values shown in the notes to the consolidated financial statements were likewise determined using the above-described method.

## Reinsurers' portion of technical provisions

The reinsurers' portion of technical provisions is recognised in the balance sheet on the assets side.

All reinsurance contracts concluded by W&W Group companies transfer significant insurance risk, i.e. they are insurance contracts within the meaning of IFRS 4. The reinsurers' portion of technical provisions is determined from gross technical provisions in conformity with the contractual terms (see also the notes on the corresponding liability items). The reinsurers' portion of technical provisions is tested for impairment on each reporting date.

## Intangible assets

Allocated to the item "Intangible assets" are software, brand names, copyrights and other intangible assets. An intangible asset must satisfy the following requirements: (a) it must be an asset, (b) it must be identifiable, (c) it must be devoid of any physical substance and (d) it must have a non-monetary character.

All intangible assets exhibit a limited useful life, are measured at amortised cost (cost model) and are amortised on a straight-line basis over their estimated useful life.

Internally developed software from which the Group is likely to receive a future economic benefit and that can be reliably measured is capitalised at its production cost and amortised on a straight-line basis over its estimated useful life. Production costs for internally developed software consist of all directly attributable costs that are necessary for developing and producing the respective asset and preparing it in such a way that it is capable of operating in the manner intended.

Research and development costs that are not required to be capitalised are treated as an expense in the period. If the acquisition or production of software takes longer than one year, the directly attributable borrowing costs incurred up to completion are capitalised as a component of the production costs for the qualified asset.

As a general rule, internally developed and acquired software is amortised on a straight-line basis over a period three to five years (previous year: three to five years). Brand names are amortised on a straight-line basis over a useful life of 20 years (previous year: 20 years), and other acquired intangible assets are amortised on a straight-line basis over a useful life of at most 15 years (previous year: 15 years).

Scheduled amortisation of and impairment losses taken for intangible assets are recognised as general administrative expenses under the item “Depreciation/amortisation”.

## Property, plant and equipment

Recognised under “Property, plant and equipment” are property for own use, plant and equipment and right-of-use assets. Property for own use means land and buildings used by Group companies. Additional accounting policies concerning right-of-use assets can be found in the section “Leases”.

Property, plant and equipment is measured pursuant to the cost model at acquisition or production cost, as reduced by scheduled use-related depreciation and, where applicable, impairment losses.

Property for own use is measured using the same valuation methods that apply to the recognition of investment property. Reference is therefore made to the corresponding comments. Right-of-use assets from property for own use are depreciated on a straight-line basis over a period of up to 12 years (previous year: 12 years).

Plant and equipment is subject to scheduled depreciation on a straight-line basis over the estimated useful life. Useful life normally amounts to up to 13 years (previous year: 13 years) but in some cases may extend to up to 50 years (previous year: 50 years). Right-of-use assets – plant and equipment are depreciated on a straight-line basis over the useful life of up to 15 years (previous year: 15 years). Acquired EDP equipment is depreciated on a straight-line basis over its estimated useful life, normally up to at most seven years (previous year: seven years).

Economic useful life is regularly reviewed in connection with preparation of the financial statements. Modifications that need to be made are recognised as a correction to scheduled depreciation over the remaining useful life of the respective asset.

In addition, as at each reporting date, it is reviewed whether there is evidence of impairment to the corresponding asset. If this is the case, impairment is determined by comparing the carrying amount with the recoverable amount (fair value less costs of disposal or value in use, whichever is higher). If an item of property, plant and equipment does not generate cash flows that are largely independent of cash flows from other items of property, plant and equipment or groups of property, plant and equipment, impairment is tested not on the level of the specific item of property, plant and equipment but rather on the level of the cash-generating unit to which the item of property, plant and equipment is to be allocated. If it is necessary to take an impairment loss, it corresponds to the amount by which the carrying amount exceeds the recoverable amount for the item of property, plant and equipment or, if applicable, for the cash generating unit, whichever is lower. If fair value less costs of disposal cannot be determined, the recoverable amount corresponds to the value in use. The value in use is determined as the present value of forecast cash flows from continued use. Once there is evidence that the reasons for taking the impairment loss no longer exist, it is tested for reversal.

Scheduled depreciation of and impairment losses taken for property for own use and plant and equipment are recognised as general administrative expenses under the item “Depreciation/amortisation”.

## Inventories

Inventories are recognised at acquisition or production cost or at net realisable value, whichever is lower.

Production costs are determined on the basis of individual costs and directly attributable overhead costs. The scope of production costs is determined by the costs expended up to the point of completion and readiness for use (total costs of-conversion approach). Acquisition and production costs for non-interchangeable and special inventories are determined by specific allocation. Certain acquisition and production costs for interchangeable inventories are determined according to the first-in, first-out (FIFO) method or the weighted average cost method.

Net realisable value corresponds to the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## Leases

A lease is a contract or part of a contract that entitles the lessee to control the use of an asset for a period of time in exchange for consideration. At inception of a contract, it must be assessed whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 is not applied to intangible assets.

**W&W Group as lessee**
As a rule, a right-of-use asset and a lease liability are recognised in the consolidated balance sheet on the commencement date. Recognised right-of-use assets are depreciated on a straight-line basis until the end of the contract according to the same principles applicable to other comparable assets owned by the W&W Group (cost model). Recognised right-of-use assets are tested for impairment as at each reporting date. If the recoverable amount of the right-of-use asset is less than its carrying amount, an impairment loss is taken. If the reasons for taking the impairment loss no longer exist, it is tested for reversal. Scheduled depreciation and impairment expenses are recognised in the sub-item "Depreciation/amortisation" under "General administrative expenses".

The lease liability is measured at amortised cost using the effective interest method. In addition, the present value is calculated on the basis of the lease payments for the right to use the underlying asset that have not yet been made, which are discounted using the interest rate implicit in the lease. As that rate cannot be readily determined, we use our incremental borrowing rate, which is determined on the basis of an alternative borrowing in the form of an observable return over a period that corresponds to the term of the relevant lease. In addition, the lessee's credit default risk is taken into account in the interest rate, paying regard to term and creditworthiness.

Lease payments are divided into financing costs and a repayment portion, whereby the financing costs are recognised as an expense under "Current net income/expense" (interest expenses under "Net interest income/expense"). The repayment portion reduces the financial liability.

The W&W Group recognises its right-of-use assets in the same balance sheet item in which its own underlying assets are recognised, i.e. under "Property, plant and equipment" and under "Investment property".

Lease liabilities are recognised under "Liabilities" as a separate sub-item in the consolidated balance sheet.

Short-term leases with a term of up to one year, as well as leases whose underlying asset is of low value, are recognised as a general administrative expense in the income statement on a straight-line basis over the lease term.

### W&W Group as lessor

Every lease is classified by the lessor either as an operating lease or a finance lease. Lease classification is made at the inception date and is reassessed only if there is a lease modification.

The lessor classifies a lease as a finance lease if essentially all risks and opportunities associated with ownership are transferred to the lessee. The leased asset held at the time of contract conclusion is derecognised, and a receivable from the lessee in the amount of the net investment in the lease is recognised under “Other receivables”. Payments of lease instalments are to be broken down into receivable amortisation and financial income. The derecognition and impairment rules of IFRS 9 are applied to the receivable.

If the lessor classifies a lease as an operating lease, the assets underlying the lease are recognised in the corresponding balance sheet item, irrespective of the characteristics of these assets. Income from operating leases is generally recognised in the item “Other current net income” on a straight-line basis over the lease term. Costs, including depreciation, incurred in connection with operating leases are recognised as an expense in the item “Other current net income/expense” in the consolidated income statement. The depreciation rates for depreciable leased assets are consistent with those for similar assets. Recognised leased assets are tested for impairment as at each reporting date. If the reasons for taking the impairment loss no longer exist, it is tested for reversal.

## Current tax assets, deferred tax assets, current tax liabilities and deferred tax liabilities

Current tax assets and liabilities are recognised in the amount that is most likely or corresponds to the expected value. Deferred tax assets and liabilities are created because of temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet drawn up pursuant to IFRS and the tax carrying amounts pursuant to local tax rules of the Group companies. Deferred taxes are calculated at the respective country-specific tax rates that are in effect or that have been announced as at the reporting date. Deferred tax assets are recognised for tax loss carryforwards to the extent that, in accordance with planning calculations, it is probable that they can be utilised in the future. Deferred tax assets from temporary differences and loss carryforwards are tested for impairment as at each reporting date. Deferred tax assets and deferred tax liabilities are shown netted.

## Technical provisions

### General

Technical provisions are recognised on the liabilities side in gross amounts, i.e. before deduction of the reinsurers’ portion of technical provisions. The reinsurance portion is determined in accordance with contractual reinsurance agreements and recognised separately on the assets side.

All insurance contracts concluded by W&W Group companies transfer significant insurance risk, i.e. they are insurance contracts within the meaning of IFRS 4.

Pursuant to IFRS 4.14 (a), liabilities may not be recognised for claims equalisation provisions to be created in property and casualty insurance according to national rules or for provisions similar to claims equalisation provisions.

Provisions are created for assumed reinsurance business according to the information provided by the prior insurer. If such information is unavailable, the provisions are determined from data available to us. In the case of co-insurance and pools in which direction is in the hands of outside companies, the same approach is taken.

The provision for unearned premiums corresponds to that portion of written premiums that constitutes income for a certain period of time after the reporting date. For each insurance contract, the provision for unearned premiums is accrued either to the precise day or to the precise month. The provision for unearned premiums in transport insurance in the area of property/casualty insurance is recognised under the item “Provision for outstanding insurance claims”.

## Life insurance

The provision for future policy benefits is determined according to actuarial principles for each contract prospectively, taking into account the month of commencement, as the present value of future guaranteed insurance benefits, less the present value of future premiums. Future administrative costs are mainly taken into account implicitly.

For times when no premiums are paid, a provision for administrative costs is created within the provision for future policy benefits. It is currently deemed to be sufficiently high. With unit-linked life and annuity insurance, only contingent guarantee components are recognised in the provision for future policy benefits.

In the case of insurance policies with regular premium payments, acquisition costs are explicitly recognised using zillmerisation. To the extent permitted, claims that are not yet due are recognised under “Receivables from policyholders”.

The applied actuarial interest rate and the biometric actuarial bases correspond to those that also form part of the calculation of premium rates. Interest rates ranged from 0.0% (previous year: 0.0%) to 4.0% (previous year: 4.0%). Exceptions to this are explained in the following sections. The average actuarial interest rate for the provision for future policy benefits was 1.48% (previous year: 1.49%), taking into account the created additional interest reserve/interest rate reinforcement. The standard industry tables recommended by the German Association of Actuaries (DAV) are used for the biometric actuarial bases. In exceptional cases, tables based on our own past experience are used.

As a result of European case-law, only so-called “unisex rates” have been permitted to be offered since 21 December 2012, which are calculated in a gender-neutral manner. For this purpose, the company uses its own, gender-neutral biometric actuarial bases, which are derived from the gender-neutral tables recommended by the DAV.

For insurance policies for which an actuarial interest rate was originally used that is no longer appropriate under Section 341f (2) of the German Commercial Code (HGB), the provision for future policy benefits in the new portfolio was determined for the period of the next 15 years using the reference interest rate of 1.57% (previous year: 1.57%) specified in Section 5 (3) of the German Regulation on Calculation of the Provision for Future Policy Benefits (DeckRV) and thereafter using the original actuarial interest rate. In the old portfolio, interest reinforcement was created pursuant to the business plan in a manner analogous to the additional interest reserve. For this purpose, a measurement interest rate of 1.57% (previous year: 1.57%) was used for the insurance policies of Württembergische Lebensversicherung AG, and a measurement interest rate of 2.10% (previous year: 2.11%) was used for ARA Pensionskasse AG. In calculating interest reinforcement and the additional interest reserve, likelihoods of cancellation and capital disbursement are in some cases taken into account that are specific to each company. In the case of endowment insurance policies of Württembergische Lebensversicherung AG, the mortality table DAV 2008 T was, in addition, used as the reserve level.

In order to take increased life expectancy into account with regard to annuity insurance, an additional provision for future policy benefits was created. Current mortality studies of annuity insurance have shown that the safety margins built into the original actuarial bases no longer meet the actuarial safety requirements. In order to maintain an appropriate safety level going forward, the safety margin was bolstered in the 2022 financial year in accordance with DAV recommendations as part of the ongoing review of trend assumptions, and the provision for future policy benefits for pensions was increased. This was based on the DAV-developed mortality tables DAV 2004 R-Bestand (at the rate of 2/20) and DAV 2004 R-B20 (at the rate of 18/20), on entity-specific probabilities of capital disbursements and on the principles for calculating the provision for future policy benefits that were published by the German Federal Financial Supervisory Authority (BaFin) in January 2005.

(Supplemental) occupational disability insurance policies were collectively compared against the currently valid DAV actuarial bases. An additional provision for future policy benefits was not created.

For supplemental long-term care annuity insurance policies, actuarial bases are used that are deemed sufficient pursuant to the guideline “Reserving for (supplemental) long-term care annuity insurance policies in the portfolio” enacted by the DAV in the 2008 financial year.

The actuarial bases used for calculating the provision for future policy benefits are reviewed annually for sufficient safety margins, taking into consideration the actuarial bases recommended by the DAV and BaFin and the observable trends in the portfolio. The explanatory report by the responsible actuary pursuant to Section 141 (5) No. 2 and No. 4 sentence 2 of the German Act on the Supervision of Insurance Undertakings (VAG) demonstrates that all actuarial bases were selected with sufficient caution pursuant to regulatory and commercial law provisions.

The provision for outstanding insurance claims is created for future payment obligations that result from insurance claims that occurred on or before the reporting date but have not yet been settled. It also contains anticipated claim adjustment expenses. The amounts and disbursement times of insurance benefits are still uncertain.

The provision for insurance claims that have already been reported by the reporting date is generally determined separately (separate measurement). For insurance claims that had already occurred by the reporting date but were still unknown, a provision for late outstanding claims is created, whose amount is determined on the basis of operational experience in past years.

The provision for premium refunds consists of two parts. Assigned to the first part – the provision for premium refunds (premiums allocated according to commercial law rules) – is the portion of each insurance company's net profit that is attributable to policyholders. The second part of the provision for premium refunds – the provision for deferred premium refunds – contains the portions of the cumulative measurement differences between the annual financial statements of the individual companies under the HGB and the consolidated financial statements pursuant to IFRS that are attributable to policyholders. These temporary measurement differences are included in the provision for deferred premium refunds at the rate of 90% (previous year: 90%) at which policyholders participate at a minimum upon realisation.

Württembergische Lebensversicherung AG recognised deferred tax assets in accordance with HGB for the first time in the reporting year, which also had an effect on the deferred provision for premium refunds. Under IFRS, deferred taxes were also recognised in the past on the differences between the financial and the tax accounts. Based on the fact that the policyholders implicitly also participate in future effects from the tax, a deferred provision for premium refunds was recognised to offset this. As Württembergische Lebensversicherung AG now capitalises deferred taxes that were already recognised in the IFRS consolidated financial statements in accordance with IAS 12 under HGB, the deferred provision for premium refunds was to be released.

Technical provisions in the area of life insurance, insofar as the investment risk is borne by policyholders, are determined for each individual contract using the retrospective method. In this regard, unless they are used for the purposes of financing guarantees, received premiums are invested in fund units. The risk and cost components are withdrawn from the fund balance on a monthly basis, where applicable subject to offsetting against the corresponding surplus components. The carrying amount of this item corresponds to the carrying amount of capital investments for the account and risk of holders of life insurance policies under the item “Financial assets at fair value through profit or loss”.

In the case of unit-linked annuity insurance policies for which the guarantees are depicted as part of a dynamic hybrid concept, recognised as the provision for future policy benefits is the total of fund units and investments in other assets, but at least the prospectively calculated provision for the guarantee benefit.

### Health insurance

In health insurance, the average actuarial interest rate for the provision for future policy benefits was 2.09% (previous year: 2.11%). The mortality tables published by BaFin are used for the biometric actuarial bases. In calculating the provision for future policy benefits in health insurance, assumptions are made about probabilities of withdrawal and about current health costs and those that increase with age. These assumptions are based on our own experience and on reference values ascertained industry-wide. The actuarial bases are reviewed on a regular basis in connection with premium adjustments and are then adjusted where applicable with the consent of the trustee.

In health insurance, provisions for outstanding insurance claims are extrapolated on the basis of claims made during the reporting year. The extrapolation is based on the average ratio of claims made in the previous year to those made in the three financial years preceding the reporting date.

In health insurance, the provision for premium refunds consists of two parts. Assigned to the first part – the provision for premium refunds (premiums allocated according to commercial law rules – is the portion of net profit that is attributable to policyholders and not directly credited. The minimum statutory requirements are observed in connection with this allocation. The second part of the provision for premium refunds – the provision for deferred premium refunds – contains the portions of the cumulative measurement differences between the annual financial statements of the health insurer under national law and the consolidated financial statements pursuant to IFRS that are attributable to policyholders. These temporary measurement differences were included in the provision for deferred premium refunds at the rate of 80% (previous year: 80%) at which policyholders participate at a minimum upon realisation.

In health insurance, other technical provisions include, in particular, the provision for cancellations. It is calculated on the basis of the negative parts of the ageing provision and the parts of the carryover values exceeding the standard ageing provisions.

One-off acquisition costs for health insurance (in the case of products with ageing provisions) are recognised using zillmerisation, and the net positive provision for future policy benefits is accounted for under the item “Provision for future policy benefits”.

**Property/Casualty insurance**

The provision for outstanding insurance claims (provision for claims) is created on a policy-by-policy basis for future payment obligations that result from insurance claims that occurred on or before the reporting date but have not yet been settled. The amounts and disbursement times of insurance benefits are still uncertain.

The provision for late outstanding claims was determined from the databases of prior financial years, as well as based on past experience. In this regard, the provision for late outstanding claims is calculated using a method recommended by BaFin. Claims reported during the reporting year are allocated to the respective year of occurrence by number and expense and compared with the claims made during the corresponding years. These ratios are applied to the average unit cost for settled claims, resulting in the anticipated unit cost rates for claims that were reported after the reporting year but that occurred during the reporting year, and these are then multiplied by the anticipated unit figures to calculate the provision for late outstanding claims. The provisions for claims are not discounted, other than the provision for future annuity benefits in property insurance.

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

The provision for future annuity benefits in property/casualty insurance is calculated for each individual policy according to actuarial principles and, as is the case with the provision for future policy benefits, using the prospective method. The mortality tables recommended by the DAV, DAV HUR 2006, are used, and they contain suitable safety margins. For all annuity commitments, an interest rate of 0.25% (previous year: 0.25%) was used to calculate the provision for future annuity benefits. Future administrative costs were measured at 2% (previous year: 2%) of the provision for future annuity benefits; a rate that is deemed sufficiently conservative.

Other technical provisions in property/casualty insurance consist primarily of provisions for cancellations and the provision for unused premiums from dormant motor insurance policies. The provision for cancellations is created for the anticipated cessation or reduction of the technical risk associated with premiums to be refunded.

## Other provisions

**Provisions for pensions**

The company pension scheme in the W&W Group consists of both defined-contribution and defined-benefit commitments. Prior to reorganising the company pension scheme in 2002, all employees at Wüstenrot companies (Wüstenrot Bausparkasse AG, Wüstenrot Immobilien GmbH, Wüstenrot Haus- und Städtebau GmbH and Gesellschaft für Markt- und Absatzforschung mbH) were granted defined-benefit pension commitments. At Württembergische Versicherung AG, Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG, defined-contribution commitments were granted (Pensionskasse der Württembergische). In addition, managers, senior executives and directors received pension commitments (defined-benefit commitments). At Wüstenrot & Württembergische AG, W&W Informatik GmbH and W&W Asset Management GmbH, both defined-benefit and defined-contribution commitments were granted. The various defined-benefit commitments in the Group are primarily structured in a manner dependent on salary and length of service and sometimes as fixed-amount commitments. Pension commitments for new hires between 2002 and 2017 have been financed Group-wide by ARA Pensionskasse AG (defined-contribution benefit commitments). For new hires from 2018, pension commitments have been carried out Group-wide through direct insurance policies at Württembergische Lebensversicherung AG (defined-contribution benefit commitments). Until 2019, managers, senior executives and directors received pension commitments (defined-contribution benefit commitments) that are reinsured by ARA Pensionskasse AG. From 2020, newly hired senior and executives and directors receive insurance-linked pension commitments (defined-contribution benefit commitments) that are reinsured by Württembergische Lebensversicherung AG. In addition, all employees have the option of receiving a pension commitment in the form of a capital commitment through deferral of future remuneration, which is reinsured by Württembergische Lebensversicherung AG.

Obligations under pension commitments are measured using the projected unit credit method on the basis of expert actuarial opinions. Taken into account in doing so are both the pensions and acquired pension entitlements known on the reporting date and the increases in salary and pensions expected in the future. Pursuant to IAS 19.83, the rate used to measure pension provisions is to be determined on each reporting date on the basis of yields on senior fixed-income corporate bonds. The currency and term of the underlying corporate bonds must be consistent with the currency and estimated term of the commitments to be met.

Actuarial gains and losses from experience-related adjustments and changes to actuarial assumptions are recognised directly in equity for the period in which they are incurred within the reserve for pension commitments and form a component of other comprehensive income.

Income and expenses from pension commitments are recognised in the consolidated income statement under "Personnel expenses" (service cost). Past service cost is recognised immediately in full as an expense under "Personnel expenses".

Assets transferred to an outside pension fund constitute plan assets, which are netted at their fair value against existing defined-benefit commitments.

### Provisions for other long-term employee benefits

Other long-term employee benefits include commitments for early retirement, agreements on phased-in early retirement ("Altersteilzeit"), the granting of long-service benefits and other social benefits. Actuarial gains and losses arising in connection with the accounting for other long-term employee benefits are recognised in the income statement.

For information about the corresponding actuarial interest rates, please see Note 20.

### Miscellaneous provisions

Miscellaneous provisions are measured and recognised in the anticipated settlement amount, provided there are legal or constructive obligations to third parties based on past business events or occurrences and the outflow of resources is likely. The settlement amount is determined on the basis of best estimates. Miscellaneous provisions are recognised if they can be reliably determined. They are not set off against refund claims. The determined obligations are discounted at market interest rates that correspond to the risk and the period until settlement, provided that the resulting effects are material.

Provisions for restructuring are recognised if a detailed formal plan for the restructuring was approved and the main restructuring measures contained in it have been publicly announced, or the restructuring plan has already begun to be implemented.

Provisions are created for the refunding of closing fees in the event of loan waivers where concluded home loan savings contracts contain the obligation to refund closing fees to home loan savings customers when certain contractually agreed criteria are met (e.g. loan waiver). Under the assumption that, in the event of a loan waiver by home loan savings customers, the claim to closing fees was earned by the reporting date at the latest, the present value is calculated on the basis of a probability-based forward projection of past statistical data that constitutes the best estimate of the current obligation. Uncertainties in determining the future amount of the obligation arise, in particular, from the established assumptions concerning the input parameters used, such as statistical data, termination behaviour and loan waiver ratio.

Provisions for interest bonus options are created where the obligation to pay interest bonuses to home loan savings customers is contained in concluded home loan savings contracts. Taking as a basis the bonus claims earned by the reporting date that may potentially need to be disbursed, the present value is calculated on the basis of a probability based forward projection that constitutes the best estimate of the current obligation. Uncertainties in determining the future amount of the obligation may arise, in particular, from the established assumptions concerning the input parameters used, such as termination behaviour and bonus utilisation behaviour.

Additional provisions include, for example, provisions for contingent losses from pending transactions, which are created if a contingent liability results from a pending transaction.

There are no assets for expected reimbursements in connection with recognised miscellaneous provisions.

## Equity

This item consists of paid-in capital, earned capital and non-controlling interests in equity.

Paid-in capital consists of share capital and the capital reserve. Share capital consists of registered no-par-value shares that are fully paid up. Outstanding contributions to share capital are to be openly set off against it. The capital reserve is generated from the premium realised above the mathematical value when shares are issued.

Earned capital is composed of retained earnings and other reserves. Retained earnings consist of statutory reserves and reinvested profits. Other reserves include:

- the reserve for financial assets at fair value through other comprehensive income,
- the reserve for financial assets accounted for using the equity method and
- the reserve for pension commitments.

The reserve for financial assets at fair value through other comprehensive income consists of unrealised gains and losses from the measurement of financial assets at fair value through other comprehensive income. The reserve for financial assets accounted for using the equity method consists of unrealised gains and losses from the measurement of financial assets accounted for using the equity method. The reserve for pension commitments consists of actuarial gains and losses from defined-benefit plans.

The aforementioned components of other reserves are generally created by taking into consideration deferred taxes and, in the area of life and health insurance, also taking into consideration the provision for deferred premium refunds.

Non-controlling interests in equity consist of the interests of non-Group third parties in the equity of subsidiaries.

## Genuine repurchase agreements and securities lending transactions

Repurchase agreements are contracts under which securities are sold for consideration but where it is at the same time agreed that such securities have to be purchased back at a later point in exchange for payment to the seller of an amount agreed to in advance.

Securities sold in connection with repurchase agreements continue to be recognised in the seller's balance sheet in accordance with the prior categorisation, since it retains the risk and opportunities associated with ownership of the security. At the same time, the seller recognises a financial liability in the amount received. If there is a difference between the amount received upon sale of the security and the amount to be paid when repurchasing it, it is imputed over the term of the agreement using the effective interest method and recognised in the income statement. Current income is recognised in the consolidated income statement according to the rules for the relevant securities category.

Securities lending transactions are accounted for in the same way as repurchase agreements. Lent securities continue to be recognised in the balance sheet in the relevant category. By contrast, borrowed securities are not recognised. If borrowed securities are sold to a third party, the obligation to return them is recognised under "Financial liabilities at fair value through profit or loss". A corresponding liability is recognised for received cash collateral, and a corresponding receivable is recognised for provided cash collateral. If securities are provided as collateral, they continue to be recognised by the collateral provider. Income and expenses from securities lending transactions are recognised in the consolidated income statement corresponding to the relevant term.

Detailed information about the scope of repurchase agreements and securities lending transactions entered into in the W&W Group can be found in Note 40 "Transfers of financial assets and granted and received collateral".

### Trust business

Trust business is generally characterised by a trustee acquiring property, assets or claims in its own name on behalf of the trustor and managing same in the interest of and at the instruction of the trustor. The trustee acts in its own name on behalf of others.

Trust assets and liabilities are recognised outside the balance sheet in the notes. Detailed information about the nature and scope of existing trust assets and liabilities in the W&W Group can be found in Note 41 “Trust business”.

### Contingent liabilities

Contingent liabilities are potential obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the W&W Group.

Contingent liabilities are also current obligations that arise from past events but are not recognised because either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the balance sheet.

If the outflow of resources is not probable, disclosures are made about these contingent liabilities in the notes (Note 55 “Contingent liabilities and other liabilities"). If contingent liabilities are assumed in connection with corporate mergers, they are recognised in the balance sheet at fair value at the time of acquisition.

## Disclosures about select items in the consolidated income statement

### Net financial result

The net financial income/expense of the W&W Group consists of several components, namely

- Current net income/expenses (such as interest surplus, dividends),
- Net income/expense from risk provision,
- Net measurement gain/loss,
- Net income from disposals.

Recognised under “Current net income/expense” are interest income and expenses, dividend income, the pro-rata share of the net income/expense for financial assets accounted for using the equity method and the current net income/expense from investment property. Interest income and expenses in the IFRS 9 categories “Financial assets at amortised cost” and “Financial assets at fair value through other comprehensive income” are recognised on an accrual basis using the effective interest method.

Recognised under “Net income/expense from risk provision” are all income and expenses that relate to lending business, securities business, primary insurance and reinsurance business and other business.

Recognised under “Net measurement gain/loss” are the following gains and losses:

- Measurement gains and losses from financial assets at fair value through profit or loss and such liabilities as equity instruments, investment fund units, derivative financial instruments and fixed-income financial instruments that do not pass the SPPI test.
- Gains and losses from the interest rate-based measurement of home loan savings provisions measured at present value.
- Recognised under “Net income/expense from hedges” is the net income/expense from hedged items and hedging instruments involving fair value hedges. Also recognised here is the impact on profit or loss from the ineffective portion of the hedging instrument and from the release of the reserve for cash flow hedges.
- Impairments/reversals of impairment losses taken on financial assets accounted for using the equity method.
- Impairment/reversal of investment property

- Recognised under “Net currency income/expense” are currency gains and losses that result from the measurement or sale of financial instruments as well as all other capital investments.

Recognised under “Net income/expense from disposals” are disposal gains and losses for all financial assets and liabilities not at fair value through profit or loss (financial assets at amortised cost, financial assets at fair value through other comprehensive income, financial assets accounted for using the equity method, investment property, receivables and liabilities, as well as subordinated capital). Pursuant to IFRS 9, financial assets must be remeasured at the time of derecognition. For this reason, all gains and losses from the derecognition of financial assets at financial assets at fair value through profit or loss are generally recognised under “Net measurement gain/loss”.

The net financial result does not include any costs for the management of the financial instruments contained in them. These costs are recognised under “Commission expenses” and “General administrative expenses”.

## Earned premiums (net)

Recognised under “Gross premiums written” from direct insurance business and assumed reinsurance business is generally all income that results from contractual relationships with policyholders and cedants concerning the granting of insurance cover. Gross premiums written are accrued for each insurance contract. Earned premiums (net) result from taking into account the change in the provision for unearned premiums determined from accruals and the deduction of premiums ceded to reinsurers from gross premiums written and from the change in the provision for unearned premiums.

## Insurance benefits (net)

Recognised under “Insurance benefits (gross)” are payments for insurance claims as well as changes in the provision for outstanding insurance claims, the provision for future policy benefits, the change in the provision for deferred premium refunds recognised through profit or loss, the change in technical provisions in life insurance insofar as he investment risk is borne by policyholders, and other technical provisions. Also recognised under “Insurance benefits (gross)” are additions to the provision for premium refunds required by the German Commercial Code (HGB) and direct credits. Claim adjustment expenses are recognised under “General administrative expenses”.

Changes in the provision for deferred premium refunds that are attributable to changes based on remeasurement through profit or loss between national rules and IFRS are likewise recognised under “Insurance benefits”. A provision for deferred premium refunds owing to the participation of policyholders in unrealised gains and losses from financial assets at fair value through other comprehensive income and financial assets accounted for using the equity method, as well as in actuarial gains and losses from pension provisions, is created and released in equity.

Insurance benefits (net) result from the deduction of received reinsurance premiums from insurance benefits (gross).

## Net commission income

Recognised under “Net commission income/expense” are commission income and expenses, insofar as they are not recognised in connection with calculating the effective interest rate.

Commission income and expenses result in particular from banking/home loan savings business, reinsurance business, investment business and brokering activities. Commission expenses also result from primary insurance business. Commission expenses are recognised at the time the service is received.

No commission income is recognised in primary insurance business, since customers are not billed separately for the costs associated with conclusion of insurance contracts.

Commission income from the conclusion of home loan savings contracts is recognised pursuant to IFRS 9, and commission income from reinsurance is recognised pursuant to IFRS 4, at the time the service is provided.

Commission income from home loan savings business, brokering activities and investment business is recognised pursuant to IFRS 15 as revenue from contracts with customers (see Note 52). Such revenue is considered to exist where it relates to the provision of services to customers in connection with normal business activity. Revenue is realised when existing performance obligations are satisfied through transfer of control over the subject of the contract or the service.

## General administrative expenses

In the W&W Group, general administrative expenses consist of personnel expenses, materials costs, scheduled depreciation/amortisation, and impairment losses on property, plant and equipment and intangible assets.

W&W Group expenses are allocated to materials costs and personnel expenses according to the principles of the nature-of-expense method.

## Net other operating income/expense

The item "Net other operating income/expense" includes income and expenses from property development business. This income is generated, in terms of timing, based on the progress of the construction of the sold residential units, as well as on the contractually specified down payments that are received. Furthermore, pursuant to IAS 2, the associated residential units that are currently under construction or have not yet been turned over to customers are carried under inventories at cost and then recognised upon sale as an expense under "Other operating expenses".

It also includes income and expenses from additions to and the release of provisions, income and expenses from disposals (inter alia, of property for own use, property, plant and equipment and intangible assets), other technical income and expenses, other income and expenses from currency translation that primarily result from technical provisions and miscellaneous income and expenses. Miscellaneous income and expenses primarily includes changes in inventory from property development business.

## Income taxes

Actual income taxes are calculated on the basis of the respective national tax results and rules for the financial year. In addition, the taxes actually recognised in the financial year also include adjustment amounts for tax payments or refunds likely due for periods that have not yet been finally assessed. Uncertain tax treatments are taken into consideration by calculating the amount from the most likely value or from the expected value of tax refunds or tax claims.

Income tax earnings and expenses are recognised in the consolidated income statement as income taxes and subdivided in the notes (Note 35) by actual and deferred taxes.

### Disclosures about the cash flow statement

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

Cash flow from operating activities essentially consists of all payments from credit and deposit business, from technical provisions and from receivables and liabilities from reinsurance business. It also includes tax payments, as well as cash flow from the receivables and liabilities of the Group’s operational business.

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

Cash flow from financing activities consists of cash flow that results from transactions with owners of the parent company and non-controlling interests in the equity of subsidiaries. Cash flow from financing activities also includes cash flow from subordinated bonds issued for corporate financing purposes, as well as distributions made for the purpose of settling the lease liabilities of consolidated companies.

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

The recognised cash and cash equivalents consist of the cash reserves (cash on hand, deposits with central banks) and a portion of other receivables (balances with credit institutions payable on demand).

## Use of discretionary decisions and estimates

### Exercise of discretionary judgement in applying accounting policies

The application of accounting policies is subject to various discretionary judgements by management that may materially influence the consolidated financial statements of the W&W Group. For instance, discretion is exercised with respect to the application of the rules on hedge accounting pursuant to IAS 39 as well as to assets held for sale.

Furthermore, management exercises discretion in the application of accounting policies in such a way that the cost model rather than the fair value model is used as the accounting policy for all investment property and for all property, plant and equipment, including property for own use.

Another far-reaching discretionary decision by management relates to the recognition of insurance-specific business transactions for which IFRSs do not include any specific rules. In conformity with IFRS 4 “Insurance Contracts”, these are recognised for domestic Group companies in accordance with the relevant rules of commercial law pursuant to Sections 341 et seq. of the German Commercial Code (HGB) and the regulations based on them.

In connection with the determination of control of certain public funds, discretionary decisions are sometimes necessary in order to define the role of the outside fund manager as principal or agent. In such cases, contractual arrangements are looked at in order to evaluate whether the outside fund manager is to be classified as a principal or an agent. Material indicators used in evaluating the duty to consolidate are the fund manager’s decision-making authority, including potential participatory rights of investors, the existing termination rights of investors with respect to the fund manager and their structure, and the amount of participation in the fund’s success, particularly through the holding of units.

In lease accounting, the determination of the term of each lease in the case of open-ended contracts in the area of rented properties is subject to discretion. For the determination of the term in the case of open-ended contracts, a period is estimated in which termination is not financially expedient for the lessee.

In connection with the accounting of the W&W Group's financial instruments under IFRS 9, management also made the following significant discretionary decisions, which had a material impact on the amounts in the consolidated financial statements.

## Exercise of discretion in connection with the application of IFRS 9 "Financial Instruments"

### "Hold to collect" business model:

Financial assets that are acquired with the intention to realise cash flows by collecting contractual payments over the life of the instrument are explicitly characterised as such in the W&W Group in connection with the purchase and are maintained and reported on in a separate portfolio.

Sales are not inconsistent with the "Hold to collect" business model in the W&W Group in the following cases:

- Sales that are due an increased risk of default:
  In verifying whether the sale of an instrument is necessary in order to minimise potential credit losses due to a material deterioration of creditworthiness, various prerequisites need to be met. These are suitable for a sale that is not inconsistent with the business model due to an increased risk of default.
- Sales that are made close to the maturity:
  In the W&W Group, we assume that sales of financial instruments with a certain residual term to maturity at the time of sale qualify as not inconsistent with the business model. In addition, it must be verified in each individual instance that the proceeds from the sales approximate the collection of the remaining contractual cash flows.
- Sales that are infrequent:
  From the standpoint of the W&W Group, and for the purpose of IFRS 9, sales are not inconsistent with the "Hold to collect" business model if they are infrequent, i.e. they are attributable to events that are unique, non-recurring and outside of the company's power of control and could not have been reasonably foreseen by the company.
- Sales that are insignificant:
- The W&W Group uses both portfolio-based and results-based criteria in evaluating significance.

### SPPI

As a rule, contractual cash flows from financial assets are reviewed on the basis of each individual contract. For reasons of materiality, the W&W Group uses a cluster formation in the case of highly standardised portfolios. In connection with this cluster formation at the highest level, we first identify the most material financial assets of the W&W Group that are taken into consideration in the course of SPPI testing. In this regard, clustering takes place on the basis of either specific contract arrangements or portfolio features.

If a financial asset is classified as not SPPI-compliant, a quantitative test is performed in order to determine whether the reasons for the deviation are de minimis. In addition, it is tested whether the event is not genuine, i.e. is extremely rare, highly abnormal and very unlikely to occur. In each of these case, the exercise of discretion is necessary. For further information about the SPPI test, please see the section "Principles for the recognition, measurement and presentation of financial instruments".

### Fair value option

In the case of initial recognition, financial assets and liabilities may voluntarily be measured permanently at fair value in order to avoid or significantly reduce inconsistent measurement (accounting mismatch). The W&W Group currently does not have any portfolios for which this fair value option is applied.

## Financial assets at fair value through other comprehensive income

Changes in the value of equity instruments are allowed to be shown in equity. In the case of a disposal of the equity instrument, the disposal income/expense remains in equity (recycling does not take place) and is not recognised in the consolidated income statement. The W&W Group currently does not make use of this option.

## Calculation of the risk provision

### Calculation of the risk provision in the securities area

In connection with IFRS 9 requirements, a risk provision need is calculated for securities in the portfolio that fall within the scope of the risk provision rules. The way this need is calculated depends on the expected probability of default of the individual positions. IFRS distinguishes between three levels in this regard. Categorised in Level 1 are those assets for which there has been no significant credit deterioration since conclusion of the credit agreement. New credit agreements which do not evidence any payment problems are also assigned to this level. In this regard, the calculation of the risk provision is based on the 12-month expected credit loss approach.

If the assets show a significant deterioration in credit quality since initial recognition, they are categorised in Level 2. In this level, the risk provision is calculated based on the lifetime expected credit loss approach.

If there is objective evidence that a security is impaired, i.e. there is a specific payment problem, the issuer's probability of default is 100%. Accordingly, this security or, as the case may be, all securities of the issuer are assigned to Level 3 as a rule.

We make use of the low credit risk exemption under IFRS 9 in the securities area, which allows us to assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

### Calculation of the risk provision in customer lending business

The determination of a significant increase in credit risk as at the reporting date is based on the rating at the time of initial recognition of the contract (initial rating) and the rating during the term of the customer relationship since that initial recognition (ongoing rating). Depending on the year of the relationship and the initial rating class, the contract is assigned to a different level under IFRS 9 if a relative threshold is exceeded. The determination of this relative threshold is based on a statistical distribution across the expected probability of default depending on the year of the relationship (quantile approach). In customer lending business, it is normally assumed that the credit risk has significantly increased if, for the remaining term of the contract, the probability of default based on current expectations exceeds the probability of default based on the original expectations.

In calculating the mathematically optimal quantile in connection with the quantile approach, two aspects of IFRS 9 are particularly relevant: The first aspect relates to the point prior to a default when a significant increase in credit risk should be identified. IFRS 9 states that there generally needs to be a significant increase in credit risk before default occurs. In this regard, the increase in credit risk should in principle be identified prior to the provision of default or modification information. Accordingly, in the course of calculating the quantile in the customer lending business of the W&W Group, the increase in credit risk is identified, at the latest, starting at the time that default or modification information is provided, unless an increase was identifiable prior to that date. The second aspect is likewise subject to the exercise of discretion and relates to the fact that reductions in credit risk are taken into consideration in the same way as increases. This means that level assignment is symmetrical, and customer loans in the W&W Group whose credit risk improves are included again in Level 1 under IFRS 9. As part of the quantile approach, two target parameters are derived from these two countervailing aspects: 1. maximisation of the share of defaulted loans that x months prior to default are considered as having significantly increased risk, and 2. minimisation of the share of non-defaulted loans that y months after a significant increase are still considered as having increased risk. These two countervailing target parameters are then mathematically optimised with the aid of a loss function. The calculation of an optimal quantile that takes into account both target parameters then constitutes an optimal compromise between the two target parameters, since in order to fulfil the first (second) target parameter, the smallest (largest) possible quantile must be chosen.

IFRS 9 requires that a lifetime expected credit loss be calculated for all financial instruments whose credit risk has increased significantly. Dividing contracts into those with and without a significant increase in credit risk is referred to as level assignment, since in this regard the contracts are assigned to one of three levels under IFRS 9. In customer lending business, this level assignment, as well as the determination of the need for a risk provision, always takes place at the level of the debtor's individual contract. In addition, with respect to this level assignment, and in the sense of the forward-looking risk provision concept of IFRS 9, the quantitative transfer criterion is augmented by a qualitative transfer criterion, and discretion is accordingly exercised. Forbearance measures are used as the qualitative criterion. As a rule, customer credit agreements with active forbearance measures remain in Level 2 for at least three years before being transferred back to the better Level 1 under IFRS 9. If the reasons for default (Level 3) no longer pertain, they are also transferred back to the better level under IFRS 9, and as described above, existing forbearance measures are taken into consideration when switching to a better level.

The coronavirus pandemic required us to make adjustments to the macroeconomic factors for calculating the risk provision only in the first half of 2022. The database values as at the reporting date were used again as at 31 December 2022. For further disclosures concerning the calculation of the risk provision, please see the section “Modelling of point-in-time components” in the chapter “Accounting policies”.

## Accounting estimates and assumptions

### Principles

In drawing up the consolidated financial statements according to IFRS, estimates and assumptions have to be made that affect the carrying amount of assets, liabilities, income and expenses, as well as the disclosure of contingent liabilities. The application of several of the accounting principles described in the chapter “Accounting policies” presupposes material estimates that are based on complex, subjective evaluations and assumptions and may relate to issues that exhibit uncertainties.

The estimating methods used and the decision about the suitability of the assumptions require management to exercise good judgement and decision-making power in order to determine the appropriate values. Estimates and assumptions are moreover based on past experience and expectations with respect to future events that appear reasonable under the given circumstances. In so doing, carrying amounts are determined carefully and, taking into account all relevant information, as reliably as possible. In determining values, existing uncertainties are suitably taken into account in conformity with the relevant standards. However, actual results may vary from estimates, since new findings have to be taken into account when determining values. Estimates and their underlying assumptions are, therefore, continuously reviewed. The effects of changes in estimates are accounted for in the period in which the estimate changes.

General estimates and assumptions for the purpose of accounting are set forth in the chapter “Accounting policies”. However, special and one-time circumstances are explained in greater detail in the relevant items or in the notes. Accounting principles whose application is based to a considerable extent on estimates and assumptions and that are classified as material for the W&W Group are presented in the following.

### Determining the fair value of assets and liabilities

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same: to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining the fair value of assets and liabilities whose prices are quoted on an active market, estimates by management are necessary to only an insignificant extent. In a similar manner, only few subjective measurements or estimates are required for assets and liabilities that are measured with models customary in the industry and whose input are quoted on active markets.

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

The required degree of subjective measurement and estimates by management has a higher weight for those assets and liabilities that are measured using special, complex models and for which some or all inputs are not observable. The values determined in this way are significantly influenced by the assumptions that have to be made.

If fair value cannot be reliably determined, the carrying amount is used as an approximate value to measure fair value. This essentially relates to loans under home loan savings contracts, preliminary and interim financing loans and deposits under home loan savings contracts. In particular, the non-interest-rate-related measurement effects cannot be reliably determined due to the numerous customer options of a home loan savings contract included in collective home loan savings contracts and the associated measurement volatilities. These loans are allocated to the item "Financial assets at amortised cost" and are accordingly measured for accounting purposes at amortised cost. Deposits under home loan savings contracts are allocated to the balance sheet item "Liabilities" and measured at amortised cost. For further quantitative information about this, please see Note 5 "Financial assets at amortised cost" and Note 17 "Liabilities".

Further information concerning the fair value measurement of financial instruments can be found in Note 38 "Disclosures concerning the measurement of fair value". The fair value measurement of investment property and property, plant and equipment is described in the chapter "Accounting policies".

## Impairment and reversal of impairment losses

With the exception of financial assets at fair value through profit or loss, all financial and non-financial assets are tested at regular intervals for objective evidence of impairment. Impairment is also tested where events or changed underlying conditions indicate that the value of an asset might have declined.

For details about the impairment of financial assets, please see the chapter "Accounting policies: Notes concerning the consolidated balance sheet", in the section "Risk provision – Financial assets". The uncertainties that exist in connection with calculating the risk provision for financial assets are also explained there.

Beneficial changes in the amount of the risk provision for financial assets are recognised as reversals of impairment losses in the income statement. An impairment loss is reversed if as a result of beneficial changes, the estimated amount of the risk provision falls below the originally estimated value that was taken into consideration in the estimated cash flows in connection with the calculation at the time of initial recognition.

In addition to the estimates that need to be made concerning the foregoing aspects, the amount of the impairment loss to be recognised is characterised by further uncertainties in estimation. These result, in particular, from assumptions and estimates concerning the time at which future cash flows will be received, as well as their amount at such time, which in turn are based on past experience with respect to the probabilities of occurrence and the assessment of future developments and long-term prospects for success. In addition, in the course of testing for impairment, estimates are made about incurred sales costs and trends in discount rates that are in line with the market.

The assumptions and estimates that are made may be subject to changes over time, which will lead to impairment losses or reversals of impairment losses in future periods.

In reliance on the method for identifying impaired assets, impairment losses are reversed if there are sufficiently objectifiable criteria indicating permanent value recovery and it is moreover permissible to reverse the impairment loss pursuant to the applicable standard. For instance, impairment losses to goodwill may not be reversed.

## Measurement of provisions

### Technical provisions

Among technical provisions, the following types of provisions, in particular, are materially influenced by estimates and assumptions (their carrying amounts and further information can be found starting at Note 19):

#### Provision for future policy benefits

The provision for future policy benefits is estimated according to actuarial methods as the present value of future obligations less the present value of future premiums. The amount of the provision for future policy benefits is dependent on assumptions about life expectancy, policyholder behaviour and other statistical data, as well as, in some cases, the costs incurred in connection with management of the contracts. An interest reserve and interest rate reinforcement is created within the provision for future policy benefits for the purpose of measuring interest obligations within the provision for future policy benefits, for which, in addition, assumptions are included about the trends in investment yields achievable on the capital market. The assumptions are based on the reference interest rate specified in Section 5 (3) of the German Regulation on Calculation of the Provision for Future Policy Benefits (DeckRV) and on the measurement interest rate specified in the business plans for interest rate reinforcement approved by BaFin as yields for the company’s expected income. Necessary adjustments to assumptions may have material effects on the amount of the provision for future policy benefits.

#### Provision for outstanding insurance claims

In determining the amount of the provision, forward-looking assumptions are necessary, such as about claim trends, claim adjustment costs and premium adjustments. Necessary adjustments to forward-looking assumptions may have material effects on the amount of the provision for outstanding insurance claims.

### Other provisions

#### Provisions for pensions and other long-term employee benefits

In calculating provisions for pensions and other long-term employee benefits, assumptions and estimates are necessary concerning the underlying conditions, such as actuarial interest rate, salary increases, future pension increases and mortality.

For further quantitative disclosures, please see Note 20 “Other provisions”.

#### Miscellaneous provisions

The amount recognised as a provision constitutes the best possible estimate of the expenditures needed to settle the current obligation as at the reporting date. The measurement and recognition of provisions are determined by the assumptions made with respect to probability of occurrence, expected payments and the underlying discount rate. Regarding the estimates underlying the provisions for interest bonus options, please see the chapter “Accounting policies”, in the section “Miscellaneous provisions”.

If the aforementioned criteria for creating provisions are not met, then the corresponding obligations are recognised as contingent liabilities, unless they are unlikely (see Note 55).

Further information about all the above types of provisions can be found in Note 19 “Technical provisions” and Note 20 “Other provisions”.

## Disclosures about select items in the consolidated income statement

Income taxes are subject to estimates. These are described in the chapter “Accounting policies” and there in the sections “Income taxes” and “Current tax assets, deferred tax assets, current tax liabilities and deferred tax liabilities”.

# Consolidation

## Scope of consolidation

W&W AG is the parent company of the W&W Group. As at the reporting date, the scope of consolidation was as follows:

| | Domestic | Abroad | Total |
|---|---|---|---|
| **Subsidiaries** | | | |
| Included as at 31 December 2022 | 21 | 5 | 26 |
| Included as at 31 December 2021 | 20 | 3 | 23 |
| **Structured entities (public and special funds)** | | | |
| Included as at 31 December 2022 | 19 | 14 | 33 |
| Included as at 31 December 2021 | 21 | 14 | 35 |
| **Associated companies accounted for using the equity method** | | | |
| Included as at 31 December 2022 | 2 | – | 2 |
| Included as at 31 December 2021 | 2 | – | 2 |

The individual companies are presented in the “List of shareholdings”.

## Changes to the scope of consolidation

### Additions to the scope of consolidation

The newly established Feuersee Entwicklungsgesellschaft mbH & Co. KG, Kornwestheim, REI Holding Management France I SAS, Paris, and REI PropCo France I SCI, Paris, within the sub-group of the fund W&W Real Estate International 1, Frankfurt am Main, were included in the scope of consolidation for the first time in the second half of 2022.

### Disposals in the scope of consolidation

LBBW AM-Wüstenrot Fixed Income Fonds, Stuttgart, and LBBW AM-Wüstenrot Aktienfonds, Stuttgart, were eliminated from the scope of consolidation in H2 2022 due to the redemption of all shares.

The merger of Württfeuer Beteiligungs-GmbH, Stuttgart, with W&W Gesellschaft für Finanzbeteiligungen mbH (WWGfB), Stuttgart, was also completed in the second half of 2022. WWGfB is now called “Württfeuer Beteiligungs-GmbH”.

The changes to the scope of consolidation had no material effect on the comparability of the 2022 financial year with the previous year.

## Interests in subsidiaries, including consolidated structured entities

### Disposal restrictions

Statutory, contractual or regulatory restrictions, as well as protected rights of non-controlling interests, may restrict the ability of the Group, the parent company or a subsidiary to obtain access to assets and to make unimpeded transfers to or receive unimpeded transfers from other companies in the Group and to pay Group debts.

Since enactment of the German Life Insurance Reform Act (LVRG) in August 2014, the subsidiaries Württembergische Lebensversicherung AG and Allgemeine Rentenanstalt Pensionskasse AG are subject to a statutory ban on distributions in accordance with Section 139 (2) sentence 3 of the German Act on the Supervision of Insurance Undertakings (VAG) depending on any guarantee needs in accordance with Section 139 (4) VAG. This did not result in any ban on distributions as at 31 December 2022 as there were no guarantee needs for Württembergische Lebensversicherung AG or Allgemeine Rentanstalt Pensionskasse AG.

As a credit institution, the subsidiary Wüstenrot Bausparkasse AG must comply with extensive regulatory requirements. For example, the liquidity coverage ratio (LCR) is intended to promote the short-term resilience of a credit institution's liquidity risk profile over a 30-day horizon in a stress scenario. The LCR is the ratio of the volume of High-Quality Liquid Assets (HQLA) that could be used to raise liquidity over a period of 30 days to the total volume of net stressed outflows in the same period arising from both actual and contingent exposures. As at 31 December 2022, the LCR for the subsidiary Wüstenrot Bausparkasse AG was 171.36% (previous year: 207.41%).

The Group is subject to the following restrictions with respect to the use to which assets may be put:

- Assets used in collateralised financing, e.g. repurchase agreements, securities lending transactions and other forms of collateralised lending.
- Assets used in collateral or margin agreements, e.g. to hedge derivative transactions.
- Assets used in the cover pool for German covered bonds.
- The assets of consolidated investment funds are subject to a variety of restrictions with respect to transferability.
- The assets of consolidated insurance companies mainly serve to settle obligations to policyholders.
- Regulatory requirements and the requirements of central banks can limit the Group's ability to transfer assets to or from other companies in the Group.

With regard to assets and liabilities recognised in the consolidated financial statements that are subject to disposal restrictions, please also see Note 40 "Transfers of financial assets".

## Interests in unconsolidated structured entities

As a result of its business activities, the W&W Group holds interests in unconsolidated structured entities that have been formed either as investment funds (public or special funds) or as alternative investment companies in the legal form of a corporation or partnership. These structured entities serve to meet various customer needs with respect to investment in various assets. Group companies mainly assume the role of investor, sometimes also that of fund manager or custodian.

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. There are structured entities in the W&W Group over which it does not exercise control within the meaning of IFRS 10 despite having more than 50% of the voting rights. There are also structured entities that are not included in the consolidated financial statements as associates despite the W&W Group having an interest of more than 20%. The reason for the lack of control or the ability to exercise influence is, for instance, that the entities are managed outside of the Group or the management and supervisory bodies are composed of persons outside the Group. Moreover, a structured entity is classified as such based one or more of the following features or attributes:

- restricted activities,
- a narrow and well-defined objective,
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support,
- financing in the form of multiple contractually linked instruments issued to investors that create concentrations of credit or other risks (tranches).

As at the reporting date, other than interests in investment funds and alternative investment companies, no structured entities were identified, either with an investment interest or as structured entities supported by W&W without an investment interest.

## Interests in investment funds

As at 31 December 2022, the carrying amounts, the investment strategy, the maximum loss risk and the scope vis-à-vis unconsolidated investment funds were as follows:

### 2022

| | Equity funds | Pension funds | Real estate funds | Other funds | Funds of unit-linked life insurance policies[3] | Total |
|---|---|---|---|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| **Recognised assets (fund units held)** | | | | | | |
| Financial assets at fair value through profit or loss | 17,156 | 397,752 | 3,896 | 561,919 | 2,277,646 | 3,258,369 |
| **Total** | **17,156** | **397,752** | **3,896** | **561,919** | **2,277,646** | **3,258,369** |
| Maximum loss risk[1] | 17,156 | 397,752 | 3,896 | 561,919 | 2,277,646 | 3,258,369 |
| Total scope of fund assets as at the reporting date[2] | 146,468,166 | 2,036,709 | 19,222,406 | 76,530,973 | 3,482,977 | 247,741,231 |

1 The maximum loss risk is determined on the basis of fund units held and where applicable, capital contribution calls not yet made and guarantees.
2 Several funds are included in more than one fund category. In those cases, the total scope of fund assets was assigned to the category with the greatest value.
3 Capital investments are for the account and risk of policyholders.

### 2021

| | Equity funds | Pension funds | Real estate funds | Other funds | Funds of unit-linked life insurance policies[3] | Total |
|---|---|---|---|---|---|---|
| In € thousands | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 |
| **Recognised assets (fund units held)** | | | | | | |
| Financial assets at fair value through profit or loss | 241,824 | 605,613 | 3,867 | 569,348 | 2,758,654 | 4,179,306 |
| **Total** | **241,824** | **605,613** | **3,867** | **569,348** | **2,758,654** | **4,179,306** |
| Maximum loss risk[1] | 241,824 | 605,613 | 3,867 | 569,348 | 2,758,654 | 4,179,306 |
| Total scope of fund assets as at the reporting date[2] | 163,489,574 | 2,699,474 | 18,904,955 | 83,147,211 | 11,938,936 | 280,180,150 |

1 The maximum loss risk is determined on the basis of fund units held and where applicable, capital contribution calls not yet made and guarantees.
2 Several funds are included in more than one fund category. In those cases, the total scope of fund assets was assigned to the category with the greatest value.
3 Capital investments are for the account and risk of policyholders.

Unconsolidated investment funds are financed by issuing redeemable unit certificates. The carrying amount of the units corresponds to fair value. The types of income that the W&W Group receives from these held interests are mainly dividend income and income from the fair value measurement of investment fund units. The amount of current income and net measurement income depends, in particular, on general market trends in the respective investment class and on the specific investment decisions made by the respective fund manager.

## Interests in alternative investments, including private equity

Alternative investment companies maintain holdings in the area of alternative energy production from wind, photovoltaic, biomass and water. In addition, there are investments in the area of private equity, such as venture capital financing. Scope and size are primarily determined on the basis of fair value. The carrying amount of interests in alternative investments, including private equity, corresponds to the fair value under the item "Financial assets at fair value – Participations, shares, investment fund units – Participations in alternative investments" and amounted to €3,119.6 million (previous year: €2,550.2 million). This carrying amount corresponds to the maximum loss risk. Financing is accomplished by issuing redeemable unit certificates.

The W&W Group as interest owner receives variable reflows, mainly in the form of distributions from alternative investments, including private equity. In addition, the investments are subject to fluctuations in value. Variable reflows are dependent on general market trends in the respective industry and on the specific business decisions made by the respective investment company.

# Segment reporting

The segment information is prepared in accordance with IFRS 8 Operating Segments on the basis of internal reporting, which the chief operating decision maker regularly uses to assess the segments' business performance and make decisions regarding allocating resources to the segments (known as the management approach). The Management Board is the chief operating decision maker in the W&W Group.

The reportable segments are identified on the basis of products and services and regulatory requirements. For this purpose, individual business segments are included in the Life and Health Insurance segment. The products and services used by the reportable segments to generate income are listed below. There is no dependency on individual major customers.

## Housing

The reportable Housing segment has one business segment and covers home loan and savings and banking products, essentially for retail customers in Germany, e.g. home loan and savings contracts, advance loans, bridge loans and mortgages.

## Life and Health Insurance

The reportable Life and Health Insurance segment has several business segments, all of which have similar characteristics and are comparable in terms of all IFRS 8 aggregation criteria. In particular, the group of persons, sales channels, regulatory framework, underlying actuarial calculations and the product type all have similar economic characteristics.

The reportable Life and Health Insurance segment provides a wide range of life and health insurance products for individuals and groups, including classic and unit-linked life and pension insurance, risk life and health insurance policies, classic and unit-linked "Riester" pension plans and basic pensions, occupational disability insurance, comprehensive and supplementary private health insurance and care insurance.

## Property/Casualty insurance

The reportable Property/Casualty Insurance segment provides a comprehensive selection of insurance products for retail and corporate customers, including liability, personal accident, motor, household, residential building, legal, transport and technical insurance.

## All other segments

All W&W Group's other business activities, such as central Group functions, asset management, building developer activities, were grouped under All other segments as these are not directly related to the other reportable segments. This also includes interests in subsidiaries of W&W AG that cannot be consolidated in All other segments (e.g. Wüstenrot Bausparkasse AG, Württembergische Lebensversicherung AG, Württembergische Versicherung AG and Württembergische Krankenversicherung AG), because they are allocated to another segment (Housing, Life and Health Insurance, Property/Casualty Insurance).

## Consolidation/reconciliation

Consolidation measures that are necessary for reconciliation to Group figures are shown under the column Consolidation/reconciliation.

As in previous years, each individual segment's performance is measured by net segment income under IFRS. Transactions between the segments are conducted at arm's length conditions.

## Measurement principles

The measurement principles used in segment reporting are the same as the accounting policies used in the IFRS consolidated financial statements, with the following exceptions. In line with internal Group reporting and management, IFRS 16 is not applied to leases under the law of obligations within the Group. Interests in the subsidiaries of W&W AG that are not consolidated in All other segments are measured there at fair value through other comprehensive income (OCI, not reclassified to the consolidated income statement).

## Segment income statement

| In € thousands | Housing 1.1.2022 to 31.12.2022 | Housing 1.1.2021 to 31.12.2021 | Life and Health Insurance 1.1.2022 to 31.12.2022 | Life and Health Insurance 1.1.2021 to 31.12.2021 |
|---|---|---|---|---|
| Current net income | 214,074 | 234,383 | 779,950 | 815,749 |
| Net income/expense from risk provision | -18,128 | 3,999 | 2,274 | 178 |
| Net measurement gain/loss | 45,825 | 73,858 | -1,306,505 | 358,383 |
| Net income from disposals | 63,642 | 75,258 | 320,784 | 767,016 |
| **Net financial result** | **305,413** | **387,498** | **-203,497** | **1,941,326** |
| of which: net income/expense from financial assets accounted for under the equity method | – | – | 9,241 | 3,217 |
| Earned premiums (net) | – | – | 2,244,302 | 2,615,074 |
| Insurance benefits (net) | – | – | -1,589,278 | -4,056,481 |
| Net commission income | 4,245 | 5,844 | -167,163 | -169,781 |
| General administrative expenses[2] | -336,108 | -333,448 | -256,183 | -250,270 |
| Net other operating income/expense | 116,416 | 16,436 | 31,634 | -13,200 |
| **Segment net income before income taxes from continued operations** | **89,966** | **76,330** | **59,815** | **66,668** |
| Income taxes | -28,369 | -24,232 | -21,378 | -26,273 |
| **Segment net income after taxes** | **61,597** | **52,098** | **38,437** | **40,395** |
| **Other disclosures** | | | | |
| Total sales revenues[3] | 860,611 | 842,099 | 3,082,857 | 3,492,692 |
| Of which with other segments | 25,855 | 27,524 | 20,744 | 18,458 |
| Of which with external customers | 834,756 | 814,575 | 3,062,113 | 3,474,234 |
| Interest income | 529,266 | 596,454 | 541,569 | 559,935 |
| Interest expenses | -315,196 | -362,073 | -38,417 | -41,846 |
| Depreciation/amortisation | -15,760 | -12,297 | -45,336 | -44,840 |
| Impairment losses[4] | – | – | -12,831 | -4,133 |
| Reversals of impairment losses[4] | – | – | 2,213 | 354 |
| Material non-cash items | -49,623 | -85,529 | -1,216,163 | 989,611 |
| Segment assets[5] | 29,291,515 | 30,179,551 | 30,363,737 | 38,536,559 |
| Segment liabilities[5] | 27,896,842 | 28,351,538 | 30,322,481 | 37,798,665 |
| Financial assets accounted for under the equity method[5] | – | – | 46,651 | 40,122 |

1 The column “Consolidation/reconciliation” includes the effects of consolidation between the segments and the reconciliation of segment-internal valuations with the Group valuation.
2 Includes service revenues and rental income with other segments.
3 Interest, dividend, commission and rental income from property development business and gross premiums written in Insurance.
4 Impairment losses and reversals of impairment losses relate to intangible assets, property, plant and equipment and investment property.
5 Values as at 31 December 2022 and 31 December 2021, respectively.

| Property/Casualty insurance | | Total for reportable segments | | All other segments | | Consolidation/reconciliation[1] | | Group | |
|---|---|---|---|---|---|---|---|---|---|
| 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
| | | | | | | | | | |
| 95,576 | 69,305 | 1,089,600 | 1,119,437 | 63,420 | 64,180 | -28,794 | -30,332 | 1,124,226 | 1,153,285 |
| 662 | 509 | -15,192 | 4,686 | 1,769 | -3,130 | 207 | -162 | -13,216 | 1,394 |
| -63,302 | 64,372 | -1,323,982 | 496,613 | -49,363 | 37,482 | 29,750 | -29,007 | -1,343,595 | 505,088 |
| -14,384 | 4,667 | 370,042 | 846,941 | -6,439 | 2,456 | -1,188 | -5 | 362,415 | 849,392 |
| **18,552** | **138,853** | **120,468** | **2,467,677** | **9,387** | **100,988** | **-25** | **-59,506** | **129,830** | **2,509,159** |
| 9,245 | 7,923 | 18,486 | 11,140 | 1,334 | 1,024 | – | -4,705 | 19,820 | 7,459 |
| 1,826,865 | 1,731,766 | 4,071,167 | 4,346,840 | 320,148 | 306,614 | -14,862 | -15,042 | 4,376,453 | 4,638,412 |
| -924,325 | -927,965 | -2,513,603 | -4,984,446 | -193,689 | -182,097 | 15,330 | 16,841 | -2,691,962 | -5,149,702 |
| -308,733 | -288,380 | -471,651 | -452,317 | -75,533 | -72,429 | -12,598 | -10,151 | -559,782 | -534,897 |
| -409,043 | -379,686 | -1,001,334 | -963,404 | -93,074 | -79,453 | 8,979 | 6,193 | -1,085,429 | -1,036,664 |
| 36,430 | 11,176 | 184,480 | 14,412 | 49,637 | 26,119 | -49,693 | 13,820 | 184,424 | 54,351 |
| **239,746** | **285,764** | **389,527** | **428,762** | **16,876** | **99,742** | **-52,869** | **-47,845** | **353,534** | **480,659** |
| -59,825 | -78,727 | -109,572 | -129,232 | 15,391 | 993 | 2,143 | -267 | -92,038 | -128,506 |
| **179,921** | **207,037** | **279,955** | **299,530** | **32,267** | **100,735** | **-50,726** | **-48,112** | **261,496** | **352,153** |
| | | | | | | | | | |
| | | | | | | | | | |
| 2,615,192 | 2,455,638 | 6,558,660 | 6,790,429 | 917,370 | 741,807 | -827,950 | -753,126 | 6,648,080 | 6,779,110 |
| 182,323 | 166,446 | 228,922 | 212,428 | 609,424 | 550,251 | -838,346 | -762,679 | – | – |
| 2,432,869 | 2,289,192 | 6,329,738 | 6,578,001 | 307,946 | 191,556 | 10,396 | 9,553 | 6,648,080 | 6,779,110 |
| 50,824 | 48,895 | 1,121,659 | 1,205,284 | 29,501 | 34,755 | -18,978 | -18,248 | 1,132,182 | 1,221,791 |
| -10,351 | -29,708 | -363,964 | -433,627 | -22,907 | -24,155 | 28,753 | 27,225 | -358,118 | -430,557 |
| -8,766 | -9,060 | -69,862 | -66,197 | -50,794 | -52,055 | 1,480 | 1,480 | -119,176 | -116,772 |
| – | – | -12,831 | -4,133 | – | -2,183 | – | – | -12,831 | -6,316 |
| – | – | 2,213 | 354 | – | – | – | – | 2,213 | 354 |
| -120,021 | 302,278 | -1,385,807 | 1,206,360 | -122,951 | 188,909 | 71,385 | -272,357 | -1,437,373 | 1,122,912 |
| 4,906,996 | 5,345,205 | 64,562,248 | 74,061,315 | 6,273,723 | 6,358,807 | -5,333,471 | -5,207,196 | 65,502,500 | 75,212,926 |
| 3,069,207 | 3,623,536 | 61,288,530 | 69,773,739 | 2,453,492 | 2,582,597 | -1,949,074 | -2,016,984 | 61,792,948 | 70,339,352 |
| 66,454 | 59,926 | 113,105 | 100,048 | 16,302 | 10,393 | -19,803 | -19,803 | 109,604 | 90,638 |

## Break-down by region (Group)

| In € thousands | Sales revenues with external customers[1] 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 | Non-current assets[2] 31.12.2022 | 31.12.2021 |
|---|---|---|---|---|
| Germany | 6,645,964 | 6,777,878 | 2,494,415 | 2,534,848 |
| Other countries | 2,116 | 1,232 | 573 | 681 |
| **Total** | **6,648,080** | **6,779,110** | **2,494,988** | **2,535,529** |

1 Sales revenues were allocated in accordance with the operating units' country of residence. Interest, dividend, commission and rental income from property development business and gross premiums written in insurance.
2 Non-current assets include investment property, intangible assets and property, plant and equipment.

# Disclosures on the consolidated statement of financial position

## (1) Cash reserve

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Cash on hand | 88 | 67 |
| Deposits with central banks | 115,708 | 71,665 |
| Deposits with foreign postal giro offices | 371 | 404 |
| **Cash reserve** | **116,167** | **72,136** |

The fair value of cash reserves corresponds to the carrying amount.

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

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Other assets | 3,647 | 8,258 |
| **Non-current assets held for sale and discontinued operations** | **3,647** | **8,258** |

The assets held for sale as at 31 December 2022 comprise one property for own use in the Property/Casualty Insurance segment. The property is to be sold for reasons of diversification and this sale is set to be completed in the first half of 2023.

Properties for own use from the Housing and Property/Casualty Insurance segments, which were included in assets held for sale as at 31 December 2021, were sold in 2022. The properties from the Property/Casualty Insurance segment were sold for reasons of diversification. This resulted in income from disposals of €1.2 million. The property in the Housing segment is the building of the former Aachener Bausparkasse AG, which served as the main administration building until it was merged with Wüstenrot Bausparkasse AG. The sale generated income from disposals of €1.1 million. It was sold for strategic reasons.

A property for own use in the Property/Casualty Insurance segment, which was not yet included in assets held for sale as at 31 December 2021, was sold during the year in 2022. The property was sold for reasons of diversification. The sale generated income from disposals of €18.3 million.

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

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Equity investments not including alternative investments | 440,526 | 235,839 |
| Equity investments in alternative investments | 3,119,607 | 2,550,173 |
| Equities | 397,379 | 793,190 |
| Investment fund units | 980,723 | 1,420,652 |
| Fixed-income financial instruments that do not pass the SPPI test | 2,529,743 | 2,809,535 |
| Derivative financial instruments | 364,459 | 86,710 |
| Senior fixed-income securities | 165,948 | 66,935 |
| Investments for the benefit of life insurance policyholders who bear the investment risk | 2,277,646 | 2,758,654 |
| **Financial assets at fair value through profit or loss** | **10,276,031** | **10,721,688** |

Capital investments for the account and risk of life insurance policyholders primarily contains fund units and, to a lesser extent, derivatives such as index options.

## (4) Financial assets at fair value through other comprehensive income

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Subordinated securities and receivables | 732,841 | 776,031 |
| Senior debenture bonds and registered bonds | 4,692,007 | 8,933,114 |
| Senior fixed-income securities | 17,453,518 | 24,783,373 |
| **Financial assets at fair value through other comprehensive income** | **22,878,366** | **34,492,518** |

### Risk provision per class debt instruments mandatorily measured at fair value through other comprehensive income (OCI)

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Subordinated securities and receivables | -1,109 | -1,260 |
| Senior debenture bonds and registered bonds | -3,189 | -3,951 |
| Senior fixed-income securities | -30,146 | -31,769 |
| **Risk provision** | **-34,444** | **-36,980** |

## (5) Financial assets at amortised cost

To improve the depth of information, the table below provides a more detailed break-down of the carrying amounts of assets measured at amortised cost after risk provision:

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **Subordinated securities and receivables** | **185,625** | **180,764** |
| Credit institutions | 104,754 | 94,084 |
| Other financial enterprises | 45,290 | 46,421 |
| Other enterprises | 35,581 | 40,259 |
| **Senior debenture bonds and registered bonds** | **49,899** | **42,429** |
| **Senior fixed-income securities** | **9** | **9** |
| **Building loans** | **25,424,927** | **23,819,744** |
| Home loan and savings loans | 1,407,897 | 1,418,079 |
| Advance and bridge financing loans | 16,958,148 | 15,166,033 |
| Other building loans | 7,058,882 | 7,235,632 |
| **Other receivables** | **2,552,274** | **2,098,555** |
| Other receivables[1] | 2,217,378 | 1,778,888 |
| Miscellaneous receivables[2] | 334,896 | 319,667 |
| **Active portfolio hedge adjustment** | **-113,175** | **29,627** |
| **Financial assets at amortised cost** | **28,099,559** | **26,171,128** |

1 Receivables that constitute a class in accordance with IFRS 7.
2 Receivables that constitute a class in accordance with IFRS 7 but that are not covered by the scope of IFRS 7 and essentially include receivables from insurance business with disclosure requirements in accordance with IFRS 4.

Without accounting for risk provisions, loans and advances to credit institutions included in Other receivables came to €1,601.3 (previous year: 1,315.2) million, €1,342.3 of which (previous year: 960.4) million are payable on demand and € 259.0 of which (previous year: 354.8) million are not.

The “Active portfolio hedge adjustment” item is a measurement item from the interest-induced measurement of financial assets at amortised cost designated as part of the fair value hedge portfolio. The change in the hedged item in relation to the hedged risk is recognised here.

### Risk provision per class for financial assets at amortised cost

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Subordinated securities and receivables | -236 | -189 |
| Senior debenture bonds and registered bonds | -63 | -50 |
| Building loans | -81,858 | -87,767 |
| Other receivables | -50,408 | -43,739 |
| Miscellaneous receivables | -10,334 | -10,329 |
| **Risk provision** | **-142,899** | **-142,074** |

## (6) Positive market values from hedges

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **Fair value hedges** | **522** | **6,099** |
| Hedge of the interest rate risk | 522 | 6,099 |
| **Positive market values from hedges** | **522** | **6,099** |

## (7) Financial assets accounted for under the equity method

| In € thousands | 2022 | 2021 |
|---|---|---|
| **Carrying amount as at 1 January** | **90,638** | **88,710** |
| Additions | 5,287 | – |
| Dividend payments | -5,425 | -5,425 |
| Pro rata share of net income/expense | 19,813 | 7,459 |
| Changes recognised directly in equity | -709 | -106 |
| **Carrying amount as at 31 December** | **109,604** | **90,638** |

For all financial assets in the portfolio that are accounted for using the equity method, the following table presents, among other things, all assets, liabilities, revenue and net income for each company, as well as the shares thereof attributable to the W&W Group:

| | BWK GmbH Unternehmens-beteiligungsgesellschaft | V-Bank AG |
|---|---|---|
| Participation purpose | Strategic investment | Strategic investment |
| Principal place of business | Stuttgart, Germany | Munich, Germany |
| Reporting date | 31 December | 31 December |
| Measurement standards | At equity | At equity |

| | BWK GmbH Unternehmens-beteiligungsgesellschaft | | V-Bank AG | | Total | |
|---|---|---|---|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Share of capital, in % | 35.00 | 35.00 | 15.34 | 15.00 | | |
| Assets | 277,933 | 239,422 | 4,563,222 | 3,054,909 | 4,841,155 | 3,294,331 |
| Liabilities | 11,355 | 10,151 | 4,466,765 | 2,994,221 | 4,478,120 | 3,004,372 |
| **Net assets (100%)** | **266,578** | **229,271** | **96,457** | **60,689** | **363,035** | **289,960** |
| **Group share of net assets** | **93,302** | **80,245** | **14,797** | **9,103** | **108,099** | **89,348** |
| Reconciliation | – | – | 1,505 | 1,290 | 1,505 | 1,290 |
| **Carrying amount of financial assets accounted for using the equity method** | **93,302** | **80,245** | **16,302** | **10,393** | **109,604** | **90,638** |

| In € thousands | BWK GmbH Unternehmens-beteiligungsgesellschaft 1.1.2022 to 31.12.2022 | BWK GmbH Unternehmens-beteiligungsgesellschaft 1.1.2021 to 31.12.2021 | V-Bank AG 1.1.2022 to 31.12.2022 | V-Bank AG 1.1.2021 to 31.12.2021 | Total 1.1.2022 to 31.12.2022 | Total 1.1.2021 to 31.12.2021 |
|---|---|---|---|---|---|---|
| Income | 59,897 | 23,680 | 55,407 | 42,262 | 115,305 | 65,942 |
| **Net income for the year (100%)** | **52,807** | **18,386** | **8,674** | **6,824** | **61,480** | **25,209** |
| Other comprehensive income (100%) | – | – | -4,619 | -699 | -4,619 | -699 |
| **Comprehensive income (100%)** | **52,807** | **18,386** | **4,055** | **6,125** | **56,862** | **24,511** |
| **Group share of net income/expense for the year** | **18,482** | **6,435** | **1,331** | **1,024** | **19,813** | **7,459** |
| **Group share of other comprehensive income** | **–** | **–** | **-709** | **-106** | **-709** | **-106** |
| **Group share of comprehensive income** | **18,482** | **6,435** | **622** | **918** | **19,104** | **7,353** |
| Dividends received | 5,425 | 5,425 | – | – | 5,425 | 5,425 |

In the case of V-Bank AG, although we hold less than 20% of the voting rights, we exercise significant influence over it as a result of our representation on its supervisory body.

No publicly quoted market prices are available for the interests in associates in the W&W Group that are accounted for using the equity method.

## (8) Investment property

As at the end of the year, the fair value of investment properties amounted to €2,491.9 million (previous year: €2,593.9 million). There are no restrictions on the ability to sell investment property or on the ability to dispose of income and sales proceeds.

As at 31 December 2022, there were contractual obligations to purchase and construct investment properties amounting to €34.0 million (previous year: €96.0 million). There were no material contractual obligations to develop investment property or for repairs, maintenance or improvements.

| In € thousands | 2022 | 2021 |
|---|---|---|
| **Gross carrying amounts as at 1 January** | **2,431,316** | **2,348,411** |
| Additions | 108,324 | 83,190 |
| Disposals | -226,662 | -285 |
| Reclassifications | -2,667 | – |
| **As at 31 December** | **2,310,311** | **2,431,316** |
| **Cumulative depreciation and impairments as at 1 January** | **-521,923** | **-474,850** |
| Additions: depreciation (scheduled) | -44,263 | -43,468 |
| Additions: impairments | -12,831 | -4,133 |
| Disposals | 92,956 | 174 |
| Reversals of impairment losses | 2,213 | 354 |
| Reclassifications | 2,243 | – |
| **As at 31 December** | **-481,605** | **-521,923** |
| **Net carrying amounts as at 1 January** | **1,909,393** | **1,873,561** |
| **Net carrying amounts as at 31 December** | **1,828,706** | **1,909,393** |

Additions included capitalised production costs of €32.4 million (previous year: €27.4 million).

Impairment expenses of €12.8 million (previous year: €4.1 million) relate to various residential and commercial properties whose net realisable value is lower than the carrying amount.

## (9) Reinsurers' portion of technical provisions

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Provision for outstanding insurance claims | 299,453 | 431,554 |
| Other technical provisions | -4,176 | -15,106 |
| **Reinsurers' portion of technical provisions** | **295,277** | **416,448** |

Further remarks can be found at the corresponding liability items in Note 19.

## (10) Intangible assets

| In € thousands | 31.12.2022 | 31.12.2021 | Remaining amortisation period (years) |
|---|---|---|---|
| Software | 116,793 | 99,149 | 1–5 |
| Brand names | 8,041 | 9,649 | 5 |
| Other acquired intangible assets | 2,954 | 5,600 | 1–6 |
| **Intangible assets** | **127,788** | **114,398** | **-** |

## Changes to intangible assets in 2022

| In € thousands | Externally procured software | Internally developed software | Brand names | Other acquired intangible assets | Total |
|---|---|---|---|---|---|
| **Gross carrying amounts as at 1 January** | **346,316** | **2,829** | **32,162** | **25,408** | **406,715** |
| Additions | 36,752 | 46 | – | – | 36,798 |
| Disposals | -2,060 | – | – | -45 | -2,105 |
| Changes in consolidated group | 472 | – | – | – | 472 |
| **As at 31 December** | **381,480** | **2,875** | **32,162** | **25,363** | **441,880** |
| **Cumulative amortisation and impairments as at 1 January** | **-248,881** | **-1,115** | **-22,513** | **-19,808** | **-292,317** |
| Additions: amortisation (scheduled) | -18,353 | -842 | -1,608 | -2,646 | -23,449 |
| Disposals | 1,883 | – | – | 45 | 1,928 |
| Changes in consolidated group | -254 | – | – | – | -254 |
| **As at 31 December** | **-265,605** | **-1,957** | **-24,121** | **-22,409** | **-314,092** |
| **Net carrying amounts as at 1 January** | **97,435** | **1,714** | **9,649** | **5,600** | **114,398** |
| **Net carrying amounts as at 31 December** | **115,875** | **918** | **8,041** | **2,954** | **127,788** |

## Changes to intangible assets in 2021

| In € thousands | Externally procured software | Internally developed software | Brand names | Other acquired intangible assets | Total |
|---|---|---|---|---|---|
| **Gross carrying amounts as at 1 January** | **332,340** | **2,091** | **32,162** | **25,308** | **391,901** |
| Additions | 29,853 | 738 | – | 100 | 30,691 |
| Disposals | -15,877 | – | – | – | -15,877 |
| **As at 31 December** | **346,316** | **2,829** | **32,162** | **25,408** | **406,715** |
| **Cumulative amortisation and impairments as at 1 January** | **-248,162** | **-524** | **-20,905** | **-17,546** | **-287,137** |
| Additions: amortisation (scheduled) | -16,596 | -591 | -1,608 | -2,262 | -21,057 |
| Disposals | 15,877 | – | – | – | 15,877 |
| **As at 31 December** | **-248,881** | **-1,115** | **-22,513** | **-19,808** | **-292,317** |
| **Net carrying amounts as at 1 January** | **84,178** | **1,567** | **11,257** | **7,762** | **104,764** |
| **Net carrying amounts as at 31 December** | **97,435** | **1,714** | **9,649** | **5,600** | **114,398** |

There is a brand transfer and use agreement between Wüstenrot Holding AG and W&W AG. As at 31 December 2022, the carrying amount of the resulting intangible asset amounted to €8.0 million (previous year: €9.6 million). The asset has a limited useful life, and it is being amortised on a straight-line basis over 20 years. Its remaining useful life is five years. As at 31 December 2022, the capitalised brand name was offset by a financial liability to Wüstenrot Holding AG of

€8.6 million (previous year: €10.9 million). Total expenditures for research and development that were recognised in the income statement for the 2022 financial year amounted to €54.8 million (previous year: €50.6 million). There were obligations to purchase intangible assets of €7.0 million (previous year: €4.6 million). These have to do with software licences of W&W Informatik GmbH.

## (11) Property, plant and equipment

There were obligations to purchase property, plant and equipment of € 6.2 million (previous year: € 64.0 million). This was mostly due to the construction of the campus in Ludwigsburg/Kornwestheim. The measurement was performed using the net asset value method.

Additions to property for own use included costs for assets no longer under construction of €58.1 million. In the previous year, additions to property for own use included costs for assets under construction of €74.7 million.

### Property, plant and equipment

| | Property for own use | | Plant and equipment | | Total | |
|---|---|---|---|---|---|---|
| In € thousands | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| **Gross carrying amounts as at 1 January** | **770,178** | **708,967** | **142,453** | **148,990** | **912,631** | **857,957** |
| Additions | 60,610 | 77,269 | 28,479 | 11,950 | 89,089 | 89,219 |
| Disposals | -1,326 | -7,038 | -32,975 | -18,487 | -34,301 | -25,525 |
| Reclassifications | -12,217 | – | – | – | -12,217 | – |
| Classified as held for sale | -35,718 | -9,020 | – | – | -35,718 | -9,020 |
| Changes in consolidated group | – | – | 29 | – | 29 | – |
| **As at 31 December** | **781,527** | **770,178** | **137,986** | **142,453** | **919,513** | **912,631** |
| **Cumulative depreciation and impairments as at 1 January** | **-289,754** | **-260,159** | **-111,138** | **-109,358** | **-400,892** | **-369,517** |
| Additions: depreciation (scheduled) | -32,342 | -32,367 | -19,124 | -19,880 | -51,466 | -52,247 |
| Additions: impairments | – | -2,183 | – | – | – | -2,183 |
| Disposals | 1,106 | 4,194 | 32,737 | 18,100 | 33,843 | 22,294 |
| Reclassifications | 10,621 | – | – | – | 10,621 | – |
| Classified as held for sale | 26,902 | 761 | – | – | 26,902 | 761 |
| Changes in consolidated group | – | – | -27 | – | -27 | – |
| **As at 31 December** | **-283,467** | **-289,754** | **-97,552** | **-111,138** | **-381,019** | **-400,892** |
| **Net carrying amounts as at 1 January** | **480,424** | **448,808** | **31,315** | **39,632** | **511,739** | **488,440** |
| **Net carrying amounts as at 31 December** | **498,060** | **480,424** | **40,434** | **31,315** | **538,494** | **511,739** |

## (12) Inventories

Inventories of € 116.8 million (previous year: €160.9 million) related to property development business and primarily included land and buildings held for sale, as well as land with buildings under construction. The carrying amount of inventories recognised at the lower fair value less costs of disposal amounted to €3.4 million (previous year: €7.8 million). Also recognised under "Inventories" were raw materials and consumables of €0.8 million (previous year: €0.2 million).

An impairment provision of €3.1 million (previous year: €0.1 million). Expenses for the utilisation of inventories during the reporting period amounted to €162.0 million (previous year: €41.5 million). Inventories of €11.4 million (previous year: €6.6 million) were pledged as collateral for liabilities in the reporting year.

## (13) Current tax assets

Current tax assets relate to current tax receivables, and they are expected to be realised in the amount of €55.6 million (previous year: €31.1 million) within 12 months.

## (14) Deferred tax assets

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

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Financial assets/liabilities at fair value through profit or loss | 68,237 | 51,574 |
| Financial assets at fair value through other comprehensive income | 427,757 | 3,200 |
| Financial assets at amortised cost | 318,326 | 131,793 |
| Positive/negative market values from hedges | 3,739 | 2,070 |
| Liabilities | 55,267 | 78,137 |
| Technical provisions | 147,458 | 157,328 |
| Provisions for pensions and similar obligations | 149,547 | 303,029 |
| Other balance sheet items | 441,144 | 236,719 |
| Tax loss carryforward | 42,689 | 1,805 |
| **Deferred tax assets before netting effects** | **1,654,164** | **965,655** |
| Netting effects | -703,284 | -556,197 |
| **Deferred tax assets after netting effects** | **950,880** | **409,458** |

In the reporting year, the portion of the changes to deferred tax assets recognised directly in equity for some items can be seen in the consolidated statement of comprehensive income. The changes recognised in the income statement for some items are presented in Note 35.

Deferred taxes on provisions for pensions and other obligations of €134.3 million (previous year: €291.8 million) were recognised directly in the reserve for pension commitments.

Deferred tax assets of €423.4 million (previous year: €252.5 million) and deferred taxes on tax loss carryforwards of €10.1 million (previous year: €1.8 million) are expected to be realised within 12 months.

Deferred taxes for deductible temporary differences and tax loss carryforwards that related to corporate income and trade taxes of €16.4 million (previous year: €31.9 million) were not recognised, as they are not expected to be realised in the medium term.

## (15) Other assets

Other assets mainly had to do with prepaid insurance benefits for the following year and deferred lease and maintenance costs.

## (16) Financial liabilities at fair value through profit or loss

The category “Financial liabilities at fair value through profit or loss” includes derivatives of €40.5 million (previous year: €218.2 million). Of this €29.6 million (previous year: €117.8 million) was attributable to interest-rate related transactions, €7.9 million (previous year: €83.5 million) to currency-related transactions and €3.0 million (previous year: €16.9 million) to equity/index translations.

## (17) Liabilities

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **Liabilities evidenced by certificates** | **1,885,306** | **1,866,084** |
| **Liabilities to credit institutions** | **2,697,422** | **2,145,894** |
| **Liabilities to customers** | **22,932,498** | **22,587,984** |
| Home loan savings business deposits and savings deposits | 19,747,483 | 19,444,979 |
| Other liabilities | 3,184,921 | 3,143,005 |
| Advances received | 94 | – |
| **Lease liabilities** | **53,455** | **66,663** |
| **Miscellaneous liabilities** | **1,322,694** | **1,327,310** |
| Other liabilities[1] | 401,013 | 406,270 |
| Miscellaneous liabilities[2] | 921,681 | 921,040 |
| Liabilities from reinsurance business | 53,124 | 42,305 |
| Liabilities from direct insurance business | 662,040 | 658,199 |
| Miscellaneous other liabilities | 206,517 | 220,536 |
| **Passive portfolio hedge adjustment** | **-868,101** | **-30,144** |
| **Liabilities** | **28,023,274** | **27,963,791** |

1 Liabilities that constitute a class in accordance with IFRS 7.
2 Liabilities that constitute a class in accordance with IFRS [7 but that are not covered by the scope of IFRS 7 and essentially include liabilities from insurance business with disclosure requirements in accordance with IFRS 4.

Other liabilities to credit institutions, which are included in liabilities to credit institutions, totalled €2,613.7 (previous year: 2,096.0) million, of which €56.8 (previous year: 29.0) million were payable on demand and €2,556.9 (previous year: 2,067.0) million were not. These liabilities not payable on demand include securities lending and open market operations and margin liabilities.

Of the Other liabilities from liabilities to customers, €2,235.2 (previous year: 2,216.5) million were payable on demand and €949.8 (previous year: 926.5) million had an agreed term.

Of the liabilities from direct insurance business within Miscellaneous liabilities, €598.6 (previous year: 600.8) million was attributable to policyholders and €63.4 (previous year: 57.4) million to intermediaries.The “Passive portfolio hedge adjustment” item is a measurement item from the interest-induced measurement of liabilities designated as part of the fair value hedge portfolio. The change in the hedged item in relation to the hedged risk is recognised here.

The fair value of each liability can be obtained from the overview of the measurement hierarchy in Note 38. The carrying amount of Miscellaneous liabilities corresponds to fair value.

## (18) Negative market values from hedges

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **Fair value hedges** | **25,466** | **–** |
| Hedge of the interest rate risk | 25,466 | – |
| **Negative market values from hedges** | **25,466** | **–** |

## (19) Technical provisions

| | | Gross |
|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2021 |
| Provision for unearned premiums | 240,582 | 235,323 |
| Provision for future policy benefits | 31,221,186 | 31,698,159 |
| Provision for outstanding insurance claims | 2,955,933 | 3,054,771 |
| Provision for premium refunds | –3,537,571 | 3,400,352 |
| Other technical provisions | 34,382 | 34,730 |
| **Technical provisions** | **30,914,512** | **38,423,335** |

### Provision for unearned premiums

| | Gross | Reinsurers' portion | Gross | Reinsurers' portion |
|---|---|---|---|---|
| In € thousands | 2022 | 2022 | 2021 | 2021 |
| **As at 1 January** | **235,323** | **–** | **240,636** | **10,357** |
| Addition | 240,582 | – | 235,323 | – |
| Withdrawals | -235,323 | – | -240,636 | -10,357 |
| **As at 31 December** | **240,582** | **–** | **235,323** | **–** |

### Provision for future policy benefits

| | Gross | Reinsurers' portion | Gross | Reinsurers' portion |
|---|---|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2022 | 31.12.2021 | 31.12.2021 |
| Life insurance | 30,005,386 | – | 30,592,718 | – |
| Health insurance | 1,215,800 | – | 1,105,441 | – |
| **Provision for future policy benefits** | **31,221,186** | **–** | **31,698,159** | **–** |

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

| In € thousands | Gross 2022 | Reinsurers' portion 2022 | Gross 2021 | Reinsurers' portion 2021 |
|---|---|---|---|---|
| Provision for future policy benefits | 27,834,065 | – | 27,491,491 | – |
| Provision for future policy benefits for unit-linked insurance contracts | 2,758,654 | – | 2,079,699 | – |
| Receivables not yet due from policyholders | -113,279 | – | -109,953 | – |
| **As at 1 January** | **30,479,440** | **–** | **29,461,237** | **82,623** |
| Additions from premiums[1] | 1,538,767 | – | 1,893,601 | – |
| Use and release[1] | –2,185,629 | – | –2,258,707 | – |
| Interest[1] | 667,710 | – | 661,346 | – |
| Other changes[1] | -606,202 | – | 721,963 | -82,623 |
| **As at 31 December** | **29,894,086** | **–** | **30,479,440** | **–** |
| Provision for future policy benefits | 27,727,845 | – | 27,834,065 | – |
| Provision for future policy benefits for unit-linked insurance contracts | 2,277,646 | – | 2,758,654 | – |
| Receivables not yet due from policyholders | -111,405 | – | -113,279 | – |

1 We determined the breakdown of changes in the financial year on the basis of preliminary profit sourcing. The figures for the previous year were adjusted to conform to definitive profit sourcing.

## Ageing provision in the area of health insurance

| In € thousands | 2022 | 2021 |
|---|---|---|
| **As at 1 January** | **1,105,441** | **997,129** |
| Share of association rates | -98,670 | -90,801 |
| **As at 1 January, not including association rates** | **1,006,771** | **906,328** |
| Premiums from the provision for premium refunds | 13,987 | 12,127 |
| Additions from premiums | 66,678 | 67,313 |
| Interest | 22,116 | 20,183 |
| Direct credit | – | 820 |
| **As at 31 December, not including association rates** | **1,109,552** | **1,006,771** |
| Share of association rates | 106,248 | 98,670 |
| **As at 31 December** | **1,215,800** | **1,105,441** |

# Provision for outstanding insurance claims

| In € thousands | Gross 31.12.2022 | Reinsurers' portion 31.12.2022 | Gross 31.12.2021 | Reinsurers' portion 31.12.2021 |
|---|---|---|---|---|
| Life/health insurance | 247,085 | – | 222,374 | – |
| Property/casualty/reinsurance | 2,708,848 | 299,453 | 2,832,397 | 431,554 |
| **Provision for outstanding insurance claims** | **2,955,933** | **299,453** | **3,054,771** | **431,554** |

In the area of life and health insurance, the provision for outstanding insurance claims changed as follows:

| | Gross | Reinsurers' portion | Gross | Reinsurers' portion |
|---|---|---|---|---|
| In € thousands | 2022 | 2022 | 2021 | 2021 |
| **As at 1 January** | **222,374** | **–** | **236,761** | **12,232** |
| Changes recognised in the income statement | 24,711 | – | -14,387 | -12,232 |
| **As at 31 December** | **247,085** | **–** | **222,374** | **–** |

In the area of property/casualty insurance and reinsurance, the provision for outstanding insurance claims changed as follows:

| | Gross | Reinsurers' portion | Gross | Reinsurers' portion |
|---|---|---|---|---|
| In € thousands | 2022 | 2022 | 2021 | 2021 |
| **As at 1 January** | **2,832,397** | **431,554** | **2,459,068** | **176,738** |
| Additions | 766,124 | 58,561 | 987,373 | 288,660 |
| Use | -720,946 | -208,283 | -443,619 | -31,188 |
| Release | -171,187 | 17,640 | -176,080 | -2,832 |
| Changes from currency translation | 2,460 | -19 | 5,655 | 176 |
| **As at 31 December** | **2,708,848** | **299,453** | **2,832,397** | **431,554** |

The run-off triangles (gross and net) depicted below show the run-off of the provision for outstanding insurance claims in the area of property/casualty insurance and reinsurance.
With the gross run-off triangle, the provision for outstanding insurance claims (gross) is reconciled on the reporting date after deduction of the provision for claim adjustment expenses. With the net run-off triangle, the reinsurers' portion is deducted, in addition, when reconciling the net provision.

## Gross run-off triangle[1]

| In € thousands | 31.12.2013 | 31.12.2014 | 31.12.2015 |
|---|---|---|---|
| **Provision for outstanding insurance claims (gross)** | **2,298,051** | **2,307,159** | **2,320,346** |
| Less provision for claim adjustment costs | 146,869 | 151,782 | 149,474 |
| **Provision for outstanding insurance claims (gross)** | **2,151,182** | **2,155,377** | **2,170,872** |
| **Payments, cumulative (gross)** | | | |
| One year later | 423,322 | 364,833 | 348,789 |
| Two years later | 587,072 | 505,919 | 480,556 |
| Three years later | 682,855 | 591,536 | 568,893 |
| Four years later | 744,049 | 656,358 | 623,787 |
| Five years later | 797,797 | 701,745 | 670,206 |
| Six years later | 837,437 | 739,746 | 707,958 |
| Seven years later | 870,043 | 772,113 | 740,384 |
| Eight years later | 898,052 | 800,652 | – |
| Nine years later | 923,102 | – | – |
| **Original provision, reestimated (gross)** | | | |
| One year later | 2,075,251 | 2,021,321 | 2,028,815 |
| Two years later | 1,970,230 | 1,927,813 | 1,899,667 |
| Three years later | 1,917,310 | 1,837,551 | 1,798,574 |
| Four years later | 1,845,499 | 1,753,505 | 1,678,098 |
| Five years later | 1,782,454 | 1,657,418 | 1,680,576 |
| Six years later | 1,698,995 | 1,670,709 | 1,638,708 |
| Seven years later | 1,720,722 | 1,635,284 | 1,612,168 |
| Eight years later | 1,686,951 | 1,611,054 | – |
| Nine years later | 1,666,373 | – | – |
| **Cumulative gross surplus (deficit), excluding currency rate effects** | **484,809** | **544,323** | **558,705** |
| **Cumulative gross surplus (deficit), including currency rate effects** | **475,810** | **541,641** | **577,822** |

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

| 31.12.2016 | 31.12.2017 | 31.12.2018 | 31.12.2019 | 31.12.2020 | 31.12.2021 | 31.12.2022 |
|---|---|---|---|---|---|---|
| | | | | | | |
| **2,317,581** | **2,345,648** | **2,338,514** | **2,369,011** | **2,459,068** | **2,832,397** | **2,708,848** |
| 152,178 | 159,303 | 154,968 | 161,650 | 160,234 | 170,486 | 164,011 |
| **2,165,403** | **2,186,345** | **2,183,546** | **2,207,361** | **2,298,834** | **2,661,911** | **2,544,837** |
| | | | | | | |
| 344,452 | 381,744 | 394,733 | 427,287 | 381,532 | 646,905 | – |
| 483,154 | 474,709 | 538,011 | 562,040 | 531,279 | – | – |
| 553,855 | 562,341 | 607,736 | 654,770 | – | – | – |
| 613,205 | 618,977 | 681,055 | – | – | – | – |
| 659,250 | 670,951 | – | – | – | – | – |
| 701,990 | – | – | – | – | – | – |
| – | – | – | – | – | – | – |
| – | – | – | – | – | – | – |
| – | – | – | – | – | – | – |
| | | | | | | |
| 2,017,472 | 2,035,807 | 2,028,907 | 2,145,862 | 2,117,878 | 2,484,900 | – |
| 1,880,631 | 1,841,344 | 1,974,114 | 1,999,035 | 1,995,903 | – | – |
| 1,741,332 | 1,811,824 | 1,863,314 | 1,935,686 | – | – | – |
| 1,726,665 | 1,740,802 | 1,822,482 | – | – | – | – |
| 1,679,194 | 1,704,663 | – | – | – | – | – |
| 1,649,100 | – | – | – | – | – | – |
| – | – | – | – | – | – | – |
| – | – | – | – | – | – | – |
| – | – | – | – | – | – | – |
| **516,304** | **481,682** | **361,064** | **271,674** | **302,930** | **177,011** | **–** |
| **543,487** | **491,821** | **371,619** | **283,314** | **297,329** | **174,725** | **–** |

## Net run-off triangle[1]

| In € thousands | 31.12.2013 | 31.12.2014 | 31.12.2015 |
|---|---|---|---|
| **Provision for outstanding insurance claims (gross)** | **2,298,051** | **2,307,159** | **2,320,346** |
| Reinsurers' share | 316,616 | 237,472 | 218,041 |
| **Provision for outstanding insurance claims (net)** | **1,981,435** | **2,069,687** | **2,102,305** |
| Less provision for claim adjustment costs | 148,891 | 149,880 | 151,350 |
| **Provision for outstanding insurance claims (net)** | **1,832,544** | **1,919,807** | **1,950,955** |
| **Payments, cumulative (net)** | | | |
| One year later | 307,660 | 323,041 | 308,063 |
| Two years later | 438,212 | 440,783 | 427,759 |
| Three years later | 512,108 | 516,509 | 502,780 |
| Four years later | 564,949 | 572,962 | 560,603 |
| Five years later | 610,641 | 615,086 | 602,380 |
| Six years later | 643,259 | 648,445 | 637,863 |
| Seven years later | 671,223 | 678,544 | 667,068 |
| Eight years later | 696,965 | 703,863 | – |
| Nine years later | 718,794 | – | – |
| **Original provision, reestimated (net)** | | | |
| One year later | 1,734,546 | 1,793,132 | 1,817,162 |
| Two years later | 1,638,230 | 1,702,937 | 1,697,479 |
| Three years later | 1,588,680 | 1,618,970 | 1,598,995 |
| Four years later | 1,523,096 | 1,536,901 | 1,503,456 |
| Five years later | 1,462,090 | 1,459,426 | 1,494,349 |
| Six years later | 1,393,485 | 1,461,441 | 1,454,152 |
| Seven years later | 1,403,936 | 1,427,784 | 1,425,935 |
| Eight years later | 1,371,933 | 1,401,912 | – |
| Nine years later | 1,349,711 | – | – |
| **Cumulative net surplus (deficit), excluding currency rate effects** | **482,833** | **517,895** | **525,020** |
| **Cumulative net surplus (deficit), including currency rate effects** | **464,687** | **504,095** | **528,350** |
| **Net run-off ratios, in %** | | | |
| Excluding currency rate effects | 26.35 | 26.98 | 26.91 |
| Including currency rate effects | 25.36 | 26.26 | 27.08 |

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

| | 31.12.2016 | 31.12.2017 | 31.12.2018 | 31.12.2019 | 31.12.2020 | 31.12.2021 | 31.12.2022 |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | **2,317,581** | **2,345,648** | **2,338,514** | **2,369,011** | **2,459,068** | **2,832,397** | **2,708,848** |
| | 199,237 | 211,467 | 199,102 | 167,968 | 176,738 | 431,554 | 299,453 |
| | **2,118,344** | **2,134,181** | **2,139,412** | **2,201,043** | **2,282,330** | **2,400,843** | **2,409,395** |
| | 153,953 | 160,848 | 153,402 | 160,751 | 159,402 | 169,667 | 163,212 |
| | **1,964,391** | **1,973,333** | **1,986,010** | **2,040,292** | **2,122,928** | **2,231,176** | **2,246,183** |
| | | | | | | | |
| | 314,233 | 334,172 | 349,320 | 387,458 | 350,433 | 438,664 | – |
| | 436,488 | 457,349 | 474,617 | 509,773 | 487,623 | – | – |
| | 512,766 | 532,383 | 546,242 | 593,591 | – | – | – |
| | 566,642 | 584,920 | 606,541 | – | – | – | – |
| | 609,797 | 633,369 | – | – | – | – | – |
| | 649,180 | – | – | – | – | – | – |
| | – | – | – | – | – | – | – |
| | – | – | – | – | – | – | – |
| | – | – | – | – | – | – | – |
| | | | | | | | |
| | 1,826,697 | 1,829,213 | 1,842,017 | 1,964,860 | 1,940,943 | 2,033,506 | – |
| | 1,693,847 | 1,698,806 | 1,783,405 | 1,821,240 | 1,821,983 | – | – |
| | 1,586,644 | 1,661,015 | 1,683,549 | 1,755,813 | – | – | – |
| | 1,560,909 | 1,589,078 | 1,631,057 | – | – | – | – |
| | 1,512,459 | 1,550,394 | – | – | – | – | – |
| | 1,480,745 | – | – | – | – | – | – |
| | – | – | – | – | – | – | – |
| | – | – | – | – | – | – | – |
| | – | – | – | – | – | – | – |
| | **483,646** | **422,939** | **354,953** | **284,480** | **300,944** | **197,671** | **–** |
| | **495,319** | **419,581** | **351,754** | **288,698** | **297,193** | **196,460** | **–** |
| | | | | | | | |
| | 24.62 | 21.43 | 17.87 | 13.94 | 14.18 | 8.86 | – |
| | 25.21 | 21.26 | 17.71 | 14.15 | 14.00 | 8.81 | – |

## Provision for premium refunds

The provision for premium refunds changed as follows:

| In € thousands | 2022 | 2021 |
|---|---|---|
| **As at 1 January** | **3,400,352** | **5,862,892** |
| **Provision for deferred premium refunds as at 1 January** | **1,732,569** | **1,646,593** |
| Additions | 245,600 | 339,399 |
| Withdrawals with effect on liquidity | -157,070 | -161,484 |
| Withdrawals with no effect on liquidity | -101,490 | -91,939 |
| **As at 31 December** | **1,719,609** | **1,732,569** |
| **Provision for deferred premium refunds as at 1 January** | **1,667,783** | **4,216,299** |
| Changes recognised in the consolidated income statement | -516,580 | 197,784 |
| Changes recognised in other comprehensive income | –6,407,827 | –2,746,300 |
| Other changes | -556 | – |
| **As at 31 December** | **–5,257,180** | **1,667,783** |
| **As at 31 December** | **–3,537,571** | **3,400,352** |

Higher interest rates on the market at present result in opportunity losses for personal insurers. Policyholders' participation in results means that a negative deferred provision for premium refunds of €– 5,257 million is recognised, which is part of the provision for premium refunds. As the W&W Group's personal insurers assume a permanent intention to hold as part of their investment strategy, these are exclusively interest-rate-related, purely temporary unrealised losses that are covered by future positive and gross surpluses relevant under German commercial law.

## Other technical provisions

| | Gross | Reinsurers' portion | Gross | Reinsurers' portion |
|---|---|---|---|---|
| In € thousands | 2022 | 2022 | 2021 | 2021 |
| **As at 1 January** | **34,730** | **-15,106** | **34,615** | **-3,903** |
| Additions | 34,382 | -4,176 | 34,730 | -15,106 |
| Use and release | -34,730 | 15,106 | -34,615 | 3,903 |
| **As at 31 December** | **34,382** | **-4,176** | **34,730** | **-15,106** |

## (20) Other provisions

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Provisions for pensions | 1,128,269 | 1,711,163 |
| Provisions for other long-term employee benefits | 29,598 | 35,269 |
| **Provisions for pensions and other long-term employee benefits** | **1,157,867** | **1,746,432** |
| Miscellaneous provisions | 744,620 | 970,335 |
| Risk provision for issued loan commitments and financial guarantees | 3,075 | 3,286 |
| **Other provisions** | **1,905,562** | **2,720,053** |

### Provisions for pensions and other long-term employee benefits

**Provisions for pensions**

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

**Projected benefit obligation**

| | Present value of pension commitments | | Fair value of plan assets | | Net liabilities (net assets) of defined pension plans/ recognised pension provisions | |
|---|---|---|---|---|---|---|
| In € thousands | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| **As at 1 January** | **1,978,082** | **2,219,636** | **266,919** | **273,187** | **1,711,163** | **1,946,449** |
| Income and expenses recognised in the consolidated income statement | 38,297 | 32,767 | 792 | 797 | 37,505 | 31,970 |
| Current service cost | 18,977 | 24,037 | 73 | 23 | 18,904 | 24,014 |
| Gains/losses from plan settlements and curtailments | -153 | 1 | – | – | -153 | 1 |
| Interest expense/income | 19,473 | 8,729 | -317 | -262 | 19,790 | 8,991 |
| Expected income from plan assets | – | – | 1,036 | 1,036 | -1,036 | -1,036 |
| Actuarial gains (–) or losses (+) recognised in “Other comprehensive income” | -576,229 | -205,242 | -13,284 | 11,163 | -562,945 | -216,405 |
| Pension payments (utilisation) | -70,078 | -69,582 | -12,624 | -18,228 | -57,454 | -51,354 |
| Addition to the scope of consolidation | – | 503 | – | – | – | 503 |
| **As at 31 December** | **1,370,072** | **1,978,082** | **241,803** | **266,919** | **1,128,269** | **1,711,163** |

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

Current service cost is recognised in the consolidated income statement under “General administrative expenses”. Interest expenses are recognised under “Current net income/expense”.

The plan assets capable of being netted in connection with the outsourcing of pension commitments can be broken down as follows:

## List of plan assets by investment class

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **Financial assets** | **242,927** | **267,746** |
| Cash reserve | 20,234 | 16,323 |
| Equities | 47,605 | 53,432 |
| Investment fund units | 34,340 | 33,283 |
| Senior debenture bonds and registered bonds | 50,211 | 50,211 |
| Senior fixed-income securities | 89,567 | 111,837 |
| Derivative financial instruments | 843 | 2,578 |
| thereof market price quoted on an active market | 843 | 1,879 |
| Other receivables | 127 | 82 |
| **Financial liabilities** | **807** | **827** |
| Liabilities to credit institutions | – | 6 |
| Other liabilities | 54 | 56 |
| Derivative financial instruments | 753 | 765 |
| thereof market price quoted on an active market | 440 | 765 |
| **Total** | **242,120** | **266,919** |

With the exception of derivatives, prices quoted on an active market were not available for any other assets.

The following material actuarial assumptions were applied when calculating pension provisions under defined-benefit plans:

| In % | 2022 | 2021 |
|---|---|---|
| Actuarial interest rate | 3.70 | 1.00 |
| Trend in pensions | 2.00 | 2.00 |
| Trend in the projected benefit obligation | 3.00 | 3.00 |
| Trend in salaries | 3.00 | 3.00 |
| Trend in inflation | 2.00 | 2.00 |
| Biometrics | Heubeck-Richttafeln 2018 G | Heubeck-Richttafeln 2018 G |

## Sensitivity analysis

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

### Present value of defined-benefit pension commitments

| | | 31.12.2022 | | 31.12.2021 | |
|---|---|---|---|---|---|
| | | Present value | Change | Present value | Change |
| | | In € million | In % | In € million | In % |
| Discount rate | +50 bp | 1,288.7 | -5.7 | 1,827.3 | -7.4 |
| | −50 bp | 1,452.9 | 6.3 | 2,141.1 | 8.5 |
| Trend in pensions/inflation | +25 bp | 1,395.0 | 2.1 | 2,026.6 | 2.7 |
| | −25 bp | 1,339.1 | -2.0 | 1,924.2 | -2.5 |
| Trend in salaries/projected benefit obligation | +25 bp | 1,369.6 | 0.2 | 1,980.9 | 0.3 |
| | −25 bp | 1,363.5 | -0.2 | 1,967.7 | -0.3 |
| Life expectancy | By one more year | 1,405.7 | 2.9 | 2,052.2 | 3.9 |

With respect to biometrics, the effects are depicted if life expectancy increases by one year. This is approximately achieved through a reduction of mortality probabilities by 10%.

There are no extraordinary company- or plan-specific risks. The change in obligations is depicted for the current and the subsequent three financial years through annual forecasts.

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

The weighted average term to maturity of benefit obligations (Macaulay duration) amounted to 12.4 years (previous year: 16.1 years).

Expected contributions to the benefit plan for the next annual reporting period came to €9.6 million.

## Provisions for other long-term employee benefits

In measuring other long-term employee benefits, actuarial interest rates were used that corresponded to the shorter terms to maturity of the commitments (e.g. for early retirement, 3.50% (previous year: 0.10%); contracts for phased-in early retirement ("Altersteilzeit"), 3.60% (previous year: 0.30%); long-term service benefits, 3.60% (previous year: 0.30%)).

## Miscellaneous provisions in 2022

| In € thousands | For restructuring | For the refunding of closing fees in the case of loan waivers | For the interest bonus option | Contingent liabilities pursuant to IFRS 3 | Other | Total |
|---|---|---|---|---|---|---|
| **As at 1 January** | **4,996** | **29,429** | **876,240** | **223** | **59,447** | **970,335** |
| Additions | – | 2,360 | 32,696 | – | 49,526 | 84,582 |
| Use | -443 | -2,274 | -137,457 | – | -24,499 | -164,673 |
| Release | -3,236 | -630 | -2,193 | – | -12,677 | -18,736 |
| Interest effect | – | -5,862 | -121,061 | – | 27 | -126,896 |
| Reclassification | – | – | – | – | – | – |
| Changes from the scope of consolidation | – | – | – | – | 8 | 8 |
| **As at 31 December** | **1,317** | **23,023** | **648,225** | **223** | **71,832** | **744,620** |

## Miscellaneous provisions in 2021

| In € thousands | For restructuring | For the refunding of closing fees in the case of loan waivers | For the interest bonus option | Contingent liabilities pursuant to IFRS 3 | Other | Total |
|---|---|---|---|---|---|---|
| **As at 1 January** | **12,925** | **33,100** | **1,038,215** | **223** | **61,285** | **1,145,748** |
| Additions | 199 | 914 | 88,119 | – | 22,979 | 112,211 |
| Use | -2,872 | -2,959 | -168,151 | – | -14,112 | -188,094 |
| Release | -5,246 | -78 | -45,491 | – | -9,744 | -60,559 |
| Interest effect | -10 | -1,548 | -36,452 | – | -11 | -38,021 |
| Reclassification | – | – | – | – | -1,026 | -1,026 |
| Changes from the scope of consolidation | – | – | – | – | 76 | 76 |
| **As at 31 December** | **4,996** | **29,429** | **876,240** | **223** | **59,447** | **970,335** |

The change in the risk provision for issued loan commitments and financial guarantees is presented in Note 46.

The expected maturities of the amounts recognised in the balance sheet can be broken down as follows:

**2022**

| In € thousands | Within 1 year | 1 to 5 years | Later than 5 years | Undefined maturity | Total |
|---|---|---|---|---|---|
| Miscellaneous provisions for restructuring | 995 | 322 | – | – | 1,317 |
| Miscellaneous provisions for the refunding of closing fees in the event of loan waivers | 3,051 | 5,843 | 14,129 | – | 23,023 |
| Miscellaneous provisions for interest bonus options | 186,592 | 235,859 | 225,774 | – | 648,225 |
| Other | 45,945 | 17,338 | 8,517 | 255 | 72,055 |
| **Miscellaneous provisions** | **236,583** | **259,362** | **248,420** | **255** | **744,620** |

**2021**

| In € thousands | Within 1 year | 1 to 5 years | Later than 5 years | Undefined maturity | Total |
|---|---|---|---|---|---|
| Miscellaneous provisions for restructuring | 3,950 | 1,046 | – | – | 4,996 |
| Miscellaneous provisions for the refunding of closing fees in the event of loan waivers | 2,680 | 3,458 | 23,291 | – | 29,429 |
| Miscellaneous provisions for interest bonus options | 228,679 | 287,425 | 360,136 | – | 876,240 |
| Other | 36,616 | 16,312 | 6,482 | 260 | 59,670 |
| **Miscellaneous provisions** | **271,925** | **308,241** | **389,909** | **260** | **970,335** |

## (21) Current tax liabilities

Current tax liabilities amounted to €155.0 million (previous year: €185.4 million) and are expected to be realised within 12 months.

## (22) Deferred tax liabilities

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

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Financial assets/liabilities at fair value through profit or loss | 109,397 | 138,094 |
| Financial assets at fair value through other comprehensive income | 2,101 | 177,012 |
| Financial assets at amortised cost | 73,484 | 56,299 |
| Positive/negative market values from hedges | 10,690 | 9,889 |
| Financial assets accounted for under the equity method | 2,023 | 1,651 |
| Liabilities | 315,802 | 88,672 |
| Technical provisions | 176,941 | 153,857 |
| Other balance sheet items | 80,054 | 78,124 |
| **Deferred tax liabilities before netting effects** | **770,492** | **703,598** |
| Netting effects | -703,284 | -556,197 |
| **Deferred tax liabilities after netting effects** | **67,208** | **147,401** |

In the reporting year, the portion of the changes to deferred tax liabilities recognised directly in equity for some items can be seen in the consolidated statement of comprehensive income. The changes recognised in the income statement for some items are presented in Note 35.

Deferred tax liabilities of €205.3 million (previous year: €160.8 million) are expected to be realised within 12 months.

## (23) Other liabilities

This item includes contract liabilities of € 7.7 (previous year: €8.7) million and deferred income and accrued expenses of € 2.3 (previous year: 1.7) million.

## (24) Subordinated capital

Subordinated capital is depicted in the reporting about liquidity risk (Note 48) and takes into consideration existing options to repay it prior to final maturity.

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Subordinated liabilities | 639,365 | 638,991 | 546,923 | 665,109 |
| Participation rights capital | 2,103 | 2,107 | 2,172 | 2,463 |
| **Subordinated capital** | **641,468** | **641,098** | **549,095** | **667,572** |

## (25) Equity

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Share in paid-in capital attributable to shareholders of W&W AG | 1,486,252 | 1,485,588 |
| Share in retained earnings attributable to shareholders of W&W AG | 2,228,231 | 3,359,259 |
| Non-controlling interests in equity | -4,931 | 28,727 |
| **Equity** | **3,709,552** | **4,873,574** |

It is proposed that the unappropriated surplus of €80.0 million that was generated by W&W AG in the 2022 financial year be appropriated as follows: distribution of a dividend of €0.65 for each share entitled to receive dividends: €60,914,807.20 (dividend).

The proposal takes into account the 34,632 treasury shares held directly by the company on 31 December 2022, which pursuant to Section 71b of the German Stock Corporation Act (AktG) are not entitled to receive dividends. The number of shares entitled to receive dividends may change by the time of the Annual General Meeting. In such case, a correspondingly modified proposal for the appropriation of profit will be submitted to the Annual General Meeting for adoption that provides for keeping the distribution unchanged at €0.65 per share entitled to receive dividends while adjusting the amounts for the total distributed amount and for retained earnings.

The Annual General Meeting of W&W AG resolved on 25 May 2022 to distribute a dividend of €0.65 (previous year: 0.65) per share from net retained profits under German commercial law of €77.6 (previous year: 80.8) million for the 2021 financial year. Based on the shares entitled to receive dividends, this corresponded to a maximum distribution of €60.9 million (previous year: €60.9 million). Of the remaining amount, €16.0 million (previous year: €19.0 million) was allocated to “Other reserves”, and €0.7 million (previous year: €0.9 million) was carried forward.

### Share capital

Share capital is divided into 93,715,088 outstanding registered no-par-value shares and is fully paid up. In legal terms, these are ordinary shares.

This means that they carry voting and dividend rights, a right to share in liquidation proceeds, and subscription rights. There are no preferential rights or restrictions.

**Change in the number of shares outstanding**

| | 2022 | 2021 |
|---|---|---|
| **As at 1 January** | **93,669,754** | **93,734,468** |
| Repurchase of employee share ownership programme | -41,000 | -147,501 |
| Issuance to employees | 85,974 | 82,787 |
| Return to the market | 360 | – |
| **As at 31 December** | **93,715,088** | **93,669,754** |

**Authorised capital**

Pursuant to Article 5 (5) of the Articles of Association of W&W AG, the Executive Board is authorised until 24 May 2027 to increase, on one or more occasions, the company’s share capital by up to €100 million via issuance of new registered no-par-value shares in exchange for cash or contributions in kind, subject to the approval of the Supervisory Board. The shareholders have a statutory subscription right.

### Contingent capital

By resolution adopted at the Annual General Meeting on 25 May 2022, the Executive Board was authorised to issue warrant bonds, convertible bonds, participation rights, profit participation bonds or a combination of these instruments on or before 24 May 2027. Article 5 (6) of the Articles of Association accordingly provides that the share capital of W&W AG is contingently increased by the nominal amount of not more than €240,000 thousand, divided into not more than 45,889,102 registered no-par-value shares.

## Non-controlling interests in equity

The non-controlling interests in equity can be broken down as follows:

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Interest in consolidated net profit | 1,921 | 1,628 |
| Interest in other comprehensive income | -30,211 | 5,368 |
| Other interests | 23,359 | 21,731 |
| **Non-controlling interests in equity** | **-4,931** | **28,727** |

The following table provides information for the WürttLeben subgroup, in which there are non-controlling interests that are material for W&W AG:

| | WürttLeben subgroup, Stuttgart | |
|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2021 |
| Participation of non-controlling interests, in % | 5.11 | 5.11 |
| Assets (100%) | 29,097,374 | 37,225,641 |
| Liabilities (100%) | 29,088,505 | 36,557,688 |
| **Net assets (100%)** | **8,869** | **667,953** |
| Net assets attributable to WürttLeben | 8,869 | 667,953 |
| Net assets attributable to non-controlling interests | – | – |
| **Carrying amount of non-controlling interests in net assets** | **453** | **34,132** |
| Sales revenues | 2,719,994 | 3,157,468 |
| Net income for the year (100%) | 35,389 | 31,952 |
| Net income for the year attributable to WürttLeben | 35,389 | 31,952 |
| Net income for the year attributable to non-controlling interests | – | – |
| Other comprehensive income (100%) | –694,411 | –300,979 |
| **Comprehensive income (100%)** | **–659,022** | **–269,027** |
| **Net income for the year allocated to non-controlling interests** | **1,808** | **1,633** |
| Dividends paid to non-controlling interests | – | – |
| Cash flows (100%) | 136,831 | -232,890 |

## Employee share ownership programme

An employee share ownership programme was again conducted in the first half-year of 2022. It enabled all employees of companies in the W&W Group to acquire up to 40 shares (previous year: 40 shares) of W&W AG at a price of €13.50 (previous year: €13.20) per share, which represented a discount of €5.00 (previous year: €5.00) per share. Employees are required to hold these shares for at least three years (previous year: three years). The purchase price was established based on the XETRA closing price on 28 March 2022.

In addition to issuing treasury shares held, another 41,000 share were resold on the market and partly issued for the programme. Employees acquired a total of 85,974 (previous year: 82,787) employee shares, with another 360 returned to the market when the programme expired. The employee share ownership programme generated personnel expenses of €0.4 million (previous year: €0.4 million). Thus, as at 31 December 2022 W&W AG still held 34,632 (previous year: 79,966) treasury shares.

# Disclosures on the consolidated income statement

## (26) Current net income

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| **Interest income** | **1,132,182** | **1,221,791** |
| Subordinated securities and receivables | 21,292 | 19,345 |
| Fixed-income financial instruments that do not pass the SPPI test | 98,435 | 78,205 |
| Derivative financial instruments | 25,774 | 57,196 |
| Senior debenture bonds and registered bonds | 115,588 | 171,475 |
| Senior fixed-income securities | 419,734 | 419,718 |
| Building loans | 418,227 | 446,201 |
| Other receivables | 22,264 | 20,322 |
| Other receivables | 20,313 | 12,669 |
| Miscellaneous receivables | 1,951 | 7,653 |
| Negative interest on liabilities | 10,868 | 9,329 |
| **Interest expenses** | **-358,118** | **-430,557** |
| Liabilities evidenced by certificates | -6,470 | -6,028 |
| Deposit liabilities and other liabilities | -207,019 | -277,114 |
| Lease liabilities | -510 | -730 |
| Reinsurance liabilities | -19 | 2,441 |
| Miscellaneous liabilities | -2,715 | -40,849 |
| Subordinated capital | -23,382 | -18,691 |
| Derivative financial instruments | -92,151 | -78,834 |
| Negative interest on receivables | -6,239 | -5,015 |
| Other | -19,613 | -5,737 |
| **Dividend income** | **283,526** | **309,886** |
| **Other current net income** | **66,636** | **52,165** |
| Net income/expense from financial assets accounted for under the equity method | 19,820 | 7,459 |
| Net income from investment property | 46,804 | 44,683 |
| Other | 12 | 23 |
| **Current net income** | **1,124,226** | **1,153,285** |

The interest expenses listed essentially correspond to the W&W Group’s financing expenses.

Net income from investment property includes income from leasing and letting of €123.3 (previous year: 117.2) million. It also includes directly attributable operating expenses for repairs, maintenance and management and for write-downs. €67.0 (previous year: 63.7) million of this is attributable to investment property used to generate rental income and €9.5 (previous year: 8.9) million is attributable to investment property that did not generate any rental income.

## (27) Net income/expense from risk provision

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| **Income from credit risk adjustments** | **93,425** | **92,906** |
| Reversal of risk provision | 81,231 | 80,810 |
| Subordinated securities and receivables | 581 | 489 |
| Senior debenture bonds and registered bonds | 1,621 | 2,883 |
| Senior fixed-income securities | 15,825 | 14,461 |
| Building loans | 57,652 | 58,179 |
| Other receivables | 3,044 | 3,647 |
| Other receivables | 2,250 | 2,875 |
| Miscellaneous receivables | 794 | 772 |
| Reinsurers’ portion of technical provisions | 2,508 | 1,151 |
| Reversal of provisions in the lending business, for irrevocable credit commitments, for financial guarantees | 3,030 | 2,720 |
| Reversals of write-downs/payments received on securities and receivables written down | 9,164 | 9,376 |
| **Expenses for credit risk adjustments** | **-106,641** | **-91,512** |
| Addition to risk provision | -103,823 | -88,442 |
| Subordinated securities and receivables | -470 | -637 |
| Senior debenture bonds and registered bonds | -876 | -630 |
| Senior fixed-income securities | -14,140 | -15,399 |
| Building loans | -55,963 | -42,720 |
| Other receivables | -32,374 | -26,002 |
| Other receivables | -30,374 | -23,801 |
| Miscellaneous receivables | -2,000 | -2,201 |
| Reinsurers’ portion of technical provisions | – | -3,054 |
| Addition to provisions in the lending business, for irrevocable credit commitments, for financial guarantees | -2,818 | -3,070 |
| **Net income/expense from risk provision** | **-13,216** | **1,394** |

## (28) Net measurement gain/loss

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| **Net income from financial assets/liabilities at fair value through profit or loss** | **–1,379,225** | **401,872** |
| Participating interests, shares, investment fund units and participating interests in alternative investments | -301,642 | 251,647 |
| Senior fixed-income securities | -3,059 | -1,583 |
| Derivative financial instruments | -140,717 | -164,379 |
| Investments for the benefit of life insurance policyholders who bear the investment risk | -485,408 | 357,168 |
| Fixed-income financial instruments that do not pass the SPPI test | -448,399 | -40,981 |
| **Net income from discounting provisions for home loan savings business** | **138,200** | **84,430** |
| **Hedge income[1]** | **20,972** | **23,400** |
| **Impairment/reversal of investment property** | **-10,618** | **-3,779** |
| **Currency result** | **-112,924** | **-835** |
| Participating interests, shares, investment fund units and participating interests in alternative investments | 74,495 | 103,443 |
| Subordinated securities and receivables | – | -7 |
| Fixed-income financial instruments that do not pass the SPPI test | 63,590 | 74,029 |
| Senior fixed-income securities | 266,472 | 334,752 |
| Other receivables | 54,625 | 22,669 |
| Derivative financial instruments | -600,436 | -567,261 |
| Investments for the benefit of life insurance policyholders who bear the investment risk | 28,309 | 32,598 |
| Liabilities | 21 | -1,058 |
| **Net measurement gain/loss** | **–1,343,595** | **505,088** |

1 Hedge accounting

Net income from financial assets/liabilities at fair value included measurement gains of €1,368.3 (previous year: 1,009.9) million and measurement losses of €2,747.5 (previous year: 608.0) million. Of this, measurement gains of €1,058.7 (previous year: 147.9) million and measurement losses of €1,199.4 (previous year: 312.2) million were attributable to derivatives, which essentially hedged measurement gains and losses on capital investments in connection with interest rates.

The currency result included gains of €1,133.3 (previous year: 676.6) million and losses of €1,246.2 (previous year: 677.4) million. Of this, currency gains of €580.7 (previous year: 90.1) million and losses of €1,181.1 (previous year: 657.4) million were attributable to currency derivatives that hedged the currency gains and losses on capital investments.

## (29) Net income from disposals

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| **Income from disposals** | **725,718** | **868,304** |
| Subordinated securities and receivables | 1,937 | 6,541 |
| Senior debenture bonds and registered bonds | 261,766 | 413,325 |
| Senior fixed-income securities | 236,924 | 448,387 |
| Other receivables | 60 | 48 |
| Investment property | 218,370 | – |
| Other | 6,661 | 3 |
| **Expenses from disposals** | **-363,303** | **-18,912** |
| Subordinated securities and receivables | -1,437 | -60 |
| Senior debenture bonds and registered bonds | -29,147 | -322 |
| Senior fixed-income securities | -332,719 | -18,411 |
| Other receivables | – | -5 |
| Investment property | – | -110 |
| Other | – | -4 |
| **Net income from disposals** | **362,415** | **849,392** |

## (30) Earned premiums (net)

### Life/health insurance

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| Gross premiums written | 2,160,410 | 2,530,038 |
| Change in provision for unearned premiums | 5,519 | 9,281 |
| Premiums from the provision for premium refunds | 84,143 | 73,730 |
| **Earned premiums (gross)** | **2,250,072** | **2,613,049** |
| Premiums ceded to reinsurers | -18,359 | -10,918 |
| **Earned premiums (net)** | **2,231,713** | **2,602,131** |

### Property/casualty/reinsurance

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| Gross premiums written | 2,334,913 | 2,188,473 |
| Direct | 2,329,881 | 2,186,531 |
| Accepted | 5,032 | 1,942 |
| Change in provision for unearned premiums | -10,778 | -3,968 |
| **Earned premiums (gross)** | **2,324,135** | **2,184,505** |
| Premiums ceded to reinsurers | -179,395 | -148,224 |
| **Earned premiums (net)** | **2,144,740** | **2,036,281** |

## (31) Insurance benefits (net)

Net insurance benefits in direct insurance business are recognised without claims settlement costs. These are included in general administrative expenses. The insurance services for accepted business and reinsurers' portion of insurance services can comprise both claims payments and settlement costs.

The change in the provision for deferred premium refunds through profit or loss is also recognised in the item "Change in provision for premium refunds".

### Life/health insurance

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| Claims paid | −2,293,590 | −2,351,932 |
| Gross amount | −2,302,524 | −2,364,881 |
| Of which: Reinsurers' share | 8,934 | 12,949 |
| Change in the provision for outstanding insurance claims | -24,711 | 3,523 |
| Gross amount | -24,711 | 14,389 |
| Of which: Reinsurers' share | – | -10,866 |
| Change in provision for future policy benefits | 473,384 | −1,154,064 |
| Gross amount | 473,384 | −1,154,074 |
| Of which: Reinsurers' share | – | 10 |
| Change in provision for premium refunds | 271,086 | -537,082 |
| Gross amount | 271,086 | -537,082 |
| Of which: Reinsurers' share | – | – |
| Change in other technical provisions | -14 | 16 |
| Gross amount | -14 | 16 |
| Of which: Reinsurers' share | – | – |
| **Insurance benefits (net)** | **−1,573,845** | **−4,039,539** |
| Total gross amount | −1,582,779 | −4,041,632 |
| Of which total: Reinsurers' share | 8,934 | 2,093 |

### Property/casualty/reinsurance

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| Claims paid | –1,121,173 | -996,985 |
| Gross amount | –1,353,278 | –1,191,348 |
| Of which: Reinsurers' share | 232,105 | 194,363 |
| Change in the provision for outstanding insurance claims | -8,581 | -111,111 |
| Gross amount | 126,009 | -367,674 |
| Of which: Reinsurers' share | -134,590 | 256,563 |
| Change in provision for premium refunds | -105 | -102 |
| Gross amount | -105 | -102 |
| Of which: Reinsurers' share | – | – |
| Change in other technical provisions | 11,742 | -1,965 |
| Gross amount | 812 | 9,238 |
| Of which: Reinsurers' share | 10,930 | -11,203 |
| **Insurance benefits (net)** | **–1,118,117** | **–1,110,163** |
| Total gross amount | –1,226,562 | –1,549,886 |
| Of which total: Reinsurers' share | 108,445 | 439,723 |

Further information insurance benefits can be found in the combined management report.

## (32) Net commission income

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| **Commission income** | **375,017** | **284,567** |
| from home loan savings contracts | 243,917 | 148,104 |
| from home loan savings business | 30,518 | 31,952 |
| from reinsurance | 36,176 | 29,444 |
| from brokering activities | 57,972 | 69,430 |
| from investment business | 3,895 | 4,032 |
| from other business | 2,539 | 1,605 |
| **Commission expenses** | **-934,799** | **-819,464** |
| from insurance | -552,150 | -536,371 |
| from bank/home loan savings business | -276,252 | -187,128 |
| from reinsurance | -1,101 | -678 |
| from brokering activities | -16,673 | -18,952 |
| from investment business | -21,675 | -27,763 |
| from other business | -66,948 | -48,572 |
| **Net commission income** | **-559,782** | **-534,897** |

The net commission expense includes income of €0.0 million (previous year: €1.2 million) and expenses of €0.5 million (previous year: €2.7 million) from trust and other fiduciary activities. These include the management or investment of assets on behalf of individuals, trusts, pension funds and other institutions. During the reporting period, transactions involving financial instruments not at fair value through profit or loss generated commission income of €276.4 million (previous year: €180.8 million) and commission expenses of €268.5 million (previous year: €174.6 million).

## (33) General administrative expenses

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| **Personnel expenses** | **-634,241** | **-612,495** |
| Wages and salaries | -488,637 | -466,131 |
| Social remittances | -85,315 | -84,251 |
| Expenses for the pension scheme and support | -48,482 | -50,457 |
| Other | -11,807 | -11,656 |
| **Materials costs** | **-376,273** | **-348,682** |
| **Depreciation/amortisation** | **-74,915** | **-75,487** |
| Property for own use | -32,342 | -34,550 |
| Plant and equipment | -19,124 | -19,880 |
| Intangible assets | -23,449 | -21,057 |
| **General administrative expenses** | **–1,085,429** | **–1,036,664** |

During the reporting period, contributions totalling €22.6 million (previous year: €16.8 million) were paid towards defined-contribution plans. In addition, employer contributions totalling €41.0 million (previous year: €40.8 million).

General administrative expenses contain personnel expenses totalling €8.0 million (previous year: €10.6 million) for phased-in early retirement (“Altersteilzeit”) and early retirement.

## (34) Net other operating income/expense

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| **Other operating income** | **507,408** | **322,019** |
| Income from disposals of inventories (property development business) | 231,426 | 120,192 |
| Release of provisions | 33,110 | 29,190 |
| Income from disposals | 20,901 | 132 |
| Other technical income | 637 | 191 |
| Other technical income | 17,857 | 33,356 |
| Miscellaneous income | 203,477 | 138,958 |
| **Other operating expenses** | **-322,984** | **-267,668** |
| Other taxes | -2,739 | -2,895 |
| Expenses from inventories (property development business) | -247,994 | -205,119 |
| Additions to provisions | -15,057 | -3,887 |
| Losses from disposals | -450 | -337 |
| Other expenses from currency translation | -3,034 | -5,704 |
| Other technical expenses | -30,687 | -41,925 |
| Miscellaneous expenses | -23,023 | -7,801 |
| **Net other operating income/expense** | **184,424** | **54,351** |

Net other operating income was determined mainly by Miscellaneous income, which resulted primarily from income from settlement transactions in connection with home loan savings deposits.

Income from disposals chiefly reflects the sale of properties for own use in connection with the relocation of the Group headquarters to the W&W Campus in Kornwestheim, which were included in assets held for sale as at 31 December 2021.

## (35) Income taxes

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| Current taxes on income for the reporting period | -121,645 | -181,951 |
| Current taxes of prior periods | -6,156 | 18,109 |
| Deferred taxes | 35,763 | 35,336 |
| **Income taxes** | **-92,038** | **-128,506** |

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

## Deferred taxes

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| Financial assets/liabilities at fair value through profit or loss | 45,360 | 13,529 |
| Financial assets at fair value through other comprehensive income | 25,707 | 15,780 |
| Financial assets at amortised cost | 166,171 | 61,480 |
| Financial assets available for sale | 1,422 | -2,404 |
| Positive/negative market values from hedges | 868 | -138 |
| Financial assets accounted for under the equity method | -383 | 6 |
| Liabilities | -250,000 | -133,810 |
| Technical provisions | -32,954 | 19,165 |
| Provisions for pensions and similar obligations | -19,658 | -6,353 |
| Other balance sheet items | 58,346 | 80,705 |
| Tax loss carryforward | 40,884 | -12,624 |
| **Deferred taxes** | **35,763** | **35,336** |

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

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| **Earnings before income taxes from continued operations** | **353,534** | **480,659** |
| Uniform consolidated tax rate, in % | 29.80 | 29.80 |
| Expected income taxes | -105,353 | -143,236 |
| Tax rate changes | – | -3,382 |
| Tax rate discrepancies of Group companies | 4,042 | -2,089 |
| Effects of tax-free income | 21,240 | 5,223 |
| Effects of non-deductible expenses | -8,817 | -4,282 |
| Prior-period effects (current and deferred) | -149 | 14,328 |
| Other | -3,001 | 4,932 |
| **Income taxes** | **-92,038** | **-128,506** |

The applicable income tax rate of 29.80% (previous year: 29.80%) selected as the basis for the reconciliation statement is composed of the corporate income tax rate of 15%, the solidarity surcharge on corporate income tax of 5.5%, and an average tax rate for trade tax of 13.98% (previous year: 13.98%).

No deferred tax liabilities were recognised for temporary differences of €305.4 million (previous year: €180.2 million) in connection with interests in subsidiaries, branches and associated companies since the run-off of the release of temporary differences is not taxable and it is not probable that these temporary differences will reverse in the foreseeable future.

## (36) Earnings per share

Basic earnings per share is calculated as the ratio of consolidated net profit to the weighted average number of shares.

| | | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|---|
| Result attributable to shareholders of W&W AG | in € | 259,574,897 | 350,525,115 |
| Number of shares at the beginning of the financial year | Share | 93,669,754 | 93,734,468 |
| Treasury shares held as at the reporting date | Share | -34,632 | -79,966 |
| Weighted average shares | Share | 93,703,755 | 93,783,225 |
| **Basic (= diluted) earnings per share** | in € | **2.77** | **3.74** |

There are not any dilutive potential shares at present. Diluted earnings per share is thus equal to basic earnings per share.

# Disclosures on the consolidated statement of comprehensive income

## (37) Unrealised gains/losses

| | Financial assets at fair value through other comprehensive income | | Financial assets accounted for under the equity method | |
|---|---|---|---|---|
| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
| Recognised in other comprehensive income | –8,828,564 | –2,824,863 | -709 | -106 |
| Reclassified to the consolidated income statement | -82,122 | -860,835 | – | – |
| **Unrealised gains/losses (gross)** | **–8,910,686** | **–3,685,698** | **-709** | **-106** |

As at 1 January 2019, the W&W Group reclassified senior debenture bonds and registered bonds as well as senior bearer bonds from the business model “Hold to collect” to the business model “Hold to collect and sell”. As a result, portfolios of in the category “Financial assets at amortised cost” with a carrying amount of €1,900.0 million were reclassified to the category “Financial assets at fair value through other comprehensive income” with a carrying amount/fair value of €2,206.0 million, with unrealised gains of €304.9 million, gross, being recognised in other comprehensive income. The business model was adjusted as a consequence of the changed objective (particularly due to the sale of Wüstenrot Bank AG Pfandbriefbank) of earning income in future on a regular basis from cash flows and from the sale of financial assets. There were no reclassifications in the year under review.

# Disclosures on financial instruments and fair value

## (38) Disclosures on fair value measurement

For reasons of comparability, consistency and measurement quality, a hierarchy is used for the financial instruments measured at fair value in the consolidated statement of financial position that reflects the significance of the inputs used in making the measurements. The inputs used in the measurement process to determine fair value are assigned to three levels and this allocation is applied to all assets and liabilities that are measured at fair value on a regular basis, a one-off basis or for the purposes of preparing the notes. The uniform measures and principles listed below apply here. In conceptual terms, the hierarchy is based on the market-based nature of the inputs. It gives the highest priority to quoted and unadjusted prices in active markets for identical assets and liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3).

The level to which the financial instrument is assigned in its entirety is decided on the basis of the lowest input in the hierarchy that is significant to determining fair value as a whole. For this purpose, the significance of an input is assessed compared to the fair value in its entirety. To assess the significance of an individual input, the specific features of the asset or liability are analysed and regularly reviewed during the reporting period.

Level 1: This level covers financial instruments measured at quoted stock exchange or market prices (unadjusted) in active markets for identical assets or liabilities. The material features of an active market are a regular trading frequency and sufficiently traded market volumes to ensure reliable price information.

Level 2: If they are not priced on active markets, the fair value is based on comparable financial instruments or determined by applying generally accepted measurement models using parameters that can be observed directly or indirectly on the market (e.g. interest rate, exchange rate, volatility or indicative prices calculated by third party providers).

Level 3: If financial instruments cannot be measured using stock exchange or market prices or using a measurement model based on inputs that can be observed directly or indirectly on the market or if they cannot be measured in full, the financial instruments are measured using factors that are not based on observable market data (unobservable factors) (level 3). This generally uses a measurement technique that is used by market participants to price a financial instrument and that has been demonstrated to provide a reliable estimate of a price obtained in a market transaction.

If the fair value cannot be reliably determined, the carrying amount is used as an approximation of the fair value. In such event, these financial instruments are allocated to Level 3.

Level classifications are assigned periodically within the reporting period. If there is a change in the relevant inputs, this can result in a reclassification between levels at this time. Financial instruments can be reclassified from Level 1 to Level 2 if the previously identified active market on which it was quoted ceases to exist. The material features of an active market are a regular trading frequency and sufficiently traded market volumes to ensure reliable price information. The prices used for measurement are monitored daily in conjunction with a price review process. In the event of conspicuous developments in prices, the quality of the source of prices is analysed and the classification can be amended in there is insufficient market liquidity. Accordingly, reclassification from Level 2 to Level 1 is possible once an active market can be identified.

Financial instruments can be reclassified to Level 3 if their fair value can no longer be measured on the basis of observable inputs. However, if observable inputs are identified for financial instruments that had previously been assigned to Level 3, they can be reclassified to Level 1 or Level 2 if there are reliable quoted prices on an active market or inputs observable on the market.

There were no reclassifications between levels in the reporting period. The regroupings between levels that took place during the previous year (transfers to Level 3) involved only insignificant volumes.

Unadjusted quoted or market prices are used as Level 1 inputs for financial instruments recognised under “Financial assets at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss” in the statement of financial position. These are essentially quoted equities and derivative financial instruments such as futures that are traded on a regulated market.

The fair value of cash and cash equivalents corresponds to the carrying amount, which is primarily due to the short term to maturity of these instruments. These financial instruments are recognised in the classes “Cash reserves” and “Other loans and advances”. The class “Other loans and advances” includes credits, overnight and term deposits and margin exposures. They are measured at nominal value.

The valuation techniques used to calculate fair value in Levels 2 and 3 consist of generally accepted measurement models such as the present value method, where the expected future cash flows are discounted at current interest rates applicable to the corresponding remaining term, credit risks and markets. Here, too, prices used for measurement and inputs are monitored daily in conjunction with a price review process. This valuation technique is used to measure securities, including debt securities, with agreed cash flows that are recognised as “Financial assets at fair value through profit or loss”, “Financial liabilities at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”. In addition, the fair value of financial assets at amortised cost can be calculated in this way. The present-value method is primarily used to calculate the fair value of mortgage loans. It is also used to measure unquoted derivative financial instruments such as interest rate swaps and non-optional forward contracts (e.g. currency forwards) in Level 2. These are recognised in “Financial assets at fair value through profit or loss”, “Financial liabilities at fair value through profit or loss”, “Asset hedges” and “Liability hedges”. Fund units and investments for the benefit of life insurance policyholders who bear the investment risk are also essentially allocated to Level 2. The most recently available redemption price for the underlying investment certificate is used in measurement. In the balance sheet item “Liabilities”, cost or present value is normally used to calculate fair value and exclusively assigned to Levels 2 and 3.

The main valuation methods and parameters for measuring the fair value of the individual assets and liabilities in Levels 2 and 3 are presented below.

## Overview of valuation techniques used for different classes in Levels 2 and 3

| Class | Valuation technique | Main parameters |
|---|---|---|
| **Non-current assets held for sale and discontinued operations** | In accordance with the respective statement of financial position items | |
| **Financial assets at fair value through profit or loss** | | |
| Equity investments not including alternative investments | Income capitalisation approach<br><br>Approximation<br>Net asset value method | Discount rate, future net cash inflows |
| Equity investments in alternative investments | Income capitalisation approach<br><br>Approximation<br>Adjusted net asset value method | Discount rate, future net cash inflows |
| Equities | Approximation<br>Adjusted net asset value method | |
| Investment fund units | Redemption price<br>Approximation<br>Adjusted net asset value method | |
| Fixed-income financial instruments that do not pass the SPPI test | Present value method | Liquidity and credit spreads, yield curves |
| Derivative financial instruments | Present value method<br><br>Black-Scholes model<br><br>LIBOR market model, Hull-White model | Foreign exchange rates (spot and forward), yield curves<br>Quoted prices/index, volatilities, yield curves, exercise price and remaining term<br>Yield curves, volatilities |
| Senior fixed-income securities | Present value method | Liquidity and credit spreads, yield curves |
| Investments for the benefit of life insurance policyholders who bear the investment risk | Redemption price<br>Black-Scholes model | <br>Index weighting, volatility |
| **Financial assets at fair value through other comprehensive income** | | |
| Subordinated securities and receivables | Present value method | Liquidity and credit spreads, yield curves |
| Senior debenture bonds and registered bonds | Present value method | Liquidity and credit spreads, yield curves |
| Senior fixed-income securities | Present value method | Liquidity and credit spreads, yield curves |
| **Financial assets at amortised cost** | | |
| Subordinated securities and receivables | Present value method | Liquidity and credit spreads, yield curves |
| Senior debenture bonds and registered bonds | Present value method | Liquidity and credit spreads, yield curves |
| Mortgage loans | Present value method | Yield curves |
| Building loans and advance and bridge financing loans | Amortised cost | |
| Other receivables | Cost<br>Amortised cost | Nominal value |
| Miscellaneous receivables | Cost | |
| Investment property | Present value method | Discount rate, future net cash inflows |
| **Positive market values from hedges** | Present value method | Yield curves |
| **Financial liabilities at fair value through profit or loss** | | |
| Derivative financial instruments | Present value method<br><br>Black-Scholes model<br><br>LIBOR market model, Hull-White model | Foreign exchange rates (spot and forward), yield curves<br>Quoted prices/index, volatilities, yield curves, exercise price and remaining term<br>Yield curves, volatilities |
| **Liabilities** | | |
| Liabilities evidenced by certificates | Present value method | Credit spreads, interest rate curves |
| Liabilities to credit institutions | Cost<br>Approximation | |

## Overview of valuation techniques used for different classes in Levels 2 and 3

| Class | Valuation technique | Main parameters |
|---|---|---|
| | | |
| Liabilities to customers | Cost | |
| Lease liabilities | Present value method | Discount rate, future net cash outflows |
| **Miscellaneous liabilities** | | |
| Other liabilities | Cost | Nominal value |
| Miscellaneous liabilities | Cost | Nominal value |
| **Technical provisions** | | |
| Provision for future policy benefits for unit-linked life insurance policies | As per corresponding asset item | |
| **Negative market values from hedges** | Present value method | Yield curves |
| **Subordinated capital** | Present value method | Credit spreads, interest rate curves |

The fair values of options not traded on an exchange are calculated using generally accepted option pricing models appropriate to the types and underlying assets of options and the generally accepted assumptions on which they are based. In particular, the value of options is determined by the value of the underlying asset and its volatility, the agreed exercise price, interest rate or index, the risk-free interest rate and the remaining term of the contract. There are assigned to the class "Derivative financial instruments" under "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss" in the statement of financial position.

The fair values of the classes of financial instruments derived from the items "Financial assets at amortised cost", "Liabilities" and "Subordinated capital" and their fair values listed in the notes to the consolidated financial statements are in general likewise measured using the present-value method.

Level 3 for "Financial assets at fair value through profit or loss" is defined by non-exchange-traded equities and equity investments, including alternative investments. The fair value is essentially determined on the basis of net asset value (NAV). The net asset value, which is calculated quarterly in line with industry standards, is provided by fund managers and then reviewed by risk controlling units and adjusted if necessary to account for outstanding performance-based remuneration claims. This also applies to indirect property investments that are assigned to "Equity investments not including alternative investments". The fair value of equity investments not assigned to alternative investments or property investments is typically calculated from the pro rata interest in equity according to the current annual financial statements. Amortised cost is used as an approximate fair value if no information is available.

In addition to investment property, most Level 3 items that are not measured at fair value are construction loans and liabilities to customers, which mainly consist of deposits under home loan savings contracts.

With regard to investment property, the DCF method is applied, utilising payment flows on the lessee and property level, and the specific internal interest rate for the property investment class is used as the discount rate. In the process, the occupancy rate as at the measurement date is taken into consideration. Construction loans essentially relate to loans under home loan savings contracts from collective business, as well as preliminary and interim financing loans. Because of the home loan savings options included in the home loan savings contract and because of the dependence on the timing of allotments, reliable fair value is not calculated for these sub-items, and the carrying amount is used as an approximate value for the purpose of determining fair value. For the sub-item "Other construction loans", by contrast, fair value is calculated using the DCF method. On the other hand, deposits under home loan savings contracts are assigned to the balance sheet item "Liabilities to customers" and likewise measured at amortised cost, which is also considered to be the approximate value for fair value.

For all classes, the liquidity and rating spreads observable on the financial market are taken into account when measuring interest-bearing financial instruments that are assets (Level 2). The measurement spread is determined by comparing benchmark curves against the corresponding risk-free money market and swap curves of the financial instrument. Maturity-based spreads that also take into account the issuer's quality within the various issuer groups within a rating class are used for measurement purposes. The yield curves and rating- and term-based spreads provided by market data providers are automatically updated on an intraday basis. The discounting curve is typically specific to a given currency. Swaps hedged under master agreements are measured using interest rate curves specific to a given tenor in the multi-curve approach.

Measurement gains and losses are largely influenced by the underlying assumptions, including in particular the determination of cash flows and discount rates.

The following table "2022 measurement hierarchy (at fair value)" shows all financial assets and liabilities that were measured at fair value. It shows the level used in the respective items of the statement of financial position.

For accounting purposes, the only financial instruments typically measured at fair value in the W&W Group are those that are assigned to the categories:

- financial assets/liabilities at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- Positive/negative market values from hedges

By contrast, the disclosures in the table "2022 measurement hierarchy (items that were not measured at fair value)" consist of those financial instruments and non-financial assets and liabilities for which fair value is provided in the notes.

## 2022 measurement hierarchy (at fair value)

| In € thousands | Level 1<br>31.12.2022 | Level 2<br>31.12.2022 | Level 3<br>31.12.2022 | Fair value/ carrying amount<br>31.12.2022 |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | **380,682** | **6,262,658** | **3,632,691** | **10,276,031** |
| Equity investments not including alternative investments | – | – | 440,526 | 440,526 |
| Equity investments in alternative investments | – | – | 3,119,607 | 3,119,607 |
| Other financial enterprises | – | – | 3,032,299 | 3,032,299 |
| Other enterprises | – | – | 87,308 | 87,308 |
| Equities | 365,103 | – | 32,276 | 397,379 |
| Investment fund units | – | 978,003 | 2,720 | 980,723 |
| Fixed-income financial instruments that do not pass the SPPI test | – | 2,493,259 | 36,484 | 2,529,743 |
| Derivative financial instruments | 15,579 | 348,880 | – | 364,459 |
| Interest rate derivatives | 2,243 | 125,464 | – | 127,707 |
| Currency derivatives | – | 212,014 | – | 212,014 |
| Equity/index-based derivatives | 13,336 | 11,381 | – | 24,717 |
| Other derivatives | – | 21 | – | 21 |
| Senior fixed-income securities | – | 165,948 | – | 165,948 |
| Investments for the benefit of life insurance policyholders who bear the investment risk | – | 2,276,568 | 1,078 | 2,277,646 |
| **Financial assets at fair value through other comprehensive income** | **–** | **22,878,366** | **–** | **22,878,366** |
| Subordinated securities and receivables | – | 732,841 | – | 732,841 |
| Senior debenture bonds and registered bonds | – | 4,692,007 | – | 4,692,007 |
| Credit institutions | – | 2,867,163 | – | 2,867,163 |
| Other financial enterprises | – | 108,656 | – | 108,656 |
| Other enterprises | – | 54,132 | – | 54,132 |
| Public authorities | – | 1,662,056 | – | 1,662,056 |
| Senior fixed-income securities | – | 17,453,518 | – | 17,453,518 |
| Credit institutions | – | 4,672,459 | – | 4,672,459 |
| Other financial enterprises | – | 1,314,094 | – | 1,314,094 |
| Other enterprises | – | 1,503,692 | – | 1,503,692 |
| Public authorities | – | 9,963,273 | – | 9,963,273 |
| **Positive market values from hedges** | **–** | **522** | **–** | **522** |
| **Total assets** | **380,682** | **29,141,546** | **3,632,691** | **33,154,919** |

## 2022 measurement hierarchy (at fair value) Continued

| In € thousands | Level 1<br>31.12.2022 | Level 2<br>31.12.2022 | Level 3<br>31.12.2022 | Fair value/ carrying amount<br>31.12.2022 |
|---|---|---|---|---|
| **Financial liabilities at fair value through profit or loss** | **2,218** | **38,244** | **–** | **40,462** |
| Derivative financial instruments | 2,218 | 38,244 | – | 40,462 |
| Interest rate derivatives | – | 29,551 | – | 29,551 |
| Currency derivatives | – | 7,888 | – | 7,888 |
| Equity/index-based derivatives | 2,218 | 805 | – | 3,023 |
| **Technical provisions** | **–** | **2,277,646** | **–** | **2,277,646** |
| Provision for future policy benefits for unit-linked life insurance policies | – | 2,277,646 | – | 2,277,646 |
| **Negative market values from hedges** | **–** | **25,466** | **–** | **25,466** |
| **Total equity and liabilities** | **2,218** | **2,341,356** | **–** | **2,343,574** |

## 2021 measurement hierarchy (at fair value)

| In € thousands | Level 1<br>31.12.2021 | Level 2<br>31.12.2021 | Level 3<br>31.12.2021 | Fair value/ carrying amount<br>31.12.2021 |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | **623,471** | **7,094,128** | **3,004,089** | **10,721,688** |
| Equity investments not including alternative investments | – | – | 235,839 | 235,839 |
| Equity investments in alternative investments | – | – | 2,550,173 | 2,550,173 |
| Other financial enterprises | – | – | 2,434,773 | 2,434,773 |
| Other enterprises | – | – | 115,400 | 115,400 |
| Equities | 611,948 | – | 181,242 | 793,190 |
| Investment fund units | – | 1,417,476 | 3,176 | 1,420,652 |
| Fixed-income financial instruments that do not pass the SPPI test | – | 2,780,794 | 28,741 | 2,809,535 |
| Derivative financial instruments | 11,523 | 75,187 | – | 86,710 |
| Interest rate derivatives | 1,278 | 44,386 | – | 45,664 |
| Currency derivatives | – | 16,210 | – | 16,210 |
| Equity/index-based derivatives | 10,245 | 14,503 | – | 24,748 |
| Other derivatives | – | 88 | – | 88 |
| Senior fixed-income securities | – | 66,935 | – | 66,935 |
| Investments for the benefit of life insurance policyholders who bear the investment risk | – | 2,753,736 | 4,918 | 2,758,654 |
| **Financial assets at fair value through other comprehensive income** | **–** | **34,492,518** | **–** | **34,492,518** |
| Subordinated securities and receivables | – | 776,031 | – | 776,031 |
| Senior debenture bonds and registered bonds | – | 8,933,114 | – | 8,933,114 |
| Credit institutions | – | 5,762,456 | – | 5,762,456 |
| Other financial enterprises | – | 153,828 | – | 153,828 |
| Other enterprises | – | 67,292 | – | 67,292 |
| Public authorities | – | 2,949,538 | – | 2,949,538 |
| Senior fixed-income securities | – | 24,783,373 | – | 24,783,373 |
| Credit institutions | – | 6,345,996 | – | 6,345,996 |
| Other financial enterprises | – | 1,644,806 | – | 1,644,806 |
| Other enterprises | – | 2,039,343 | – | 2,039,343 |
| Public authorities | – | 14,753,228 | – | 14,753,228 |
| **Positive market values from hedges** | **–** | **6,099** | **–** | **6,099** |
| **Total assets** | **623,471** | **41,592,745** | **3,004,089** | **45,220,305** |

## 2021 measurement hierarchy (at fair value) Continuation

| In € thousands | Level 1<br>31.12.2021 | Level 2<br>31.12.2021 | Level 3<br>31.12.2021 | Fair value/ carrying amount<br>31.12.2021 |
|---|---|---|---|---|
| **Financial liabilities at fair value through profit or loss** | **10,116** | **208,085** | **–** | **218,201** |
| Derivative financial instruments | 10,116 | 208,085 | – | 218,201 |
| Interest rate derivatives | 596 | 117,218 | – | 117,814 |
| Currency derivatives | – | 83,461 | – | 83,461 |
| Equity/index-based derivatives | 9,520 | 7,406 | – | 16,926 |
| **Technical provisions** | **–** | **2,758,654** | **–** | **2,758,654** |
| Provision for future policy benefits for unit-linked life insurance policies | – | 2,758,654 | – | 2,758,654 |
| **Negative market values from hedges** | **–** | **–** | **–** | **–** |
| **Total equity and liabilities** | **10,116** | **2,966,739** | **–** | **2,976,855** |

## 2022 measurement hierarchy (not measured at fair value)

| In € thousands | Level 1<br>31.12.2022 | Level 2<br>31.12.2022 | Level 3<br>31.12.2022 | Fair value<br>31.12.2022 | Carrying amount<br>31.12.2022 |
|---|---|---|---|---|---|
| **Non-current assets held for sale and discontinued operations** | **–** | **14,500** | **–** | **14,500** | **3,647** |
| **Cash reserve** | **116,079** | **–** | **–** | **116,079** | **116,079** |
| Deposits with central banks | 115,708 | – | – | 115,708 | 115,708 |
| Deposits with foreign postal giro offices | 371 | – | – | 371 | 371 |
| **Financial assets at amortised cost** | **26,057** | **7,139,080** | **20,309,679** | **27,474,816** | **28,099,559** |
| Subordinated securities and receivables | – | 168,260 | – | 168,260 | 185,625 |
| Senior debenture bonds and registered bonds | – | 47,629 | – | 47,629 | 49,899 |
| Senior fixed-income securities | – | 9 | – | 9 | 9 |
| Building loans | – | 6,282,117 | 18,426,078 | 24,708,195 | 25,424,927 |
| Other receivables | 26,057 | 641,065 | 1,883,601 | 2,550,723 | 2,552,274 |
| Other receivables | 26,057 | 641,065 | 1,548,705 | 2,215,827 | 2,217,378 |
| Miscellaneous receivables | – | – | 334,896 | 334,896 | 334,896 |
| Active portfolio hedge adjustment | n/a | n/a | n/a | n/a | -113,175 |
| **Investment property** | **–** | **–** | **2,491,892** | **2,491,892** | **1,828,705** |
| **Total assets** | **142,136** | **7,153,580** | **22,801,571** | **30,097,287** | **30,047,990** |
| **Liabilities** | **–** | **4,477,099** | **24,016,443** | **28,493,542** | **28,023,274** |
| Liabilities evidenced by certificates | – | 1,624,080 | – | 1,624,080 | 1,885,306 |
| Liabilities to credit institutions | – | 2,010,723 | 652,650 | 2,663,373 | 2,697,422 |
| Liabilities to customers | – | 834,555 | 21,995,391 | 22,829,946 | 22,932,498 |
| Lease liabilities | – | – | 53,455 | 53,455 | 53,455 |
| Miscellaneous liabilities | – | 7,741 | 1,314,947 | 1,322,688 | 1,322,694 |
| Other liabilities | – | 6,340 | 394,709 | 401,049 | 401,013 |
| Miscellaneous liabilities | – | 1,401 | 920,238 | 921,639 | 921,681 |
| Passive portfolio hedge adjustment | n/a | n/a | n/a | n/a | -868,101 |
| **Subordinated capital** | **–** | **549,094** | **–** | **549,094** | **641,468** |
| **Total equity and liabilities** | **–** | **5,026,193** | **24,016,443** | **29,042,636** | **28,664,742** |

## 2021 measurement hierarchy (not measured at fair value)

| In € thousands | Level 1<br>31.12.2021 | Level 2<br>31.12.2021 | Level 3<br>31.12.2021 | Fair value<br>31.12.2021 | Carrying amount<br>31.12.2021 |
|---|---|---|---|---|---|
| **Non-current assets held for sale and discontinued operations** | **–** | **10,580** | **–** | **10,580** | **8,258** |
| **Cash reserve** | **72,069** | **–** | **–** | **72,069** | **72,069** |
| Deposits with central banks | 71,665 | – | – | 71,665 | 71,665 |
| Deposits with foreign postal giro offices | 404 | – | – | 404 | 404 |
| **Financial assets at amortised cost** | **6,792** | **8,337,407** | **18,165,425** | **26,509,624** | **26,171,128** |
| Subordinated securities and receivables | – | 193,186 | – | 193,186 | 180,764 |
| Senior debenture bonds and registered bonds | – | 42,992 | – | 42,992 | 42,429 |
| Senior fixed-income securities | – | 9 | – | 9 | 9 |
| Building loans | – | 7,555,652 | 16,619,227 | 24,174,879 | 23,819,744 |
| Other receivables | 6,792 | 545,568 | 1,546,198 | 2,098,558 | 2,098,555 |
| Other receivables | 6,792 | 545,568 | 1,226,531 | 1,778,891 | 1,778,888 |
| Miscellaneous receivables | – | – | 319,667 | 319,667 | 319,667 |
| Active portfolio hedge adjustment | n/a | n/a | n/a | n/a | 29,627 |
| **Investment property** | **–** | **–** | **2,593,906** | **2,593,906** | **1,909,392** |
| **Total assets** | **78,861** | **8,347,987** | **20,759,331** | **29,186,179** | **28,160,847** |
| **Liabilities** | **–** | **4,341,459** | **23,653,859** | **27,995,318** | **27,963,791** |
| Liabilities evidenced by certificates | – | 1,831,968 | – | 1,831,968 | 1,866,084 |
| Liabilities to credit institutions | – | 1,548,595 | 600,503 | 2,149,098 | 2,145,894 |
| Liabilities to customers | – | 948,220 | 21,672,057 | 22,620,277 | 22,587,984 |
| Lease liabilities | – | – | 66,663 | 66,663 | 66,663 |
| Miscellaneous liabilities | – | 12,676 | 1,314,636 | 1,327,312 | 1,327,310 |
| Other liabilities | – | 11,367 | 394,907 | 406,274 | 406,270 |
| Miscellaneous liabilities | – | 1,309 | 919,729 | 921,038 | 921,040 |
| Passive portfolio hedge adjustment | n/a | n/a | n/a | n/a | -30,144 |
| **Subordinated capital** | **–** | **667,572** | **–** | **667,572** | **641,098** |
| **Total equity and liabilities** | **–** | **5,009,031** | **23,653,859** | **28,662,890** | **28,604,889** |

## Development in Level 3 for financial assets at fair value through profit or loss

| In € thousands | Equity investments not including alternative investments | Equity investments in alternative investments (other financial enterprises) | Equity investments in alternative investments (other enterprises) |
|---|---|---|---|
| **As at 1.1.2021** | **217,009** | **1,621,910** | **128,521** |
| Total comprehensive income for the period | 14,420 | 230,434 | 5,896 |
| Income recognised in the consolidated income statement[1] | 14,903 | 298,038 | 12,424 |
| Expenses recognised in the consolidated income statement[1] | -483 | -67,604 | -6,528 |
| Purchases | 5,627 | 797,439 | 5,902 |
| Sales | -1,166 | -302,354 | -14,236 |
| Reclassifications | – | 79,936 | -10,683 |
| Transfer to Level 3 | – | – | – |
| Changes in consolidated group | -51 | 7,408 | – |
| **As at 31.12.2021** | **235,839** | **2,434,773** | **115,400** |
| Income recognised in the consolidated income statement as at the end of the reporting period[2] | 14,903 | 298,038 | 12,424 |
| Expenses recognised in the consolidated income statement as at the end of the reporting period[2] | -483 | -67,604 | -6,528 |
| **As at 1.1.2022** | **235,839** | **2,434,773** | **115,400** |
| Total comprehensive income for the period | 9,811 | 33,255 | 3,855 |
| Income recognised in the consolidated income statement[1] | 19,822 | 196,228 | 16,312 |
| Expenses recognised in the consolidated income statement1 | -10,011 | -162,973 | -12,457 |
| Purchases | 54,374 | 1,203,241 | 25,523 |
| Sales | -9,099 | -647,699 | -48,741 |
| Reclassifications | 149,601 | 8,730 | -8,730 |
| Changes in consolidated group | – | – | – |
| **As at 31.12.2022** | **440,526** | **3,032,300** | **87,307** |
| Income recognised in the consolidated income statement as at the end of the reporting period[2] | 19,822 | 196,228 | 16,312 |
| Expenses recognised in the consolidated income statement as at the end of the reporting period2 | -10,011 | -162,973 | -12,457 |

1 Income and expenses are essentially included in net gains/losses on remeasurement in the Consolidated income statement.
2 Income and expenses for the period for assets still in the portfolio at the end of the reporting period.

| | Financial assets at fair value through profit or loss | | | | Total |
|---|---|---|---|---|---|
| | Equities | Investment fund units | Fixed-income financial instruments that do not pass the SPPI test | Investments for the benefit of life insurance policyholders who bear the investment risk | |
| | | | | | |
| | **106,700** | **172,332** | **28,836** | **6,071** | **2,281,379** |
| | 880 | -864 | -34 | -337 | 250,395 |
| | 2,255 | 13 | – | 42 | 327,675 |
| | -1,375 | -877 | -34 | -379 | -77,280 |
| | 73,662 | 2,553 | – | 5,256 | 890,439 |
| | – | -252 | -94 | -6,072 | -324,174 |
| | – | -69,253 | – | – | – |
| | – | – | 33 | – | 33 |
| | – | -101,340 | – | – | -93,983 |
| | **181,242** | **3,176** | **28,741** | **4,918** | **3,004,089** |
| | 2,255 | 13 | – | 42 | 327,675 |
| | -1,375 | -877 | -34 | -379 | -77,280 |
| | | | | | |
| | **181,242** | **3,176** | **28,741** | **4,918** | **3,004,089** |
| | 747 | -43 | – | -5,429 | 42,196 |
| | 752 | 496 | – | – | 233,610 |
| | -5 | -539 | – | -5,429 | -191,414 |
| | -112 | – | 7,746 | 6,573 | 1,297,345 |
| | – | -413 | -3 | -4,984 | -710,939 |
| | -149,601 | – | – | – | – |
| | – | – | – | – | – |
| | **32,276** | **2,720** | **36,484** | **1,078** | **3,632,691** |
| | 752 | 496 | – | – | 233,610 |
| | -5 | -539 | – | -5,429 | -191,414 |

## Description of the measurement processes used and effects of alternative assumptions for Level 3 financial instruments

The income capitalisation method, the adjusted net asset value method and approximations are typically used in the measurement process to determine fair value.

In the income capitalisation method, which is applied uniformly throughout the Group, future net cash inflows and distributions are discounted by Controlling on the basis of internal planning values and estimates applying risk parameters derived from the market.

The adjusted net asset value method is based on the net asset value, whose individual investments are calculated outside the Group using recognised measurement methods such as the DCF, multiplier and income capitalisation methods. Measurement is typically based on the IPEV Valuation Guidelines. The pro rata net asset value is adjusted for, among other things, the fund manager's outstanding performance-based remuneration claims. The W&W Group then verifies and validates the net asset values provided by the relevant fund companies and, if necessary, reviews the key portfolio companies held by each of the fund companies. It also monitors the carrying amounts, fair values, distributions, payment and additional funding obligations. An exception to the external delivery of the pro rata net asset value is made for self-measured equity investments in properties that are assigned to "Equity investments not including alternative investments".

When using approximations, amortised cost is typically used to measure fair value for reasons of simplicity. This method is used, for example, when there are no quoted prices or the financial instruments are immaterial.

Level 3 securities essentially comprise unquoted interests in equity investments including alternative investments, which in turn include private equity, private debt and infrastructure projects. The fair values of these Level 3 holdings are usually calculated by the management of the respective company. The fair value for most of the interests measured by third parties (€3,269.1 million; previous year: €2,587.1 million) is determined on the basis of the net asset value. By contrast, the net asset value of equity investments not including alternative investments is calculated internally in all cases. Unquoted equities and fund certificates account for €185.7 million (previous year: €152.2 million) of all interests measured by third parties while equity investments in alternative investments account for €3,083.4 million (previous year: €2,434.9 million). The net asset value of these interests measured by third parties is calculated based on specific information that is not publicly available and that the W&W Group cannot access. A sensitivity analysis is therefore not an option.

In the W&W Group, net asset values of €208.0 million (previous year: €183.1 million) are measured internally for property equity investments that are assigned to "Equity investments not including alternative investments". The value of the properties in this category is calculated using income-based present value methods. These accepted measurement methods are based on discount rates of 5.17% to 6.72% (previous year: 2.95% to 5.52%), which largely determine the properties' fair values. A change in discount rates of +100 basis points assumed in conjunction with a sensitivity analysis results in a reduction in fair value to €187.8 million (previous year: €167.3 million), while a change in discount rates of -100 basis points results in an increase to €222.4 million (previous year: €200.6 million).
The most significant measurement parameters for interests measured internally using the income capitalisation approach of €52.8 million (previous year: €48.5 million) are the risk-adjusted discount rate and future net inflows. A significant increase in the discount rate reduces fair value, while a reduction in this factor increases the fair value. However, a change in these measurement parameters of 10% has only a minor impact on the presentation of the financial position and financial performance of the W&W Group.
In addition, as an exception for certain interests, amortised cost is considered an appropriate approximation of fair value. Here, too, a sensitivity analysis is not possible given the lack of the specific parameters used.
All changes in the "Financial assets at fair value through profit or loss" category in Level 3 are reflected in the consolidated income statement. Meanwhile, there are no financial assets at fair value through other comprehensive income in Level 3.
The measurement methods used are listed in the table below (Quantitative information on fair value measurement in Level 3).

## Quantitative information on fair value measurement in Level 3

| | Fair value | | Valuation techniques | Unobservable inputs | Range in % | |
|---|---|---|---|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2021 | | | 31.12.2022 | 31.12.2021 |
| **Financial assets at fair value through profit or loss** | **3,632,691** | **3,004,089** | | | | |
| Equity investments not including alternative investments | 440,526 | 235,839 | | | | |
| | 27,980 | 25,902 | Income capitalisation approach | Discount rate, future net cash inflows | 8.08–12.82 | 6.85–13.10 |
| | 18,075 | 19,626 | Approximation | n/a | n/a | n/a |
| | 394,471 | 190,311 | Net asset value method | n/a | n/a | n/a |
| Equity investments in alternative investments | 3,119,607 | 2,550,173 | | | | |
| Other financial enterprises | 3,032,299 | 2,434,773 | | | | |
| | 11,349 | 83,100 | Approximation | n/a | n/a | n/a |
| | 3,020,950 | 2,351,673 | Adjusted net asset value method[1] | n/a | n/a | n/a |
| Other enterprises | 87,308 | 115,400 | | | | |
| | 24,843 | 22,594 | Income capitalisation approach | Discount rate, future net cash inflows | 4.75 | 3.24 |
| | 62,465 | 92,806 | Adjusted net asset value method[1] | n/a | n/a | n/a |
| Equities | 32,276 | 181,242 | | | | |
| | 32,206 | 31,455 | Approximation | n/a | n/a | n/a |
| | 70 | 149,787 | Adjusted net asset value method1 | n/a | n/a | n/a |
| Investment fund units | 2,720 | 3,176 | Adjusted net asset value method[1] | n/a | n/a | n/a |
| Fixed-income financial instruments that do not pass the SPPI test | 36,484 | 28,741 | Approximation | n/a | n/a | n/a |
| Investments for the benefit of life insurance policyholders who bear the investment risk | 1,078 | 4,918 | Black-Scholes model | Index weighting, volatility | n/a | n/a |

1 The net asset values provided are calculated for the individual investments outside the Group using recognised measurement methods such as the DCF, multiplier and income capitalisation methods. Measurement is typically based on the IPEV Valuation Guidelines. A range has not been disclosed as the calculation of the net asset values incorporates a variety of investments and the information on the measurement methods and parameters used (including, for example, adjustments for the fund manager's outstanding performance-based remuneration claims) is either incompletely or inconsistently available.

# (39) Disclosures concerning hedges

## Hedging disclosures

| | Fair value hedges | |
|---|---|---|
| | Hedging of interest rate risk through interest rate swaps | |
| In € thousands | 31.12.2022 | 31.12.2021 |
| Nominal values of hedges | 17,728,000 | 9,129,000 |
| Up to 1 year | 500,000 | 1,021,000 |
| 1–5 years | 5,324,000 | 1,755,000 |
| Longer than 5 years | 11,904,000 | 6,353,000 |
| Positive market values from hedges | 522 | 6,099 |
| Negative market values from hedges | 25,466 | – |
| Changes in fair value | -430,536 | -210,210 |

The hedging instruments are recognised in the items “Positive market values from hedges” and “Negative market values from hedges”.

## Disclosures concerning hedged items

| | Fair value hedges Hedging of interest rate risk through interest rate swaps | | | |
|---|---|---|---|---|
| | Existing hedges | | Terminated hedges | |
| In € thousands | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Carrying amount of hedges | | | | |
| Assets | 1,008,151 | 2,601,036 | – | – |
| Liabilities | 1,978,234 | 2,881,372 | – | – |
| Cumulative changes and changes attributable to the hedged risk | – | – | – | – |
| Assets | 253,402 | 67,742 | 643 | -23,992 |
| Liabilities | 619,355 | 41,421 | 53,541 | 71,145 |
| Changes from the hedged risk | 510,876 | 249,820 | – | – |

The hedged items are included in the following items:

- Financial assets at fair value through other comprehensive income
- Financial assets at amortised cost
- Liabilities

**Disclosures concerning the effects in the consolidated statement of comprehensive income**

| | Fair value hedges | |
|---|---|---|
| | Hedging of interest rate risk through interest rate swaps | |
| In € thousands | 31.12.2022 | 31.12.2021 |
| Unrealised gains and losses recognised in other comprehensive income | n/a | n/a |
| Income/expenses from ineffective portions | 74,230 | 17,442 |
| Reserves for cash flow hedges reclassified to the consolidated income statement | n/a | n/a |

Income and expenses from ineffective portions are included in net gains/losses on remeasurement in the Consolidated income statement.

## (40) Transfers of financial assets and granted and received collateral, as well as netting of financial assets and liabilities

During the reporting period and in the previous year, financial assets were transferred that were not or were not fully derecognised. In the W&W Group, all of these had to do with securities that were sold in connection with repurchase agreements or lent in connection with securities lending transactions. In the reporting period, these securities were allocated to the category "Financial assets at fair value through other comprehensive income" and to the classes resulting from this, and they are subject to the same market price and counterparty credit risks.

Repurchase agreements are characterised by the fact that securities are sold for consideration, but at the same time it is agreed that such securities have to be purchased back at a later point against payment to the seller of an amount agreed to in advance. In addition to the purchase price, collateral is granted and received, depending on the market value of the securities sold. In securities lending transactions, securities are lent against the granting of cash or non-cash collateral. After the borrowing period expires, the securities are returned to the lender. Sold or lent securities continue to be recognised in the balance sheet of the W&W Group in accordance with the previous categorisation. The ability of the W&W Group to dispose of these securities is restricted. At the same time, a financial liability is recognised in the amount of money received. Non-cash collateral is recognised only if the W&W Group is authorised to resell or pledge it without the issuer being in default in payment. This was not the case.

The relationship between securities that were sold in connection with repurchase agreements and those that were lent in connection with securities lending transactions, as well as the associated liabilities, is as follows:

**Transfers of financial assets**

| | Carrying amount | | | | | |
|---|---|---|---|---|---|---|
| | Repurchase agreements | | Securities lending transactions | | Total | |
| In € thousands | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| **Financial assets at fair value through other comprehensive income** | **432,808** | **705,820** | **32,462** | **61,990** | **465,270** | **767,810** |
| Senior fixed-income securities | 432,808 | 705,820 | 32,462 | 61,990 | 465,270 | 767,810 |
| **Total** | **432,808** | **705,820** | **32,462** | **61,990** | **465,270** | **767,810** |
| Associated liabilities | 432,808 | 705,820 | – | – | 432,808 | 705,820 |
| Net position | – | – | 32,462 | 61,990 | 32,462 | 61,990 |

As was the case in the previous year, as at 31 December 2022 no securities had been taken in and then passed on in connection with reverse repurchase agreements.

Likewise, there were no other business transactions under which the W&W Group retained ongoing commitments from the transfer.

## Assets granted as collateral

### Financial assets granted as collateral in 2022

| In € thousands | Transferred financial assets<br>31.12.2022 | Open market operations with central banks<br>31.12.2022 | Granted but as yet unused collateral<br>31.12.2022 | Total<br>31.12.2022 |
|---|---|---|---|---|
| **Financial assets at fair value through other comprehensive income** | **465,270** | **500,706** | **89,134** | **1,055,110** |
| Senior fixed-income securities | 465,270 | 500,706 | 89,134 | 1,055,110 |
| **Total** | **465,270** | **500,706** | **89,134** | **1,055,110** |

### Financial assets granted as collateral in 2021

| In € thousands | Transferred financial assets<br>31.12.2021 | Open market operations with central banks<br>31.12.2021 | Granted but as yet unused collateral<br>31.12.2021 | Total<br>31.12.2021 |
|---|---|---|---|---|
| **Financial assets at fair value through other comprehensive income** | **767,810** | **199,978** | **883,257** | **1,851,045** |
| Senior fixed-income securities | 767,810 | 199,978 | 883,257 | 1,851,045 |
| **Total** | **767,810** | **199,978** | **883,257** | **1,851,045** |

Granted but as yet unused collateral mainly has to do with securities that are on deposit with Clearstream International S.A. and with the Deutsche Bundesbank under collateral agreements customary on the market. In the reporting period just ended, as was the case in the previous year, no securities were pledged from the custodial account with Clearstream International S. A. for settlement and custodial services in connection with issued covered bonds.

Receivables to customers of €530.6 (previous year: €519.4) million were assigned to KfW as collateral for refinancing funds raised under special loan programs. The W&W Group still has a default risk in relation to the receivables to end borrowers.The amount of cash collateral granted for derivatives amounted to €191.8 million (previous year: €244.0 million).

Aside from the securities pledged as collateral for the foregoing repurchase agreements, no cash collateral was provided for them, as was the case in the previous year.

As at the reporting date, loans of €500.0 million (previous year: €200.0 million) had been obtained from the Deutsche Bundesbank in connection with open market operations. To secure these loans, the Deutsche Bundesbank requires as collateral a correspondingly high deposit of securities in the Deutsche Bundesbank custodial account. Securities that are on deposit in the custodial account of Deutsche Bundesbank in order to collateralise loans may be substituted at will with other securities accepted by the European Central Bank, provided that they do not fall below the required collateral value.

In addition, in accordance with regulatory requirements, the underwriting liabilities of German primary insurers in the W&W Group are covered by assets allocated to guarantee assets (financial instruments and properties). Assets allocated to guarantee assets are primarily available to settle policyholder claims. The pro rata allocation of individual assets to guarantee assets is not evident from the IFRS consolidated financial statements.

## Assets received as collateral

Assets received as collateral may be liquidated only in the event of breach of contract. Collateral that can be resold or pledged without the issuer being in default in payment was not received.

Cash collateral received under repurchase agreements amounted to €432.8 million (previous year: €705.8 million).

## Netting of financial instruments

The W&W Group nets financial assets and financial liabilities and presents the net amount if the relevant netting agreements under which they were concluded satisfy the offsetting criteria in IAS 32.42. The W&W Group offsets financial instruments in the balance sheet, which are cleared through the central counterparty Eurex Clearing AG.

If the netting agreements do not fully satisfy the offsetting criteria in IAS 32, the financial instruments are not offset in the balance sheet. This is normally the case if in the event of payment default or insolvency of a counterparty and in the normal course of business, the right to set off the recognised amounts is not always legally enforceable or there is no intention to settle on a net basis. In the W&W Group, this applies, inter alia, to bilateral transactions that were concluded under master agreements without the use of a central counterparty. The offsetting effects underlying these netting agreements are to be shown in the notes and are presented in the following.

The following tables show the derivatives and repurchase agreements that are subject to a master netting agreement. They also include the collateral granted by or received from the respective counterparty. In the case of clearing through the central counterparty Eurex Clearing AG, the W&W Group makes use of the option to pledge securities for the initial margin.

### Offsetting of financial assets in 2022

| | Gross amount of financial assets prior to offsetting | Offset amount of financial liabilities | Recognised net amount of financial assets | Associated amounts that are not offset in the balance sheet | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral received | |
| In € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Derivatives (netting legally enforceable) | 1,536,050 | –1,534,282 | 1,768 | – | – | 1,768 |
| Derivatives (netting not legally enforceable) | 340,472 | – | 340,472 | -6,035 | -298,961 | 35,476 |

### Offsetting of financial liabilities in 2022

| | Gross amount of financial liabilities prior to offsetting | Offset amount of financial assets | Recognised net amount of financial liabilities | Associated amounts that are not offset in the balance sheet | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | (Cash) collateral provided | |
| In € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| Derivatives (netting legally enforceable) | 1,534,282 | –1,534,282 | – | – | -136,107 | -136,107 |
| Derivatives (netting not legally enforceable) | 58,172 | – | 58,172 | 815 | -191,806 | -132,819 |
| Repurchase agreements, securities lending transactions and similar agreements (netting not legally enforceable) | 465,270 | – | 465,270 | -465,270 | – | – |

## Offsetting of financial assets in 2021

| | Gross amount of financial assets prior to offsetting | Offset amount of financial liabilities | Recognised net amount of financial assets | Associated amounts that are not offset in the balance sheet | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral received | |
| In € thousands | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 |
| Derivatives (netting legally enforceable) | 547,575 | -534,859 | 12,716 | – | – | 12,716 |
| Derivatives (netting not legally enforceable) | 78,415 | – | 78,415 | -26,970 | -50,934 | 511 |

## Offsetting of financial liabilities in 2021

| | Gross amount of financial liabilities prior to offsetting | Offset amount of financial assets | Recognised net amount of financial liabilities | Associated amounts that are not offset in the balance sheet | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | (Cash) collateral provided | |
| In € thousands | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 |
| Derivatives (netting legally enforceable) | 534,859 | -534,859 | – | – | -100,000 | -100,000 |
| Derivatives (netting not legally enforceable) | 178,399 | – | 178,399 | -8,865 | -157,663 | 11,871 |
| Repurchase agreements, securities lending transactions and similar agreements (netting not legally enforceable) | 705,820 | – | 705,820 | -705,820 | – | – |

## (41) Trust business

Trust business not required to be recognised in the balance sheet had the following scope:

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Trust assets pursuant to the German Building Code | 19,701 | 14,178 |
| Other | 3 | 8 |
| **Trust assets** | **19,704** | **14,186** |
| Trust liabilities pursuant to the German Building Code | 19,701 | 14,178 |
| Other | 3 | 8 |
| **Trust liabilities** | **19,704** | **14,186** |

## (42) Supplementary disclosures concerning the effect of financial instruments

Net gains and losses by category of financial instrument, which are depicted in the following table, consist of the following:

- Net gains consist of disposal gains, measurement gains, income from credit risk adjustments, subsequent receipts on written down financial instruments and currency gains from measurement on the reporting date.
- Net losses consist of disposal losses, measurement losses, expenses from risk provision and currency losses from measurement on the reporting date.
- Interest income and expenses and commission income and expenses are not included in net gains and losses. Likewise, dividends are not recognised in net gains.

### Net gains/losses

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| **Financial assets/liabilities at fair value through profit or loss** | **–1,812,641** | **46,557** |
| Net gains | 2,148,574 | 1,315,361 |
| Net losses | –3,961,215 | –1,268,804 |
| **Financial assets at fair value through other comprehensive income** | **–8,584,354** | **–2,481,045** |
| thereof recognised in other comprehensive income | –8,922,424 | –3,664,221 |
| thereof recognised in profit or loss | 268,446 | 334,014 |
| Net gains | 290,152 | 351,420 |
| Net losses | -21,706 | -17,406 |
| reclassified from net other income/expense to the income statement | 69,624 | 849,162 |
| Net gains | 427,853 | 867,955 |
| Net losses | -358,229 | -18,793 |
| **Financial assets at amortised cost** | **36,187** | **25,513** |
| Net gains | 148,455 | 108,793 |
| Net losses | -112,268 | -83,280 |
| **Financial liabilities at amortised cost** | **6,681** | **-1,059** |
| Net gains | 9,039 | 223 |
| Net losses | -2,358 | -1,282 |

For financial assets and liabilities at amortised cost, total interest income amounted to €457.0 million (previous year: €481.3 million), and total interest expenses amounted to €246.3 million (previous year: €348.4million).

Total interest income from financial assets at fair value through other comprehensive income amounted to €549.0 million (previous year: €603.6 million).

Currency translation – with the exception of the currency translation of financial instruments at fair value through profit or loss – generated currency income of €353.0 million (previous year: €371.1) million and currency expenses of €32.5 million (previous year: €16.6 million).

Financial assets at amortised cost amounted to €28,215.7 million (previous year: €26,243.3 million), and financial assets at fair value through profit or loss amounted to €10,276.6 million (previous year: €10,727.8 million).

Financial liabilities at amortised cost amounted to €28,664.7 million (previous year: €28,604.9 million), and financial liabilities at fair value through profit or loss amounted to €65.9 million (previous year: €218.2 million).

## (43) Gains and losses recognised from the derecognition of financial assets at amortised cost

In the reporting year, there were no material gains or losses from the derecognition of financial assets at amortised cost.

# Disclosures concerning risks under financial instruments and insurance contracts

## (44) Risk management

The W&W Group makes use of a comprehensive risk management and controlling system that consistently combines the systems and methods of the individual companies, which are geared to the particular business requirements.

The risk management and controlling system comprises the totality of all organisational regulations and measures that have been established to identify risks at an early stage and to handle the risks associated with business activity. Risk controlling is a part of risk management and includes the assessment, evaluation, monitoring and reporting of the risks encountered by the entities assuming them. It also monitors risk governance measures. Risk management in the W&W Group consists of the following key functions:

- **Legal**: Compliance with the relevant risk-related internal and external requirements for risk management and creation of the legal preconditions for continuation of business operations.
- **Protection of the company as a going concern**: Avoidance of risks that endanger the company as a going concern, preservation of financial security and development of strategies to protect the company as a going concern and the capital basis necessary for this.
- **Quality assurance**: Establishment of a common understanding of risks, a pronounced awareness of risks, and transparent communication of risks in the W&W Group, as well as active notification of flaws and potentials for improvement in risk management.
- **Value creation**: Governance impetus for risk hedging and conservation of value, promotion and assurance of effective value creation for shareholders through risk capital allocation that enables opportunities to be seized.

Based on the key functions of risk management, the following **overarching objectives** are pursued:

- **Creation of transparency with respect to risks,**
- **Use of appropriate tools for risk governance,**
- **Assurance and monitoring of capital adequacy,**
- **Creation of a basis for risk- and value-oriented corporate governance,**
- **Promotion and establishment of a Group-wide risk culture.**

Another task of risk management is to protect the reputation of the W&W Group with its two venerable brands, "Wüstenrot" and "Württembergische", and the new digital brand "Adam Riese". The reputation of the W&W Group as a stable, reliable and trustworthy partner of our customers constitutes a key factor for our sustainable success.

The W&W Group manages risks on the basis of a **risk management framework.**

The **integrated risk strategy** establishes the strategic framework of the risk management system of the W&W Group (W&W financial conglomerate), the Solvency II group (insurance group) and Wüstenrot & Württembergische AG. The risk management system is an integral component of a proper and effective business organisation. As part of this framework, definitions are established for risk appetite, which derived from the business strategy and the risk profile, for the overall risk objectives and for the application of consistent standards, methods, procedures and tools.

The **Group Risk Policy** defines the organisational framework for risk management and is a prerequisite for an effective risk management system within the W&W Group. This framework is intended to ensure that the standard of quality is comparable across all business areas and that risk management is highly consistent on all levels of the Group. As a key component of the common risk culture, the Group Risk Policy and the processes and systems defined in it promote the requisite risk awareness.

The duties and responsibilities of all the individuals and committees involved in risk management are defined. Within the organisational and operational structure, the individual areas of responsibility for all the following bodies, committees and functions, as well as their interfaces and reporting lines among one another, are defined, thus ensuring the regular and timely flow of information across all levels of the W&W Group.

In its role as the control body overseeing the Executive Board, the Supervisory Board of W&W AG **also monitors the appropriateness and effectiveness of the risk management system, as well as implementation of the risk strategy, including risk appetite.** It is regularly updated on the current risk situation. Certain types of transactions require approval by the Supervisory Board or its Risk and Audit Committee.

The **Risk and Audit Committee of W&W AG** and the corresponding committees of Wüstenrot Bausparkasse AG, Württembergische Versicherung AG and Württembergische Lebensversicherung AG are regularly presented with information required pursuant to the bylaws, including risk reports with a description of the current risk situation and the measures that have been initiated to manage it.

The **Executive Board of W&W AG** bears overall responsibility for the proper business organisation of the W&W Group. It is the ultimate decision-making body on risk issues. This includes ensuring that the risk management system established Group-wide is effectively and appropriately implemented, maintained and enhanced. This also includes developing, promoting and integrating an appropriate risk culture. The Chief Risk Officer (CRO) is responsible for risk management on the Executive Board of W&W AG.

**As the central body for the coordination of risk management, the** Group Board Risk **supports the Executive Board of W&W AG and the Management Board in risk issues.** The regular members of the Group Board Risk are the Chief Risk Officer (CRO) of W&W AG and the CROs of the Housing and Insurance divisions, the key function holders for risk management at W&W AG, the W&W Group, Württembergische Lebensversicherung AG and Württembergische Versicherung AG and the holder of the risk controlling function at Wüstenrot Bausparkasse AG. Select observers are also members of this body. The body meets once a month and, where necessary, on an ad hoc basis. The Group Board Risk monitors the risk profile of the W&W Group, its appropriate capitalisation and its liquidity. Moreover, it advises on Group-wide risk organisation standards and on the deployment of uniform risk management methods and tools, and it proposes these to the Group's executive boards for approval or adopts them within the scope of its powers.

The **Insurance Risk Board** manages and monitors risks in the Insurance division (Württembergische). The BSW Risk Board handles this duty in the Housing division (Wüstenrot). The participation of the responsible Executive Board members and the departments concerned guarantees the integration of circumstances pertaining to individual companies as well as the speedy exchange of information and quick decision-making.

The **risk management process** in the W&W Group is based on the closed control loop described in the integrated risk strategy as well as in the following.

**Risk identification.** Risks are systematically identified in the course of the annual risk inventory and during reviews of the risk situation throughout the year, as warranted by events. Assumed or potential risks are recorded and documented in a software application. Risks are separated into material and immaterial risks using defined threshold values. Also evaluated is the extent to which individual risks can take on a material character through interaction or accumulation (risk concentrations). This makes a decisive contribution to promoting an appropriate risk culture.

The systematic recording of loss events provides indications of new or changing operational risks and thus also supports risk identification.

A new-product process has been implemented for the purposes of identifying risks associated with introducing new products and sales channels and tapping into new markets. This process incorporates the risk controlling units at the level of the Group and the individual companies.

**Risk assessment.** This process step includes all methods, processes and systems that serve to adequately assess identified risks. Risks are largely assessed by means of a stochastic procedure using the value-at-risk standard. If this procedure cannot be used for certain risk areas, analytical computational procedures or regulatory standard procedures are applied, as well as expert estimates.

At both the Group level as well as the level of the individual W&W companies, the relevant statutory and regulatory confidence levels are applied for measuring risks from an economic perspective:

- For individual W&W companies, including W&W AG, that are subject to insurance supervision law, this corresponds to a confidence level of 99.5%, based on a risk horizon of one year.
- For Wüstenrot Bausparkasse AG, this corresponds to a confidence level of 99.9% based on a risk horizon of one year.

For the W&W Group, risks are depicted with a confidence level of 99.5%. The target and minimum ratios for economic risk-bearing capacity at the Group level are derived from the capital requirements that result from compliance with the aforementioned confidence levels at the associated individual companies. Accordingly, an overall confidence level in excess of 99.5% is achieved.

In addition, risks are assessed from a supervisory (normative) perspective using regulatory risk parameters. If risk models are employed that are oriented toward the balance sheet or income statement specific to the individual company, a confidence level of at least 95.0% is applied to them.

We include the results of these assessments in the evaluation of risk-bearing capacity or in additional risk controlling tools, taking into consideration potential risk concentrations. We regularly conduct sensitivity analyses in connection with stress scenarios for specific risk areas and across risk areas. Indicator analyses, such as (early-warning) risk indicators, augment the range of tools used to evaluate risk.

**Risk taking and risk governance.** We define risk governance as the operational implementation of risk strategies in the risk-bearing business units. The decision to assume risk is made within the scope of business strategy and risk strategy requirements by the decision-making body in each individual company. Based on the risk strategy, the respective specialist sections at our individual operating companies manage their own risk positions. Thresholds, signal systems, and limit and line systems are used to support risk governance. If the specified thresholds are exceeded, predefined actions or escalation processes are initiated. As a rule, the entity that assumed the risks is responsible for governing and controlling them. It decides on products, transactions and risk-management measures in the first line of defence. In this context, it must be ensured that the assumed risks are in compliance with the risk strategy of the W&W Group or the risk profile specified by one of its companies and whether the risk-bearing capacity as well as specified risk limits and risk lines are observed. Risk-taking and risk-monitoring tasks are strictly separated in terms of function. Key management parameters at Group level are the consolidated net profit and division-specific indicators. In order to link earnings management with risk governance, we conduct supplementary analyses for the purpose of value-oriented management. For us, this includes, inter alia, a present value earnings perspective, optimisation and allocation of capital and internal risk governance.

The sufficiency of risk capitalisation is evaluated on several dimensions, which as a rule are equally weighted but highlight different objectives and aspects:

- The economic perspective assesses risk coverage capacity, i.e. permanent assurance of the undertaking's substance in order to protect first-rate creditors against losses from an economic standpoint.
- The normative perspective looks at compliance with the regulatory minimum requirements for risk capitalisation in order to be able to continue business operations as planned.

In addition, in accordance with the requirements for managing the balance sheet and the income statement, specific risk models oriented toward them are applied at the level of the individual companies. While the economic risk-bearing capacity concept and the balance sheet risk models are developed and parameterised internally, the regulatory procedure follows the externally specified methodology.

**Risk monitoring.** In order to identify risks early on, risk indicators are employed to monitor changes in the risk situation. Such indicators include financial and risk indicators (e.g., risk-bearing capacity ratios, limit utilisations), supervisory indicators (e.g., capital ratios, liquidity coverage ratio) and market indicators (e.g., stock prices, credit spreads). Material, quantifiable risks are controlled by means of limits and lines. Business is transacted solely within the scope of these limits and lines. Limits are set at most in the amount that permits compliance with the respective minimum ratios for economic risk-bearing capacity even where the limits are maxed out. By creating a corresponding limit and line system, risk concentrations in particular are limited both at the level of the individual company and at the level of the financial conglomerate. The monitoring of risks, which is independent of the assumption of risks, primarily takes place at the level of the individual undertaking. Any material risks that apply at the Group level or across companies are additionally monitored at the Group level. Monitoring activities are used to develop recommendations for action, which lead to corrective intervention being taken early on with respect to the objectives set forth in the business and risk strategy and are subject to corresponding measures controlling.

**Risk reporting.** Using established reporting processes, regular and timely reports are generated about the risk position of various groups or individual companies. In this regard, the flow of information concerning the risk situation of the individual companies in the W&W Group is accomplished through internal risk reporting, risk inventory and calculation of risk-bearing capacity. The results of the companies affiliated with the Group are transmitted to the risk controlling

function responsible for the W&W Group, which then aggregates them and analyses them for their impact on the W&W Group.
The key element of the risk reporting system is the quarterly overall risk report, which is sent to the Group Board Risk, the Executive Board and the Supervisory Board. Presented in this report are, in particular, the amount of available capital, regulatory and economic capital adequacy, compliance with limits and lines, existing risk concentrations, the results of stress testing and the risk governance measures that have already been taken and that still need to be taken. Also reported on in this connection are significant trends in early-warning risk indicators. This overall risk report is presented to the Group Board Risk and discussed with respect to risk assessment. On this basis, action recommendations and measures are established where necessary for the W&W Group, which are then implemented and tracked by the responsible risk management units.

Depending on how critical it is, information that is considered material from the standpoint of risk is forwarded immediately to the Group Board Risk, the Executive Board and the Supervisory Board. Processes and reporting procedures have been put in place for internal ad-hoc risk reporting at the Group and individual company level. Quantitative criteria are used as thresholds, which as a rule are in line with internal and supervisory parameters. In addition, pertinent ad hoc risk reporting takes place when qualitatively material events occur.

**Review of the risk management system**. The appropriateness and effectiveness of the risk management system is reviewed internally at W&W. In particular, Internal Audit also examines the appropriateness and effectiveness of the internal control system and the processes in all areas. In connection with audits of the annual financial statements, the system for the early identification of risks is examined at the level of the individual company, and the appropriateness and effectiveness of risk management is verified at the level of the home loan and savings bank and the level of the W&W financial conglomerate. Principles and organisation remained unchanged compared with the previous year.

In managing the risk profile, attention is paid to avoiding **risk concentrations** from financial instruments and insurance contracts in order to maintain a balanced risk profile. In addition, in connection with risk governance, an effort is made to achieve an appropriate relationship between the risk capital requirements of the risk areas in order to limit susceptibility to individual risks.

Risk concentration means potential losses that may result either from the accumulation of similar risks or from the accumulation of different risks, such as at a single counterparty, and that are large enough to jeopardise the solvency or financial position of the individual company or the Group.

The potential losses in terms of risk concentration may result either from intra-risk concentrations or from inter-risk concentrations. Intra-risk concentrations describe those risk concentrations that arise from the synchronisation of risk positions within a risk area or at the Group level through the accumulation of similar risks at several companies affiliated with the Group. Inter-risk concentrations describe those risk concentrations that arise from the synchronisation of risk positions across various risk areas at the level of the individual company and the Group.

Because of the business model of the W&W Group and its individual companies, potential risk concentrations may result, in particular, from capital investments and from the economic and regional structure of customer business (customer lending business, insurance business). However, owing to regulatory requirements and internal rating requirements, the W&W Group is heavily invested, in sectoral terms, in government bonds and financial services companies and, in regional terms, in Europe, which is typical for the industry. Accordingly, in addition to the credit risk associated with the relevant counterparty, the W&W Group in particular bears the systemic risk of the financial sector and the specific counterparties belonging to it.

On the other hand, because of their high granularity, our customer loan portfolios do not exhibit any appreciable risk concentrations.

Other concentrations exist through positions that we intentionally take in certain assets classes (equities, holdings, bonds) through strategic asset allocation. As a financial conglomerate, the W&W Group is influenced to an extensive degree by a variety of external factors (e.g. current interest rate environment, changed customer behaviour, digitalisation, regulatory pressure, industry reputation). This risk concentration intentionally forms a part of the business strategy. Operational risk concentrations may arise in connection with outsourcing (a single comprehensive mandate or several equivalent mandates) and through an accumulation of projects, particularly large projects.

Adequate instruments and methods are in place to manage concentrations. We counter concentrations in the area of capital investments, inter alia, through diversification, the use of limit and line systems, and the monitoring of exposure concentrations. In lending and insurance business, we apply clearly defined acceptance and underwriting policies and purchase appropriate reinsurance coverage from various providers with good credit ratings.

For each risk area, we measure intra-risk concentrations implicitly through risk quantification and accompanying stress tests. In this regard, concentrations of market price risk are limited in connection with strategic asset allocation through the observance of specific mix ratios across various asset classes. Concentrations of counterparty credit risk are limited through a risk line system that restricts the volume of investment in specific debtor groups.

Potential inter-risk concentrations result from a heightened interdependency of risks across risk areas and thus from various risk areas. The total risk capital requirements at the level of W&W AG and the W&W Group are quantified in an undiversified manner by totalling the risk capital requirements of the individual risks areas (e.g. market price risk, counterparty credit risk, underwriting risk), which thus takes into account a high degree of interdependence between the risk areas. In addition, stress tests are performed across risk areas to show possible interdependencies between market price risks and counterparty credit risks, particularly in phases of serious economic downturn.

For further information about risk management in the W&W Group, please see the risk reporting in the management report.

## (45) Market price risks

### Interest rate change risks

Interest rate change risk, which is a part of interest rate risk and a form of market price risk, describes the risk that assets and/or liabilities held in interest-bearing securities may change in value due to a shifting and/or twisting of market interest rate curves. The interest rate change risk results from the market value risk of capital investments in conjunction with the obligation to generate the guaranteed interest and the guaranteed surrender values for policyholders.

The increase in interest rates and associated negative impact on reserves present risks for the W&W Group (in particular at Württembergische Lebensversicherung AG and Wüstenrot Bausparkasse AG) from a net income perspective and an economic perspective.

If interest rates rose further or spreads widened to a comparable degree, hidden liabilities would increasingly build up on the assets side, necessitating write-downs. In addition, customers might increasingly make use of their option rights, which would realise hidden liabilities. However, the scenario would have a positive impact on asset-liability mismatches in the medium to long term since it would reopen the possibility of making new investments and reinvestments at higher interest rates.

A decline in interest rates, on the other hand, would either have positive short-term effects on earnings due to the mark-to-market requirement for assets under IFRS 9. At the same time, assumed obligations would present medium- to long-term risks since new investments and reinvestments can only be made at a lower interest rate. This would present additional risks since the asset-liability mismatch would be increased and reserves might have to be realised to meet future customer claims.

The reference interest rate for determining the additional interest rate reserve for the new life insurance portfolio remained unchanged from the previous year at 1.57% in 2022. Based on the regulations for the additional interest reserve, an interest rate reinforcement established in the business plan was provided in the old portfolio. The amount of interest rate reinforcement is determined by the measurement interest rate, which amounted to 1.57% (previous year: 1.57%) for Württembergische Lebensversicherung AG and to 2.10% (previous year: 2.11%) for ARA Pensionskasse AG. In the WürttLeben Group, there was a portfolio-induced reduction in the additional interest rate reserve and interest rate reinforcement of –€106.1 million to €3,141.7 million, while the previous year saw an interest-induced reinforcement of €329.6 million.

Due to the persistently low interest rates of the last few years, major challenges also arose for pension funds, including Allgemeine Rentenanstalt Pensionskasse AG, in terms of financing the build-up of the additional interest rate reserve/interest rate reinforcement under the ancillary condition of regulatory solvency. The significant increase in interest rates in 2022 has eased the situation concerning the financing of the additional interest rate reserve/interest reinforcement under the ancillary condition of regulatory solvency for Allgemeine Rentenanstalt Pensionskasse AG so much that a lower allocation to the additional interest rate reserve/interest rate reinforcement is required. A return to a low-interest phase would exacerbate the situation. The interest rate calculation basis is also appropriate in the long term if the current interest rate level is maintained. Allgemeine Rentenanstalt Pensionskasse AG, working together with its sole shareholder Württembergische Lebensversicherung AG and in coordination with the German Federal Financial Supervisory Authority (BaFin), develops far-reaching solution proposals, some of which have already been implemented.

A breakdown of the provision for future policy benefits by type of insured risk and by insurance amount is provided in Note 47 of the notes to the consolidated balance sheet.

Financial derivatives are used in the W&W Group to manage interest rate risk. Derivative management instruments primarily consist of interest rate swaps as well as futures, forward purchases and forward sales. They are predominantly used to hedge interest rate risks, but also to reduce risk concentrations. They are shown in the risk management and controlling process as economic hedging instruments or as hedges for the future purchase of securities.

If these economic hedges meet the requirements for hedge accounting, the hedges for the Housing division are also depicted as such in the IFRS consolidated financial statements. At our home loan savings bank and our insurance companies, fixed-income positions are hedged against reinvestment risks and losses in asset value on both the individual transaction level and the portfolio level (fair value hedge). In addition, at the home loan savings bank, loans, advances and securities in the category “Financial assets at fair value through other comprehensive income” are measured at fair value.

The effects that a potential change in the interest rate level by +/- 100 or + 200 basis points (parallel shifting of the interest structure curve) would have on the consolidated income statement and on other comprehensive income are depicted in the following table. Despite interest rates increasing again, declines of 200 bp are not currently expected. In view of this, it was again elected to dispense with calculating a decline in the interest rate level by 200 bp.

The changes in the consolidated income statement are due, in particular, to derivative positions and fixed-income securities of Wüstenrot Bausparkasse AG. The direction of the sensitivity analysis has changed compared to the previous year, primarily due to hedging by Wüstenrot Bausparkasse AG against rising interest rates.
The changes in other comprehensive income are primarily attributable to developments in bonds, including debenture bonds, of Wüstenrot Bausparkasse AG and Württembergische Lebensversicherung AG.

For the Insurance division, the main factors affecting both the consolidated income statement and net income recognised directly in equity were a reduction in duration and lower exposure due to the rise in interest rates. Declining effects in the consolidated income statement also reflected a lower volume of long-term receiver swaps and forward sales.

With respect to net income for the period and to net income recognised in other comprehensive income, there is no asset value-oriented interest rate change risk for debt securities and construction loans that are carried at amortised cost.

**Interest rate change risk: Net effect after deferred taxes and provision for deferred premium refunds**

| | Change in the consolidated income statement | | Change in other comprehensive income | |
|---|---|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| + 100 basis points | 48,642 | -448,176 | -435,437 | -744,953 |
| – 100 basis points | -54,048 | 525,616 | 522,173 | 917,548 |
| + 200 basis points | 92,465 | -835,636 | -806,075 | -1,370,197 |

## Risk of changes in the prices of equity instruments

On the one hand, the risk of changes in the prices of equity instruments describes the general risk that assets and thus net income and/or equity may change negatively as a result of market movements. On the other, it also describes the specific risk characterised by issuer-related aspects.

In the W&W Group, the risk of changes in the prices of equity instruments is mainly characterised by equity and participation risk. Equity risk is the risk that losses may result from the change in the prices of open equity positions. Participation risk is the risk that losses may result from negative value changes regarding participations, from the cancellation of dividends or from the need to pay income subsidies. The risk of changes in the prices of equity instruments is managed through equity options and futures.

The following overview shows the effects that an increase or decrease in the market value of equity instruments by 10% and 20% would have on the consolidated income statement and on other comprehensive income. Also depicted are the effects after deferred taxes and, for life/health insurers, in addition the effects after the provision for deferred premium refunds.

The changes are affected, in particular, by equity positions, participations and alternative investments of Württembergische Versicherung AG and Württembergische Lebensversicherung AG. Also having an effect are equity positions and participations of W&W AG, as well as corresponding positions in fund portfolios.

**Price change risk: Net effect after deferred taxes and provision for deferred premium refunds**

| | Change in the consolidated income statement | |
|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2021 |
| + 10% | 104,707 | 114,550 |
| – 10% | -103,111 | -114,515 |
| + 20% | 210,159 | 228,756 |
| – 20% | -204,931 | -228,309 |

## Exchange rate risks

Exchange rate risk describes the risk that losses may result from a change in exchange rates. The extent of this risk depends on the number of open positions and on the potential that the relevant currency will experience a rate change.

The effects that an increase or decrease in key exchange rates would have on the consolidated income statement are depicted in the following table. Also taken into account were the effects of deferred taxes and, for life/health insurers, moreover the effects of the provision for deferred premium refunds.

The depicted exchange rate risk results from both asset and liability positions and includes only monetary assets, i.e. means of payment and claims denominated in amounts of money, as well as obligations that have to be settled with a fixed or determinable amount of money. The exchange rate risk associated with equity instruments (non-monetary assets) is not included.

**Exchange rate risk: Net effect after deferred taxes and provision for deferred premium refunds**

| | Change in the consolidated income statement | |
|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2021 |
| | | |
| **USD** | | |
| + 10% | 4,588 | 676 |
| – 10% | -4,172 | -474 |
| **DKK** | | |
| + 1% | -169 | -172 |
| – 1% | 238 | 245 |

In all, it can be seen from the table that, in accordance with the strategic positioning of our overall investment portfolio, exchange rate risk is of only minor significance.

The foreign currency exposure of the insurance companies amounting to is 94.3% (previous year: 93.0%) hedged against exchange rate fluctuations.

For further information about the management of market price risk in the W&W Group, please see the risk reporting in the Management Report.

## (46) Counterparty credit risks

We define counterparty credit risk as potential losses that may result if borrowers or debtors default or experience a deterioration in creditworthiness, as well as losses that may result from a deterioration in collateral.

Counterparty credit risks can arise from the default or changed rating of securities (counterparty credit risk associated with investments), from the default of business partners in customer lending business (counterparty credit risk associated with customer lending business) and from the default on receivables due from our counterparties in reinsurance (other counterparty credit risk).

We limit counterparty credit risks through the careful selection of issuers and reinsurance partners, as well as broadly diversified investments. In this context, we take into consideration the investment rules applicable to the respective business area. The contracting partners and securities, including debt securities, are mainly limited to good credit ratings in the investment grade range.

Our strategic focus on residential construction loans excludes individual loans that endanger the portfolio due to the high granularity and the predominant collateralisation with land charges. Detailed upper limits are set for the customer lending business and municipal lending business of Wüstenrot Bausparkasse AG in order to avoid potential risk concentrations from high-volume individual risks.

The W&W Group monitors risks from the default on receivables due from policyholders, agents and reinsurers with the aid of EDP-supported controls of outstanding accounts. With regard to receivables from policyholders, the average default rate over the last three years to the reporting date amounted to 0.14% (previous year: 0.14%). With regard to receivables from agents, the average default rate over the last three years amounted to 1.8% (previous year: 2.2%). Because of the mostly high credit rating of reinsurers, receivables from reinsurance do not constitute a material risk.

Reinsurance contracts are in place with counterparties on the reinsurance market that largely have flawless credit, meaning that the default risk is significantly reduced.

For further information about the management of counterparty credit risk in the W&W Group, please see the risk reporting in the management report.

## Breakdown of risk provision for financial assets at amortised cost in 2022

| In € thousands | Opening balance as at 1.1.2022 | Reclassi-fications from Level 1 | Reclassi-fications from Level 2 | Reclassi-fications from Level 3 | Additions for newly issued/ acquired financial assets | Additions for financial assets currently in the portfolio |
|---|---|---|---|---|---|---|
| **Subordinated securities and receivables** | **-189** | **–** | **–** | **–** | **-10** | **-41** |
| Level 1 | -189 | – | – | – | -10 | -41 |
| **Senior debenture bonds and registered bonds** | **-50** | **–** | **–** | **–** | **-52** | **-2** |
| Level 1 | -50 | – | – | – | -52 | -2 |
| **Building loans** | **-87,767** | **–** | **–** | **–** | **-11,707** | **-44,254** |
| Level 1 | -9,870 | 502 | -789 | -46 | -3,105 | -2,783 |
| Level 2 | -48,169 | -417 | 4,244 | -1,139 | -5,149 | -18,959 |
| Level 3 | -29,728 | -85 | -3,455 | 1,185 | -3,453 | -22,512 |
| **Other receivables** | **-43,739** | **–** | **–** | **–** | **-30,070** | **-295** |
| Level 1 | -35,934 | 17,518 | – | – | -28,493 | -90 |
| Level 2 | -1,454 | – | 247 | – | -92 | – |
| Level 3 | -6,351 | -17,518 | -247 | – | -1,485 | -205 |
| **Miscellaneous receivables** | **-10,329** | **–** | **–** | **–** | **-799** | **-1,192** |
| Level 1 | -10,329 | – | – | – | -799 | -1,192 |
| **Risk provision for financial assets measured at amortised cost** | **-142,074** | **–** | **–** | **–** | **-42,638** | **-45,784** |

| Additions/releases as a result of changes to the models/risk parameters | Releases of financial assets currently in the portfolio | Releases of derecognised financial assets as a result of repayment of principal, modification or sale | Utilisation/ reclassification (write-off) | Interest effects | Reclassifications | Closing balance as at 31.12.2022 |
|---:|---:|---:|---:|---:|---:|---:|
| | | | | | | |
| | | | | | | |
| **–** | **1** | **3** | **–** | **–** | **–** | **-236** |
| – | 1 | 3 | – | – | – | -236 |
| **–** | **–** | **41** | **–** | **–** | **–** | **-63** |
| – | – | 41 | – | – | – | -63 |
| **–** | **45,418** | **8,150** | **8,911** | **-609** | **–** | **-81,858** |
| – | 5,261 | 447 | 72 | – | – | -10,311 |
| – | 32,940 | 2,307 | 31 | – | – | -34,311 |
| – | 7,217 | 5,396 | 8,808 | -609 | – | -37,236 |
| **–** | **4** | **2,246** | **21,446** | **–** | **–** | **-50,408** |
| – | 4 | 1,937 | 1,654 | – | – | -43,404 |
| – | – | – | – | – | – | -1,299 |
| – | – | 309 | 19,792 | – | – | -5,705 |
| **–** | **–** | **794** | **1,192** | **–** | **–** | **-10,334** |
| – | – | 794 | 1,192 | – | – | -10,334 |
| **–** | **45,423** | **11,234** | **31,549** | **-609** | **–** | **-142,899** |

## Breakdown of risk provision for financial assets at amortised cost in 2021

| In € thousands | Opening balance as at 1.1.2021 | Reclassi-fications from Level 1 | Reclassi-fications from Level 2 | Reclass-ifications from Level 3 | Additions for newly issued/ acquired financial assets | Additions for financial assets currently in the portfolio |
|---|---|---|---|---|---|---|
| **Subordinated securities and receivables** | **-217** | **–** | **–** | **–** | **-27** | **–** |
| Level 1 | -217 | – | – | – | -27 | – |
| **Senior debenture bonds and registered bonds** | **-43** | **–** | **–** | **–** | **-40** | **–** |
| Level 1 | -43 | – | – | – | -40 | – |
| **Building loans** | **-102,428** | **–** | **–** | **–** | **-7,873** | **-34,847** |
| Level 1 | -8,336 | 648 | -345 | -34 | -3,052 | -2,863 |
| Level 2 | -63,065 | -574 | 3,309 | -1,413 | -3,346 | -17,848 |
| Level 3 | -31,027 | -74 | -2,964 | 1,447 | -1,475 | -14,136 |
| **Other receivables** | **-40,489** | **–** | **–** | **–** | **-23,439** | **-277** |
| Level 1 | -32,730 | – | – | – | -22,157 | -132 |
| Level 2 | -1,481 | – | – | – | -63 | – |
| Level 3 | -6,278 | – | – | – | -1,219 | -145 |
| **Miscellaneous receivables** | **-9,994** | **–** | **–** | **–** | **-1,107** | **-1,094** |
| Level 1 | -9,994 | – | – | – | -1,107 | -1,094 |
| **Risk provision for financial assets measured at amortised cost** | **-153,171** | **–** | **–** | **–** | **-32,486** | **-36,218** |

| | Additions/releases as a result of changes to the models/risk parameters | Releases of financial assets currently in the portfolio | Releases of derecognised financial assets as a result of repayment of principal, modification or sale | Utilisation/ reclassification (write-off) | Interest effects | Reclassifications | Closing balance as at 31.12.2021 |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| | **–** | **41** | **14** | **–** | **–** | **–** | **-189** |
| | – | 41 | 14 | – | – | – | -189 |
| | **–** | **2** | **31** | **–** | **–** | **–** | **-50** |
| | – | 2 | 31 | – | – | – | -50 |
| | **–** | **43,158** | **10,149** | **4,706** | **-632** | **–** | **-87,767** |
| | – | 3,562 | 492 | 58 | – | – | -9,870 |
| | – | 32,083 | 2,591 | 94 | – | – | -48,169 |
| | – | 7,513 | 7,066 | 4,554 | -632 | – | -29,728 |
| | **–** | **–** | **2,876** | **17,590** | **–** | **–** | **-43,739** |
| | – | – | 2,671 | 16,414 | – | – | -35,934 |
| | – | – | 90 | – | – | – | -1,454 |
| | – | – | 115 | 1,176 | – | – | -6,351 |
| | **–** | **–** | **772** | **1,094** | **–** | **–** | **-10,329** |
| | – | – | 772 | 1,094 | – | – | -10,329 |
| | **–** | **43,201** | **13,842** | **23,390** | **-632** | **–** | **-142,074** |

## Breakdown of risk provision for financial assets at fair value through other comprehensive income in 2022

| In € thousands | Opening balance as at 1.1.2022 | Reclassifications from Level 1 | Additions for newly issued/acquired financial assets | Additions for financial assets currently in the portfolio |
|---|---|---|---|---|
| **Subordinated securities and receivables** | **-1,260** | **–** | **-206** | **-193** |
| Level 1 | -1,260 | – | -206 | -193 |
| **Senior debenture bonds and registered bonds** | **-3,951** | **–** | **-347** | **-471** |
| Level 1 | -3,951 | – | -347 | -471 |
| **Senior fixed-income securities** | **-31,769** | **–** | **-4,328** | **-9,259** |
| Level 1 | -20,886 | 270 | -4,328 | -3,642 |
| Level 2 | -10,883 | -270 | – | -5,617 |
| **Risk provision for financial assets at fair value through other comprehensive income** | **-36,980** | **–** | **-4,881** | **-9,923** |

## Breakdown of risk provision for financial assets at fair value through other comprehensive income in 2021

| In € thousands | Opening balance as at 1.1.2021 | Reclassifications from Level 1 | Additions for newly issued/acquired financial assets | Additions for financial assets currently in the portfolio |
|---|---|---|---|---|
| **Subordinated securities and receivables** | **-1,090** | **–** | **-292** | **-289** |
| Level 1 | -1,090 | – | -292 | -289 |
| **Senior debenture bonds and registered bonds** | **-6,051** | **–** | **-564** | **-24** |
| Level 1 | -6,051 | – | -564 | -24 |
| **Senior fixed-income securities** | **-30,631** | **–** | **-8,922** | **-5,848** |
| Level 1 | -22,221 | 90 | -8,922 | -618 |
| Level 2 | -8,410 | -90 | – | -5,230 |
| **Risk provision for financial assets at fair value through other comprehensive income** | **-37,772** | **–** | **-9,778** | **-6,161** |

| Releases of financial assets currently in the portfolio | Releases of derecognised financial assets as a result of repayment of principal, modification or sale | Addition to the scope of consolidation | Reclassifications | Closing balance as at 31.12.2022 |
| --- | --- | --- | --- | --- |
| | | | | |
| | | | | |
| **374** | **176** | **–** | **–** | **-1,109** |
| 374 | 176 | – | – | -1,109 |
| **28** | **1,552** | **–** | **–** | **-3,189** |
| 28 | 1,552 | – | – | -3,189 |
| **1,386** | **13,824** | **–** | **–** | **-30,146** |
| 1,108 | 8,073 | – | -2 | -19,407 |
| 278 | 5,751 | – | 2 | -10,739 |
| **1,788** | **15,552** | **–** | **–** | **-34,444** |

| Releases of financial assets currently in the portfolio | Releases of derecognised financial assets as a result of repayment of principal, modification or sale | Addition to the scope of consolidation | Reclassifications | Closing balance as at 31.12.2021 |
| --- | --- | --- | --- | --- |
| | | | | |
| | | | | |
| **168** | **243** | **–** | **–** | **-1,260** |
| 168 | 243 | – | – | -1,260 |
| **979** | **1,863** | **-154** | **–** | **-3,951** |
| 979 | 1,863 | -154 | – | -3,951 |
| **4,406** | **9,545** | **-308** | **-11** | **-31,769** |
| 3,987 | 7,115 | -308 | -9 | -20,886 |
| 419 | 2,430 | – | -2 | -10,883 |
| **5,553** | **11,651** | **-462** | **-11** | **-36,980** |

## Breakdown of provision for off-balance-sheet business in 2022

| In € thousands | Opening balance as at 1.1.2022 | Reclassifications from Level 1 | Reclassifications from Level 2 | Reclassifications from Level 3 | Additions for newly issued/acquired financial assets | Additions for financial assets currently in the portfolio |
|---|---|---|---|---|---|---|
| **Irrevocable loan commitments** | **-3,286** | **–** | **–** | **1** | **-1,932** | **-887** |
| Level 1 | -1,924 | 40 | -6 | – | -1,081 | -23 |
| Level 2 | -1,229 | -29 | 68 | – | -797 | -708 |
| Level 3 | -133 | -11 | -62 | 1 | -54 | -156 |
| **Provision for off-balance-sheet business** | **-3,286** | **–** | **–** | **1** | **-1,932** | **-887** |

## Breakdown of provision for off-balance-sheet business in 2021

| In € thousands | Opening balance as at 1.1.2021 | Reclassifications from Level 1 | Reclassifications from Level 2 | Reclassifications from Level 3 | Additions for newly issued/acquired financial assets | Additions for financial assets currently in the portfolio |
|---|---|---|---|---|---|---|
| **Irrevocable loan commitments** | **-2,937** | **–** | **–** | **–** | **-2,348** | **-722** |
| Level 1 | -1,510 | 44 | -5 | – | -1,734 | -41 |
| Level 2 | -1,274 | -30 | 172 | -5 | -598 | -545 |
| Level 3 | -153 | -14 | -167 | 5 | -16 | -136 |
| **Provision for off-balance-sheet business** | **-2,937** | **–** | **–** | **–** | **-2,348** | **-722** |

| | Additions/releases as a result of changes to the models/risk parameters | Releases of financial assets currently in the portfolio | Releases of derecognised financial assets as a result of repayment of principal, modification or sale | Addition to the scope of consolidation | Closing balance as at 31.12.2022 |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | **–** | **1,137** | **1,892** | **–** | **-3,075** |
| | – | 568 | 1,152 | – | -1,274 |
| | – | 491 | 607 | – | -1,597 |
| | – | 78 | 133 | – | -204 |
| | **–** | **1,137** | **1,892** | **–** | **-3,075** |

| | Additions/releases as a result of changes to the models/risk parameters | Releases of financial assets currently in the portfolio | Releases of derecognised financial assets as a result of repayment of principal, modification or sale | Addition to the scope of consolidation | Closing balance as at 31.12.2021 |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | **–** | **1,046** | **1,675** | **–** | **-3,286** |
| | – | 398 | 923 | – | -1,924 |
| | – | 519 | 532 | – | -1,229 |
| | – | 129 | 220 | – | -133 |
| | **–** | **1,046** | **1,675** | **–** | **-3,286** |

## Breakdown of provision for reinsurers' portion of technical provisions in 2022

| In € thousands | Opening balance as at 1.1.2022 | Additions for newly issued/acquired financial assets | Releases of derecognised financial assets as a result of repayment of principal, modification or sale | Closing balance as at 31.12.2022 |
|---|---|---|---|---|
| **Portion of the provision for outstanding insurance claims** | **-7,068** | **–** | **2,508** | **-4,560** |
| Level 1 | -7,068 | – | 2,508 | -4,560 |
| **Reinsurers' portion of technical provisions** | **-7,068** | **–** | **2,508** | **-4,560** |

## Breakdown of provision for reinsurers' portion of technical provisions in 2021

| In € thousands | Opening balance as at 1.1.2021 | Additions for newly issued/acquired financial assets | Releases of derecognised financial assets as a result of repayment of principal, modification or sale | Closing balance as at 31.12.2021 |
|---|---|---|---|---|
| **Portion of the provision for outstanding insurance claims** | **-5,165** | **-3,054** | **1,151** | **-7,068** |
| Level 1 | -5,165 | -3,054 | 1,151 | -7,068 |
| **Reinsurers' portion of technical provisions** | **-5,165** | **-3,054** | **1,151** | **-7,068** |

Accrued interest income on impaired assets was recognised as interest effects.

Newly issued construction loans totalling €5,180 million (previous year: €5,379 million) resulted in an increase in the risk provision of €11.7 million (previous year: €7.9 million). Repayments of principal totalling €3,480 million (previous year: €4,394 million) resulted in a release from the risk provision of €8.2 million (previous year: €10.1 million).

Newly acquired senior fixed-income securities at fair value through other comprehensive income totalling €5,693 million (previous year: €6,601 million) resulted in an increase in the risk provision of €4.3 million (previous year: €8.9 million). Disposals and scheduled repayments totalling €6,038 million (previous year: €5,702 million) resulted in a release from the risk provision of €13.8 million (previous year: €9.5 million).

Changes in the contractual cash flows of financial assets that did not result in derecognition were made to only an immaterial extent.

Financial assets that, since initial recognition, were changed at a time when the risk provision was measured in the amount of the credit losses expected over the term and for which the risk provision was converted in the reporting period to the amount of the expected 12-month credit loss had a gross carrying amount of €9.5 million (previous year: €24.5).

For assets directly written off in the reporting year, we are continuing to attempt to collect the contractually agreed amounts of €3.5 million (previous year: €3.6 million) despite an estimation that they are uncollectable.

## Effects of collateral the amount of expected credit losses in 2022

| | Unimpaired assets | | | Impaired assets | | |
|---|---|---|---|---|---|---|
| | Gross carrying amount before held collateral | Reduction of the maximum default risk through held collateral | Net carrying amount | Gross carrying amount before held collateral | Reduction of the maximum default risk through held collateral | Net carrying amount |
| In € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| **Financial assets at fair value through other comprehensive income** | **29,900,971** | **–** | **29,900,971** | **–** | **–** | **–** |
| Subordinated securities and receivables | 815,758 | – | 815,758 | – | – | – |
| Senior debenture bonds and registered bonds | 5,636,315 | – | 5,636,315 | – | – | – |
| Senior fixed-income securities | 23,448,898 | – | 23,448,898 | – | – | – |
| **Financial assets at amortised cost** | **28,078,799** | **22,767,028** | **5,311,771** | **258,846** | **221,853** | **36,993** |
| Subordinated securities and receivables | 185,861 | – | 185,861 | – | – | – |
| Senior debenture bonds and registered bonds | 49,962 | – | 49,962 | – | – | – |
| Senior fixed-income securities | 9 | – | 9 | – | – | – |
| Building loans | 25,254,207 | 22,767,028 | 2,487,179 | 252,578 | 221,853 | 30,725 |
| Construction loans secured with a land charge (Grundpfandrecht) | 22,705,118 | 22,705,118 | – | 221,264 | 221,264 | – |
| Construction loans secured otherwise | 61,910 | 61,910 | – | 589 | 589 | – |
| Unsecured construction loans | 2,487,179 | – | 2,487,179 | 30,725 | – | 30,725 |
| Other receivables | 2,588,760 | – | 2,588,760 | 6,268 | – | 6,268 |
| Other receivables | 2,261,467 | – | 2,261,467 | 6,268 | – | 6,268 |
| Miscellaneous receivables | 327,293 | – | 327,293 | – | – | – |
| **Reinsurers' portion of technical provisions** | **299,837** | **–** | **299,837** | **–** | **–** | **–** |
| **Irrevocable loan commitments** | **1,439,672** | **–** | **1,439,672** | **6,860** | **–** | **6,860** |

## Effects of collateral the amount of expected credit losses in 2021

| | Unimpaired assets | | | Impaired assets | | |
|---|---|---|---|---|---|---|
| | Gross carrying amount before held collateral | Reduction of the maximum default risk through held collateral | Net carrying amount | Gross carrying amount before held collateral | Reduction of the maximum default risk through held collateral | Net carrying amount |
| In € thousands | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 |
| **Financial assets at fair value through other comprehensive income** | **32,592,700** | **–** | **32,592,700** | **–** | **–** | **–** |
| Subordinated securities and receivables | 753,919 | – | 753,919 | – | – | – |
| Senior debenture bonds and registered bonds | 8,161,358 | – | 8,161,358 | – | – | – |
| Senior fixed-income securities | 23,677,423 | – | 23,677,423 | – | – | – |
| **Financial assets at amortised cost** | **26,017,457** | **21,419,607** | **4,597,850** | **247,327** | **203,126** | **44,201** |
| Subordinated securities and receivables | 180,953 | – | 180,953 | – | – | – |
| Senior debenture bonds and registered bonds | 42,479 | – | 42,479 | – | – | – |
| Senior fixed-income securities | 9 | – | 9 | – | – | – |
| Building loans | 23,667,222 | 21,419,607 | 2,247,615 | 240,289 | 203,126 | 37,163 |
| Construction loans secured with a land charge (Grundpfandrecht) | 21,348,174 | 21,348,174 | – | 202,530 | 202,530 | – |
| Construction loans secured otherwise | 71,433 | 71,433 | – | 596 | 596 | – |
| Unsecured construction loans | 2,247,615 | – | 2,247,615 | 37,163 | – | 37,163 |
| Other receivables | 2,126,794 | – | 2,126,794 | 7,038 | – | 7,038 |
| Other receivables | 1,815,527 | – | 1,815,527 | 7,038 | – | 7,038 |
| Miscellaneous receivables | 311,267 | – | 311,267 | – | – | – |
| **Reinsurers' portion of technical provisions** | **423,516** | **–** | **423,516** | **–** | **–** | **–** |
| **Irrevocable loan commitments** | **1,611,500** | **–** | **1,611,500** | **5,730** | **–** | **5,730** |

In customer lending business, we largely focus on construction financing loans for retail customers, which are secured with in-rem collateral. Construction loans are mainly secured with senior land charges (Grundpfandrechte).

In addition, loans and advance payments on insurance policies are fully secured with life insurance policies.

There were no significant changes in the quality of collateral in the financial year.

Because of sufficient collateralisation, no risk provision was created in the financial year for gross carrying amounts totalling €8.3 million (previous year: €8.1 million).

The irrevocable loan commitments mainly relate to construction loans, which are primarily secured with land charges (Grundpfandrechte) or otherwise.

For financial instruments to which the impairment rules of IFRS 9 are not applied, their carrying amount reflects the maximum default risk. They include all assets at fair value through profit or loss.

The following table provides a breakdown of gross carrying amounts according to external and internal rating classes.

## Gross carrying amounts by external rating class per level in 2022

| | AAA | AA | A | BBB | BB | B or worse | Total |
|---|---|---|---|---|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| **Financial assets at fair value through other comprehensive income** | **4,984,385** | **12,178,447** | **7,278,923** | **2,876,196** | **938,161** | **1,644,859** | **29,900,971** |
| Subordinated securities and receivables | – | 85,581 | 519,058 | 210,145 | – | 974 | 815,758 |
| Level 1 | – | 85,581 | 519,058 | 210,145 | – | 974 | 815,758 |
| Senior debenture bonds and registered bonds | 1,454,529 | 2,658,750 | 1,095,227 | 376,704 | – | 51,105 | 5,636,315 |
| Level 1 | 1,454,529 | 2,658,750 | 1,095,227 | 376,704 | – | 51,105 | 5,636,315 |
| Senior fixed-income securities | 3,529,856 | 9,434,116 | 5,664,638 | 2,289,347 | 938,161 | 1,592,780 | 23,448,898 |
| Level 1 | 3,529,856 | 9,434,116 | 5,664,638 | 2,289,347 | 838,073 | 1,507,112 | 23,263,142 |
| Level 2 | – | – | – | – | 100,088 | 85,668 | 185,756 |
| **Financial assets at amortised cost** | **–** | **7,130** | **106,016** | **82,176** | **–** | **40,510** | **235,832** |
| Subordinated securities and receivables | – | 7,130 | 96,555 | 82,176 | – | – | 185,861 |
| Level 1 | – | 7,130 | 96,555 | 82,176 | – | – | 185,861 |
| Senior debenture bonds and registered bonds | – | – | 9,461 | – | – | 40,501 | 49,962 |
| Level 1 | – | – | 9,461 | – | – | 40,501 | 49,962 |
| Senior fixed-income securities | – | – | – | – | – | 9 | 9 |
| Level 1 | – | – | – | – | – | 9 | 9 |
| **Reinsurers' portion of technical provisions** | **–** | **182,265** | **103,118** | **–** | **7,776** | **6,678** | **299,837** |
| Level 1 | – | 182,265 | 103,118 | – | 7,776 | 6,678 | 299,837 |
| **Total** | **4,984,385** | **12,185,577** | **7,384,939** | **2,958,372** | **938,161** | **1,685,369** | **30,136,803** |

## Gross carrying amounts by external rating class per level in 2021

| | AAA | AA | A | BBB | BB | B or worse | Total |
|---|---|---|---|---|---|---|---|
| In € thousands | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 | 31.12.2021 |
| **Financial assets at fair value through other comprehensive income** | **5,794,910** | **12,542,463** | **8,509,726** | **2,985,749** | **1,081,604** | **1,678,248** | **32,592,700** |
| Subordinated securities and receivables | – | 61,397 | 489,600 | 201,952 | – | 970 | 753,919 |
| Level 1 | – | 61,397 | 489,600 | 201,952 | – | 970 | 753,919 |
| Senior debenture bonds and registered bonds | 2,371,499 | 3,461,252 | 1,772,542 | 505,964 | – | 50,101 | 8,161,358 |
| Level 1 | 2,371,499 | 3,461,252 | 1,772,542 | 505,964 | – | 50,101 | 8,161,358 |
| Senior fixed-income securities | 3,423,411 | 9,019,814 | 6,247,584 | 2,277,833 | 1,081,604 | 1,627,177 | 23,677,423 |
| Level 1 | 3,423,411 | 9,019,814 | 6,247,584 | 2,277,833 | 954,532 | 1,567,445 | 23,490,619 |
| Level 2 | – | – | – | – | 127,072 | 59,732 | 186,804 |
| **Financial assets at amortised cost** | **–** | **–** | **106,704** | **83,611** | **–** | **33,126** | **223,441** |
| Subordinated securities and receivables | – | – | 97,342 | 83,611 | – | – | 180,953 |
| Level 1 | – | – | 97,342 | 83,611 | – | – | 180,953 |
| Senior debenture bonds and registered bonds | – | – | 9,362 | – | – | 33,117 | 42,479 |
| Level 1 | – | – | 9,362 | – | – | 33,117 | 42,479 |
| Senior fixed-income securities | – | – | – | – | – | 9 | 9 |
| Level 1 | – | – | – | – | – | 9 | 9 |
| **Reinsurers' portion of technical provisions** | **–** | **237,621** | **180,423** | **–** | **–** | **5,472** | **423,516** |
| Level 1 | – | 237,621 | 180,423 | – | – | 5,472 | 423,516 |
| **Total** | **5,794,910** | **12,542,463** | **8,616,430** | **3,069,360** | **1,081,604** | **1,711,374** | **32,816,141** |

## Gross carrying amounts by internal rating class per level in 2022

| In € thousands | Internal rating: A1-A2 31.12.2022 | Internal rating: B1-B2 31.12.2022 | Internal rating: C1-C2 31.12.2022 | Internal rating: D-H 31.12.2022 | Internal rating: I-M 31.12.2022 | Internal rating: worse than M 31.12.2022 | Total 31.12.2022 |
|---|---|---|---|---|---|---|---|
| **Financial assets at amortised cost** | **3,970,381** | **10,427,562** | **3,578,469** | **4,334,112** | **350,356** | **265,502** | **25,506,785** |
| Construction loans secured by a land charge (Grundpfandrecht) | 3,970,381 | 10,427,562 | 3,578,469 | 4,334,112 | 350,356 | 265,502 | 22,926,382 |
| Level 1 | 3,970,381 | 10,425,440 | 3,539,714 | 3,653,762 | 9,283 | – | 21,598,580 |
| Level 2 | – | 2,122 | 38,755 | 680,350 | 341,073 | 44,238 | 1,106,538 |
| Level 3 | – | – | – | – | – | 221,264 | 221,264 |
| Construction loans secured otherwise | – | 8,827 | 33,112 | 9,401 | 10,530 | 629 | 62,499 |
| Level 1 | – | 8,827 | 32,646 | 7,270 | 9,036 | 23 | 57,802 |
| Level 2 | – | – | 466 | 2,131 | 1,494 | 17 | 4,108 |
| Level 3 | – | – | – | – | – | 589 | 589 |
| Unsecured construction loans | 441,984 | 1,372,048 | 414,715 | 223,493 | 29,167 | 36,497 | 2,517,904 |
| Level 1 | 441,984 | 1,370,887 | 393,623 | 146,454 | 307 | – | 2,353,255 |
| Level 2 | – | 1,161 | 21,092 | 77,039 | 28,860 | 5,772 | 133,924 |
| Level 3 | – | – | – | – | – | 30,725 | 30,725 |
| **Irrevocable loan commitments[1]** | **42,302** | **314,696** | **491,556** | **569,938** | **17,495** | **10,545** | **1,446,532** |
| Level 1 | 42,302 | 314,438 | 491,273 | 553,130 | 948 | – | 1,402,091 |
| Level 2 | – | 258 | 283 | 16,808 | 16,547 | 3,685 | 37,581 |
| Level 3 | – | – | – | – | – | 6,860 | 6,860 |
| **Total** | **4,012,683** | **10,742,258** | **4,070,025** | **4,904,050** | **367,851** | **276,047** | **26,953,317** |

1 Nominal value.

## Gross carrying amounts by internal rating class per level in 2021

| In € thousands | Internal rating: A1-A2 31.12.2021 | Internal rating: B1-B2 31.12.2021 | Internal rating: C1-C2 31.12.2021 | Internal rating: D-H 31.12.2021 | Internal rating: I-M 31.12.2021 | Internal rating: worse than M 31.12.2021 | Total 31.12.2021 |
|---|---|---|---|---|---|---|---|
| **Financial assets at amortised cost** | **3,816,950** | **9,862,826** | **3,232,372** | **4,103,087** | **297,031** | **238,438** | **23,907,511** |
| Construction loans secured by a land charge (Grundpfandrecht) | 3,816,950 | 9,862,826 | 3,232,372 | 4,103,087 | 297,031 | 238,438 | 21,550,704 |
| Level 1 | 3,816,950 | 9,756,193 | 3,182,814 | 3,194,420 | 1,991 | – | 19,952,368 |
| Level 2 | – | 106,633 | 49,558 | 908,667 | 295,040 | 35,908 | 1,395,806 |
| Level 3 | – | – | – | – | – | 202,530 | 202,530 |
| Construction loans secured otherwise | – | 11,140 | 37,138 | 13,326 | 9,635 | 790 | 72,029 |
| Level 1 | – | 10,493 | 36,239 | 8,764 | 8,785 | – | 64,281 |
| Level 2 | – | 647 | 899 | 4,562 | 850 | 194 | 7,152 |
| Level 3 | – | – | – | – | – | 596 | 596 |
| Unsecured construction loans | 406,608 | 1,206,916 | 398,480 | 210,365 | 22,175 | 40,234 | 2,284,778 |
| Level 1 | 406,608 | 1,155,727 | 379,719 | 136,854 | 81 | – | 2,078,989 |
| Level 2 | – | 51,189 | 18,761 | 73,511 | 22,094 | 3,071 | 168,626 |
| Level 3 | – | – | – | – | – | 37,163 | 37,163 |
| **Irrevocable loan commitments[1]** | **34,593** | **347,922** | **406,658** | **806,464** | **13,953** | **7,640** | **1,617,230** |
| Level 1 | 34,593 | 345,990 | 406,343 | 793,844 | 1,063 | – | 1,581,833 |
| Level 2 | – | 1,932 | 315 | 12,620 | 12,890 | 1,910 | 29,667 |
| Level 3 | – | – | – | – | – | 5,730 | 5,730 |
| **Total** | **3,851,543** | **10,210,748** | **3,639,030** | **4,909,551** | **310,984** | **246,078** | **25,524,741** |

1 Nominal value.

## (47) Insurance risks

### Life and health insurance business

#### Description of the insurance portfolio

In the W&W Group, life and health insurance business consists of life insurance (endowment and term insurance), annuity insurance, occupational disability insurance and health insurance. Life insurance portfolios mainly contain long-term contracts with discretionary surplus participation. Unit-linked endowment life insurance policies and annuity insurance policies are covered congruently by fund units attributable to the policies.

#### Risks of the insurance portfolio and the risk management system

Life insurance is characterised by the long duration of the commitments entered into, for which reason calculations are made using conservative assumptions.

Risks from life insurance business mainly consist of biometric risk, interest guarantee risk and cancellation and cost risk. The assessment of the interest guarantee risk is dealt with in detail in Note 45.

Biometric actuarial bases, such as mortality, life expectancy and invalidity probabilities, are subject both to short-term risks of fluctuation and error, as well as to longer-term change trends. These risks are controlled on an ongoing basis through actuarial analyses and tests. In terms of product development, potential changes are taken into account through corresponding actuarial modelling.

With annuity insurance, the assessment of life expectancy (longevity risk) is of particular importance for the provision for future policy benefits. In addition to monitoring our own results, we also rely on the findings, notices and guidelines of the German Association of Actuaries (DAV) for the purposes of stabilising the information basis.

As in previous years, the life insurance companies once again adjusted the safety margins for longevity risk in the provision for future policy benefits in the 2022 financial year. Prospective findings concerning mortality trends or a renewed adjustment of safety margins recommended by the DAV may lead to further additions to the provision for future policy benefits.

The responsible actuary considers the actuarial bases to be reasonable. The findings and notices of the DAV and the supervisory authority did not result in any different appraisal in this regard. Internal reporting to the supervisory authority contains an annual comparison with actual events. Minor changes in assumptions with respect to the biometric factors, interest rates and costs on which calculations are based are absorbed by the safety margins built into the actuarial bases.

In the event that expectations as to risks, costs and/or interest rates should change, the effect on net income is substantially lessened by adjusting the future surplus participation of policyholders. Risks are limited by obtaining suitable reinsurance from reinsurance companies with pristine investment-grade ratings.

### Sensitivity analysis

In life insurance, actuarial bases with high safety margins are used to calculate premiums in order to account for longevity. Safety margins that are no longer required are returned to customers in the form of surplus participation. Short-term fluctuations are offset by reducing or increasing the additions to the provision for premium refunds intended for future surplus participation. In the event of longer-term changes, surplus participation is adjusted accordingly, in addition.

### Biometric risk

An increase in mortality has a negative effect on mortality insurance policies (endowment and term life insurance), whereas it has a positive effect on annuity insurance policies. Currently expected mortality rates lead to distinctly positive risk results on account of the existing safety margins. In accordance with the mechanism described above, deviations from the expected value have only negligible effects on gross income and can even be absorbed in their entirety by changing the addition to the provision for premium refunds. This effect is further reduced by obtaining reinsurance. The safety margin for annuity insurance policies has been adjusted at a high level by updating the actuarial bases for longevity risk.

In the area of occupational disability insurance, invalidity probabilities are subject to medical and legal changes, as well as to social and economic trends. As measured against current expectations, the safety margins built into the calculation remain sufficient, meaning that positive results can be expected. Deviations from expectations that have appreciable effects on either gross or net income are not considered to be realistic.

In the area of health insurance, the risk resulting from the increase in per capita claims is limited by the ability to adjust premiums that were contractually agreed with customers.

### Cancellation risk

Changed cancellation behaviour by customers can result in greater liquidity outflows than expected. In the past, however, the modification of cancellation rates did not show any strong fluctuations, meaning that only slight changes have to be classified as realistic.

Moreover, negative effects on net income arise only in the initial years following contract conclusion, provided that claims not yet due against the policyholder are recognised that are no longer collectable following cancellation. A suitable impairment is created to account for cancellations. The creation of impairments is based on appropriate assumptions stemming from the experience of previous years.

As a general rule, a surrender in later years has no effect on income, and in the case of cancellation penalties, there is even a positive effect on net income, since the released provisions correspond at least to the paid surrender value. Assumptions about cancellation behaviour are also included the calculation of the additional interest reserve. The assumptions are derived from past observations periods, taking into consideration safety margins, and are regularly reviewed for appropriateness. Minor cancellation behaviour results in extra expenses through the creation of a higher additional interest reserve.

Unit-linked insurance policies are covered congruently by the corresponding funds. If additional guarantee commitments are made, they are taken into account in the provision for future policy benefits. Increases or decreases in cancellations do not lead to any appreciable effects on net income.

### Risk concentrations

Concentrations of underwriting risk in life and health insurance result from regional risk concentrations, as well as from high risks associated with individually insured persons.

The life and health insurers prevent regional risk concentrations from arising by selling their insurance products throughout Germany.

The risk concentration from individually insured persons (cluster risk) is reduced by obtaining reinsurance from reinsurers in the area of life insurance that have an excellent credit rating.

Remaining risk concentrations result from the respectively insured risks, i.e. mortality, longevity and disability risk. For the purposes of illustrating the existing risk concentration, the following table breaks down the provision for future policy benefits by insured risk.

### Provision for future policy benefits, by type of insured risk

| | Gross | Net | Gross | Net |
|---|---|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2022 | 31.12.2021 | 31.12.2021 |
| **Area of life insurance** | **30,005,386** | **30,005,386** | **30,592,718** | **30,592,718** |
| Predominantly mortality risk | 9,180,136 | 9,180,136 | 9,908,710 | 9,908,710 |
| Predominantly longevity risk (annuities) | 19,404,836 | 19,404,836 | 19,287,566 | 19,287,566 |
| Predominantly disability risk | 1,420,414 | 1,420,414 | 1,396,442 | 1,396,442 |
| **Area of health insurance** | **1,215,800** | **1,215,800** | **1,105,441** | **1,105,441** |
| **Total** | **31,221,186** | **31,221,186** | **31,698,159** | **31,698,159** |

The following overview shows the gross provision for future policy benefits of primary insurers for insurance contracts broken down by insurance amount (for annuity insurance policies: 12-x annuity).

### Provision for future policy benefits for insurance contracts with an insured amount of

| | Gross | Gross |
|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2021 |
| Less than €0.5 million | 29,177,949 | 29,739,284 |
| €0.5 million to €1 million | 324,900 | 300,701 |
| €1 million to €5 million | 356,062 | 405,670 |
| €5 million to €15 million | 143,267 | 146,116 |
| €15 million to €25 million | 3,208 | 947 |
| **Total** | **30,005,386** | **30,592,718** |

### Risks from options and guarantees contained in insurance contracts

- **Unit-linked life and annuity insurance**
  Guaranteed minimum benefit With unit-linked life and annuity insurance, the investment risk is borne by policyholders. There is no market risk, since all contracts are congruently covered. Products are designed so as to ensure that a

corresponding reserve is created for the parts of the premium needed to cover the guaranteed minimum benefit.

For dynamic hybrid products with guaranteed minimum benefits, there is a risk of monetisation should the price of the capital protection fund ("Wertsicherungsfonds") fall, in which case the investment risk is transferred to the insurance company. If the capital protection fund does not achieve the required capital protection commitment, the guarantee commitment provided by the insurance company becomes effective, in addition. The capital protection commitment is assured through put options. The underlying counterparty credit risk is reduced by selecting multiple banking partners with an excellent credit rating.

- **Annuity insurance: lump-sum option**
  Exercise of the lump-sum option is influenced by factors specific to the policyholder. Where the guaranteed interest rate is high, rational financial behaviour by customers during times of low interest rates can lower the rate of exercise of the lump-sum option. As a result, the expected reduction of the interest rate guarantee exposure would no longer exist.

- **Life insurance: annuitisation option**
  The annuitisation option is carried out at the rates applicable to new contracts. This option has no effect on the balance sheet or the income statement.

- **Surrender and premium-waiver option**
  With all contracts with a surrender option, the provision for future policy benefits is at least as high as the surrender value. Cancellation probabilities are not taken into consideration. The same applies to the provision for future policy benefits to be created for premium-exempt benefits in the case of premium waivers.

- **Dynamic premium option**
  In life insurance, the option to increase insurance benefits by paying a greater premium without a reevaluation of risk is generally carried out at the original actuarial interest rate, but based on prior experience, the policyholder's decision is more strongly influenced by the insurance character of the contract or by the expectation of higher interest through surplus participation. Although rational financial behaviour by customers during times of low interest rates can increase the interest rate guarantee exposure, the terms and conditions for newer rate generations dealing with the increase of insurance provide for the ability to carry out the increase using the current actuarial bases. In health insurance, the risk of a negative selection generated by the above-described option is taken into account through an option premium or through the way the option is structured.

For further remarks about the interest rate guarantee, please see Note 45 "Market price risks".

## Property/casualty insurance business and reinsurance business

### Description of the insurance portfolio

In the Property/Casualty Insurance segment, Württembergische Versicherung AG conducts primary insurance business in Germany for private and commercial customers. In this regard, Württembergische Versicherung AG insures risks in the traditional business lines of general liability insurance, motor insurance, property insurance, legal expenses insurance, personal accident insurance, transport and aviation insurance and credit and suretyship insurance.

In the area of property/casualty insurance, W&W AG coordinates the reinsurance concerns. W&W AG reinsures Württembergische Versicherung AG and passes the risks on to the reinsurance market in full, with the exception of a quota share reinsurance contract within the Group.

W&W AG has a multi-level reinsurance programme in place. First, there are business line-specific reinsurance solutions that are designed to lessen the impact that large individual losses have on the balance sheet. These solutions are contain facultative individual reinsurance policies for the purpose of hedging risks of a special nature or that are particularly weighty. In addition, there are reinsurance solutions applicable to all business lines that protect the company against excessive losses from natural events as well as other events.

The risk-mitigating effect of the reinsurance structure outlined above is regularly reviewed and optimised in the internal risk model, taking into consideration the risk policy requirements from the Group strategy.

### Risks of the insurance portfolio and the risk management system

Underwriting risk arises from the uncertainty about future trends in claims and costs under concluded insurance contracts, as a consequence of which unexpected claim and benefit obligations can lead to a negative net income situation.

In the area of property insurance, underwriting risks are mainly of a short-term nature, since claim adjustment can usually happen quickly. In the case of serious personal injuries in the areas of general liability insurance, motor liability insurance and personal accident insurance, the risks are also subject to exogenous developments, such as medical advances and the life expectancy associated with them. Moreover, they are influenced by developments involving statutory damage compensation and liability rules.

### Sensitivity analysis

Risks are underwritten solely on the basis of actuarial and statistical analyses. This means that Württembergische Versicherung AG has built sufficient safety margins into its rates in order to cover risk fluctuations.

Expert actuarial opinions and regular simulation and stress calculations are used to review the adequacy of provisions. The results of this study led to the finding that Württembergische Versicherung AG has sufficient reserves in the area of property/casualty insurance.

If claims or costs trend contrary to expectations, this can have negative effects on the income statement.

Underwriting risks are measured using company-specific stochastic models or statistical and analytical factoring models that are customary in the industry. Claim scenario analyses are also carried out.

### Risk concentrations

Risk concentrations result primarily from locally high market shares and the risks insured under the various business lines. For the purposes of illustrating the existing risk concentrations, the following table breaks down the provision for claims by business line. In this regard, it is evident that the portfolio, which is characterised by a broadly diversified mix of business lines, contributes to a reduction of risk exposures.

## Provision for outstanding insurance claims

| | Gross | Net | Gross | Net |
|---|---|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2022 | 31.12.2021 | 31.12.2021 |
| General liability, corporate customers | 387,393 | 371,135 | 394,507 | 378,826 |
| Property insurance, corporate customers | 408,920 | 275,458 | 488,225 | 315,235 |
| General liability, retail customers | 78,765 | 77,423 | 83,529 | 82,156 |
| Other, retail customers | 4,043 | 4,043 | 2,433 | 2,433 |
| Motor liability | 1,113,306 | 1,010,690 | 1,098,175 | 994,067 |
| Other motor | 1,215 | 1,215 | 978 | 978 |
| Household | 22,178 | 14,755 | 30,442 | 10,422 |
| Legal protection | 214,078 | 214,078 | 195,755 | 195,596 |
| Partial cover | 5,966 | 4,687 | 7,218 | 5,423 |
| Casualty | 216,212 | 216,006 | 217,397 | 217,099 |
| Full cover | 89,747 | 89,299 | 78,454 | 70,838 |
| Residential building | 167,025 | 130,605 | 235,283 | 127,768 |
| Other | 247,084 | 247,084 | 222,375 | 222,375 |
| **Total** | **2,955,932** | **2,656,478** | **3,054,771** | **2,623,216** |

For further information about the management of underwriting risk in the W&W Group, please see the risk reporting in the management report.

## (48) Liquidity risks

Liquidity risk describes the risk that a company will be unable to procure the financial resources necessary to settle the commitments it has made. Liquidity risks may also result where a financial asset cannot be sold promptly and at short notice at its fair value or where liquid resources can be obtained only under terms less favourable than anticipated. Liquidity risk thus consists of insolvency risk, market liquidity risk and refinancing risk. The consolidated liquidity plan constitutes the basis for managing liquidity risk at the Group level. It is based on liquidity planning by the individual companies. Liquidity fluctuations are monitored with a signal system in order to ensure minimum liquidity.

The following presents a breakdown of the residual term to maturity of select financial instruments for 2022:

### Breakdown of remaining term to maturity in 2022: Assets

| In € thousands | Within 3 months | 3 months to 1 year | 1 to 5 years | Later than 5 years | Undefined maturity | Total |
|---|---|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | **341,945** | **184,343** | **939,718** | **1,594,144** | **–** | **3,060,150** |
| Fixed-income financial instruments that do not pass the SPPI test | 54,923 | 101,484 | 896,384 | 1,476,952 | – | 2,529,743 |
| Derivative financial instruments | 182,669 | 49,465 | 15,133 | 117,192 | – | 364,459 |
| Senior fixed-income securities | 104,353 | 33,394 | 28,201 | – | – | 165,948 |
| **Financial assets at fair value through other comprehensive income** | **414,696** | **277,425** | **3,539,211** | **18,647,034** | **–** | **22,878,366** |
| Subordinated securities and receivables | 10,651 | 15,946 | 87,766 | 618,478 | – | 732,841 |
| Senior debenture bonds and registered bonds | 126,348 | 59,278 | 755,001 | 3,751,380 | – | 4,692,007 |
| Senior fixed-income securities | 277,697 | 202,201 | 2,696,444 | 14,277,176 | – | 17,453,518 |
| **Financial assets at amortised cost** | **2,237,547** | **794,073** | **6,563,345** | **18,094,745** | **523,024** | **28,212,734** |
| Subordinated securities and receivables | 3,512 | – | 63,600 | 118,513 | – | 185,625 |
| Senior debenture bonds and registered bonds | 108 | 40,348 | – | 9,443 | – | 49,899 |
| Senior fixed-income securities | 9 | – | – | – | – | 9 |
| Building loans | 359,970 | 582,905 | 6,472,591 | 17,812,421 | 197,040 | 25,424,927 |
| Other receivables | 1,873,948 | 170,820 | 27,154 | 154,368 | 325,984 | 2,552,274 |
| **Positive market values from hedges** | **-138** | **5** | **148** | **507** | **–** | **522** |
| **Reinsurers' portion of technical provisions** | **15,677** | **42,184** | **149,384** | **53,731** | **34,301** | **295,277** |
| **Total** | **3,009,727** | **1,298,030** | **11,191,806** | **38,390,161** | **557,325** | **54,447,049** |

The following presents a breakdown of the residual term to maturity of select financial instruments for 2021:

## Breakdown of remaining term to maturity in 2021: Assets

| | Within 3 months | 3 months to 1 year | 1 to 5 years | Later than 5 years | Undefined maturity | Total |
|---|---|---|---|---|---|---|
| In € thousands | | | | | | |
| **Financial assets at fair value through profit or loss** | **96,074** | **87,363** | **993,584** | **1,786,159** | **–** | **2,963,180** |
| Fixed-income financial instruments that do not pass the SPPI test | 66,796 | 58,649 | 928,505 | 1,755,585 | – | 2,809,535 |
| Derivative financial instruments | 25,102 | 8,021 | 23,013 | 30,574 | – | 86,710 |
| Senior fixed-income securities | 4,176 | 20,693 | 42,066 | – | – | 66,935 |
| **Financial assets at fair value through other comprehensive income** | **488,542** | **376,039** | **4,194,472** | **29,433,465** | **–** | **34,492,518** |
| Subordinated securities and receivables | 10,308 | 7,772 | 91,453 | 666,498 | – | 776,031 |
| Senior debenture bonds and registered bonds | 192,892 | 88,267 | 994,205 | 7,657,750 | – | 8,933,114 |
| Senior fixed-income securities | 285,342 | 280,000 | 3,108,814 | 21,109,217 | – | 24,783,373 |
| **Financial assets at amortised cost** | **2,141,234** | **1,328,384** | **7,257,205** | **15,078,222** | **336,456** | **26,141,501** |
| Subordinated securities and receivables | 3,510 | 999 | 63,682 | 112,573 | – | 180,764 |
| Senior debenture bonds and registered bonds | 225 | 32,858 | – | 9,346 | – | 42,429 |
| Senior fixed-income securities | 9 | – | – | – | – | 9 |
| Building loans | 616,406 | 1,153,379 | 7,134,515 | 14,868,100 | 47,344 | 23,819,744 |
| Other receivables | 1,521,084 | 141,148 | 59,008 | 88,203 | 289,112 | 2,098,555 |
| **Positive market values from hedges** | **725** | **54** | **451** | **4,869** | **–** | **6,099** |
| **Reinsurers' portion of technical provisions** | **30,351** | **47,837** | **237,324** | **62,843** | **38,093** | **416,448** |
| **Total** | **2,756,926** | **1,839,677** | **12,683,036** | **46,365,558** | **374,549** | **64,019,746** |

The following overview depicts the contractually agreed future gross distributions at the earliest possible date for the financial instruments in the portfolio as at the reporting date. For the liability items resulting from insurance contracts, the expected maturity structure is shown:

## Contractually agreed cash flows 2022

| | Within 3 months | 3 months to 1 year | 1 to 5 years | 5 to 10 years | 10 to 15 years | 15 to 20 years | Later than 20 years | Total |
|---|---|---|---|---|---|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2022 |
| **Financial liabilities at fair value through profit or loss** | **164,991** | **–** | **6,550** | **2,323** | **105,785** | **25,414** | **–** | **305,063** |
| Derivative financial liabilities at fair value through profit or loss | 164,991 | – | 6,550 | 2,323 | 105,785 | 25,414 | – | 305,063 |
| **Negative market values from hedges** | **169,562** | **–** | **497,605** | **505,354** | **176,006** | **15,702** | **–** | **1,364,229** |
| **Liabilities** | **5,391,558** | **19,838,369** | **1,819,053** | **808,355** | **154,415** | **5,670** | **32,203** | **28,049,623** |
| Liabilities evidenced by certificates | 55,307 | – | 1,265,286 | 572,845 | 34,188 | – | – | 1,927,626 |
| Liabilities to credit institutions | 2,357,368 | 84,546 | 211,120 | 56,836 | 3,424 | 2,883 | 4,756 | 2,720,933 |
| Liabilities to customers | 2,688,809 | 19,652,514 | 307,102 | 174,401 | 113,599 | – | – | 22,936,425 |
| Home loan savings business deposits and other savings deposits | – | 19,652,420 | – | – | – | – | – | 19,652,420 |
| Savings deposits with agreed termination period | 95,062 | – | – | – | – | – | – | 95,062 |
| Other deposits | 2,593,747 | – | 307,102 | 174,401 | 113,599 | – | – | 3,188,849 |
| Advances received | – | 94 | – | – | – | – | – | 94 |
| Lease liabilities | 4,222 | 12,700 | 22,518 | 3,384 | 2,154 | 2,261 | 16,178 | 63,417 |
| Miscellaneous liabilities | 285,852 | 88,609 | 13,027 | 889 | 1,050 | 526 | 11,269 | 401,222 |
| **Subordinated capital** | **46,387** | **–** | **158,051** | **127,295** | **102,833** | **390,483** | **262,378** | **1,087,427** |
| Participation rights capital | 296 | – | 2,296 | – | – | – | – | 2,592 |
| Subordinated liabilities | 46,091 | – | 155,755 | 127,295 | 102,833 | 390,483 | 262,378 | 1,084,835 |
| **Irrevocable loan commitments** | **1,383,914** | **23,477** | **39,141** | **–** | **–** | **–** | **–** | **1,446,532** |
| **Total** | **7,156,412** | **19,861,846** | **2,520,400** | **1,443,327** | **539,039** | **437,269** | **294,581** | **32,252,874** |

## Contractually agreed cash flows 2021

| In € thousands | Within 3 months<br>31.12.2021 | 3 months to 1 year<br>31.12.2021 | 1 to 5 years<br>31.12.2021 | 5 to 10 years<br>31.12.2021 | 10 to 15 years<br>31.12.2021 | 15 to 20 years<br>31.12.2021 | Later than 20 years<br>31.12.2021 | Total<br>31.12.2021 |
|---|---|---|---|---|---|---|---|---|
| **Financial liabilities at fair value through profit or loss** | **107,584** | **5,567** | **30,029** | **133,676** | **540** | **–** | **–** | **277,396** |
| Derivative financial liabilities at fair value through profit or loss | 107,584 | 5,567 | 30,029 | 133,676 | 540 | – | – | 277,396 |
| **Negative market values from hedges** | **–** | **1,907** | **56,518** | **334,158** | **98,289** | **966** | **–** | **491,838** |
| **Liabilities** | **4,700,518** | **19,497,444** | **1,464,461** | **1,315,485** | **151,179** | **5,452** | **31,572** | **27,166,111** |
| Liabilities evidenced by certificates | 17,912 | – | 669,203 | 1,107,635 | 71,338 | – | – | 1,866,088 |
| Liabilities to credit institutions | 1,691,113 | 50,270 | 368,350 | 28,521 | 3,323 | 3,216 | 5,080 | 2,149,873 |
| Liabilities to customers | 2,690,051 | 19,341,839 | 362,796 | 174,124 | 73,935 | – | – | 22,642,745 |
| Home loan savings business deposits and other savings deposits | – | 19,341,839 | – | – | – | – | – | 19,341,839 |
| Savings deposits with agreed termination period | 103,140 | – | – | – | – | – | – | 103,140 |
| Other deposits | 2,586,911 | – | 362,796 | 174,124 | 73,935 | – | – | 3,197,766 |
| Advances received | – | – | – | – | – | – | – | – |
| Lease liabilities | 3,771 | 12,803 | 35,422 | 4,047 | 1,762 | 2,158 | 15,728 | 75,691 |
| Miscellaneous liabilities | 297,671 | 92,532 | 28,690 | 1,158 | 821 | 78 | 10,764 | 431,714 |
| **Subordinated capital** | **46,387** | **–** | **94,352** | **193,394** | **102,889** | **400,368** | **272,917** | **1,110,307** |
| Participation rights capital | 296 | – | 2,444 | – | – | – | – | 2,740 |
| Subordinated liabilities | 46,091 | – | 91,908 | 193,394 | 102,889 | 400,368 | 272,917 | 1,107,567 |
| **Irrevocable loan commitments** | **1,554,242** | **21,445** | **41,543** | **–** | **–** | **–** | **–** | **1,617,230** |
| **Total** | **6,408,731** | **19,526,363** | **1,686,903** | **1,976,713** | **352,897** | **406,786** | **304,489** | **30,662,882** |

For further information about the management of liquidity risk in the W&W Group, please see the risk reporting in the management report.

## Prospective maturity of amounts recognised in the balance sheet in 2022

| In € thousands | Within 3 months<br>31.12.2022 | 3 months to 1 year<br>31.12.2022 | 1 to 5 years<br>31.12.2022 | 5 to 10 years<br>31.12.2022 | 10 to 15 years<br>31.12.2022 | 15 to 20 years<br>31.12.2022 | Later than 20 years<br>31.12.2022 | Total<br>31.12.2022 |
|---|---|---|---|---|---|---|---|---|
| **Liabilities from reinsurance business** | **14,286** | **24** | **–** | **–** | **–** | **–** | **–** | **14,310** |
| **Liabilities to customers from direct insurance business** | **233,623** | **71,538** | **150,179** | **81,586** | **48,595** | **32,095** | **44,423** | **662,039** |
| **Technical provisions** | **820,544** | **2,579,048** | **8,413,427** | **6,558,470** | **4,217,817** | **2,862,788** | **7,543,493** | **32,995,587** |
| Provision for future policy benefits by type of business operated as life insurance | 367,923 | 1,644,480 | 7,118,977 | 5,920,189 | 3,733,996 | 2,406,950 | 6,535,330 | 27,727,845 |
| Provision for outstanding insurance claims | 399,790 | 816,387 | 994,680 | 282,784 | 147,373 | 140,171 | 174,748 | 2,955,933 |
| Provision for unit-linked insurance contracts | 52,661 | 83,969 | 299,770 | 355,497 | 336,448 | 315,667 | 833,415 | 2,277,427 |
| Other technical provisions | 170 | 34,212 | – | – | – | – | – | 34,382 |
| **Total** | **1,068,453** | **2,650,610** | **8,563,606** | **6,640,056** | **4,266,412** | **2,894,883** | **7,587,916** | **33,671,936** |

## Prospective maturity of amounts recognised in the balance sheet in 2021

| In € thousands | Within 3 months<br>31.12.2021 | 3 months to 1 year<br>31.12.2021 | 1 to 5 years<br>31.12.2021 | 5 to 10 years<br>31.12.2021 | 10 to 15 years<br>31.12.2021 | 15 to 20 years<br>31.12.2021 | Later than 20 years<br>31.12.2021 | Total<br>31.12.2021 |
|---|---|---|---|---|---|---|---|---|
| **Liabilities from reinsurance business** | **13,597** | **16** | **–** | **–** | **–** | **–** | **–** | **13,613** |
| **Liabilities to customers from direct insurance business** | **243,191** | **54,932** | **127,000** | **89,554** | **55,443** | **36,186** | **51,893** | **658,199** |
| **Technical provisions** | **892,990** | **2,766,706** | **8,600,273** | **6,601,182** | **4,342,215** | **2,958,554** | **7,520,297** | **33,682,217** |
| Provision for future policy benefits by type of business operated as life insurance | 441,158 | 1,756,947 | 7,157,479 | 5,870,399 | 3,795,159 | 2,441,557 | 6,371,365 | 27,834,064 |
| Provision for outstanding insurance claims | 412,764 | 841,657 | 1,050,328 | 288,380 | 147,791 | 139,778 | 174,071 | 3,054,769 |
| Provision for unit-linked insurance contracts | 38,908 | 133,532 | 392,466 | 442,403 | 399,265 | 377,219 | 974,861 | 2,758,654 |
| Other technical provisions | 160 | 34,570 | – | – | – | – | – | 34,730 |
| **Total** | **1,149,778** | **2,821,654** | **8,727,273** | **6,690,736** | **4,397,658** | **2,994,740** | **7,572,190** | **34,354,029** |

## Capital management

As the holding company, W&W AG manages the capital resources of the W&W Group. On the one hand, it collects dividends and transfers of profit or loss; on the other hand, it carries out capital measures, such as capital increases and decreases, and makes loans to Group companies.

The objectives of capital management are an efficient allocation of and an adequate return on IFRS equity. In order to ensure this, claims to income or loss are derived for the individual subsidiaries based on a minimum return on the respective IFRS equity. As at 31 December 2022, the equity of the W&W Group calculated in accordance with IFRS amounted to €3,709.6 (previous year: €4,873.6) million. The changes in the individual equity components are depicted in Note 25 “Equity”. Other objectives of capital management are, on the one hand, ensuring risk-bearing capacity on the basis of the internal risk-bearing capacity model of the W&W Group and, on the other hand, meeting the minimum regulatory capital requirements set forth in, among other things, the provisions of the EU Capital Requirements Regulation (CRR), the German Banking Act (KWG), the German Act on the Supervision of Insurance Undertakings (VAG) and the German Act on the Supervision of Financial Conglomerates (FKAG).

Another capital requirement is that the W&W Group as a whole, as well as the individual subsidiaries and W&W AG, maintain sufficient regulatory capital. In connection with efficient capital management, the W&W Group moreover deploys subordinated capital in order to satisfy supervisory requirements concerning solvency. Internally, the W&W Group has set target solvency ratios for the insurance companies and credit institutions in risk classes 1 and 2, as well for the Solvency II group and the financial conglomerate, that are in excess of current statutory requirements in order to ensure the continued high stability of the groups and of the individual companies. We provide further remarks about our capital management and its objectives in the risk report in the combined management report.

### (49) Regulatory solvency

W&W AG and the W&W Group’s insurance companies and credit and financial services institutions are subject at the company level to supervision by the German Federal Financial Supervisory Authority (BaFin) and the Deutsche Bundesbank pursuant to the German Act on the Supervision of Insurance Undertakings (VAG), the German Banking Act (KWG), the EU Capital Requirements Regulation (CRR) and the German Act on the Supervision of Financial Conglomerates (FKAG), as well as to the respective rules applicable in the country of registration of the W&W Group’s supervised foreign companies. This supervision results in requirements concerning the capital resources of these companies.

W&W AG ensures that all supervised subsidiaries maintain, at a minimum, the capital resources that they require in order to satisfy regulatory requirements. In this respect, in accordance with supervisory laws, equity and subordinated capital form the basis for such capital management. In the case of Wüstenrot Bausparkasse AG, subordinated liabilities are allocated to regulatory capital pursuant to Regulation (EU) No 575/2013.

In the case of W&W AG and Württembergische Lebensversicherung AG, subordinated liabilities are allocated to regulatory capital pursuant to Section 89 (3) No. 2 of the German Act on the Supervision of Insurance Undertakings (VAG).

As at the reporting date, Wüstenrot Bausparkasse AG fulfilled the regulatory capital requirements. As at 31 December 2022, the total capital ratio of Wüstenrot Bausparkasse AG stood at 20.3% (previous year: 19.4%), which was above the minimum supervisory requirement of 13.06% (previous year: 12.55%). As at the reporting date, the regulatory coverage ratios of the insurance companies that belong to the Group were likely well above 100%. The final results will be published in the second quarter of 2023 in the Solvency and Financial Conditions Reports (SFCR). The ratios calculated as at 31 December 2021 were reported to BaFin in the second quarter of 2022. They amounted to 407.9% for Wüstenrot & Württembergische AG, to 409.0% for Württembergische Lebensversicherung AG and to 206.2% for Württembergische Versicherung AG. Württembergische Lebensversicherung AG received approval from BaFin to apply transitional measures for technical provisions, and it is currently applying them.

In addition to supervision at the level of the individual company, W&W Group companies are also subject to sectoral supervision by BaFin at the consolidated level. For instance, W&W AG and its insurance companies constitute a Solvency II group. In addition, BaFin has classified the W&W Group as a financial conglomerate. W&W AG and the W&W Group's insurance companies constitute a Solvency II group. As at the reporting date, the regulatory coverage ratio was likely well above 100%. The final results will be published in the second quarter 2023 in the Solvency and Financial Condition Report (SFCR). The ratio for the previous year, which stood at 243.3%, was reported to BaFin in the second quarter of 2022. As the superordinate undertaking of the financial conglomerate, W&W AG must ensure that the regulatory requirements for financial conglomerates are satisfied. These requirements include, among other things, that the W&W Group financial conglomerate maintains sufficient capital resources to satisfy minimum regulatory requirements at all times. As at the reporting date, the coverage ratio was likely well above 100%. In the previous year, the coverage ratio stood at 238.8% as at 31 December 2021.

Internal calculations on the basis of data for 2022 and on the basis of the planning for 2023 and 2024 show that the regulatory requirements concerning capital resources can be satisfied in the financial conglomerate and in the Solvency II group in the future as well, including taking into account the macroprudential capital buffer published in early 2022.

## (50) Risk-bearing-capacity model

Please see our presentation in the risk report in the combined management report.

## (51) External rating

Please see the combined management report with respect to the current ratings of the W&W Group.

# Other disclosures

## (52) Revenue from contracts with customers

### Breakdown of revenue

The following tables shows a breakdown of revenue by type and its reconciliation to the respective reporting segment.

**2022**

| | Housing | Life and Health Insurance | Property/ Casualty insurance | All other segments | Consolidation/ reconciliation | Total |
|---|---|---|---|---|---|---|
| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2022 to 31.12.2022 | 1.1.2022 to 31.12.2022 | 1.1.2022 to 31.12.2022 | 1.1.2022 to 31.12.2022 | 1.1.2022 to 31.12.2022 |
| **Commission income** | **85,170** | **16,797** | **17,348** | **60,568** | **-84,959** | **94,924** |
| from home loan savings business | 30,518 | – | – | – | – | 30,518 |
| from brokering activities | 51,032 | 16,797 | 17,348 | 1,004 | -28,209 | 57,972 |
| from investment business | – | – | – | 57,448 | -53,553 | 3,895 |
| from other business | 3,620 | – | – | 2,116 | -3,197 | 2,539 |
| **Net other operating income/expense** | **125,804** | **475** | **142,600** | **243,456** | **-3,155** | **509,180** |
| Income from disposals of inventories (property development business) | – | – | – | 231,426 | – | 231,426 |
| Income from disposals of property, plant and equipment | 1,146 | – | 137,480 | 220 | – | 138,846 |
| Other revenues | 124,658 | 475 | 5,120 | 11,810 | -3,155 | 138,908 |
| **Net income from disposals** | **–** | **351,728** | **–** | **–** | **–** | **351,728** |
| Income from disposals of investment property | – | 351,728 | – | – | – | 351,728 |
| **Total** | **210,974** | **369,000** | **159,948** | **304,024** | **-88,114** | **955,832** |
| Type of revenue recognition | | | | | | |
| at a point in time | 183,290 | 369,000 | 159,948 | 254,366 | -52,982 | 913,622 |
| over time | 27,684 | – | – | 49,658 | -35,132 | 42,210 |
| **Total** | **210,974** | **369,000** | **159,948** | **304,024** | **-88,114** | **955,832** |

**2021**

| In € thousands | Housing<br>1.1.2021 to 31.12.2021 | Life and Health Insurance<br>1.1.2021 to 31.12.2021 | Property/ Casualty insurance<br>1.1.2021 to 31.12.2021 | All other segments<br>1.1.2021 to 31.12.2021 | Consolidation/ reconciliation<br>1.1.2021 to 31.12.2021 | Total<br>1.1.2021 to 31.12.2021 |
|---|---|---|---|---|---|---|
| **Commission income** | **95,267** | **18,072** | **16,386** | **46,310** | **-69,016** | **107,019** |
| from home loan savings business | 31,952 | – | – | – | – | 31,952 |
| from brokering activities | 59,591 | 18,072 | 16,386 | 1,084 | -25,703 | 69,430 |
| from investment business | – | – | – | 43,994 | -39,962 | 4,032 |
| from other business | 3,724 | – | – | 1,232 | -3,351 | 1,605 |
| **Net other operating income/expense** | **7,100** | **349** | **4,871** | **130,742** | **-2,835** | **140,227** |
| Income from disposals of inventories (property development business) | – | – | – | 120,192 | – | 120,192 |
| Income from disposals of property, plant and equipment | 26 | – | – | 71 | – | 97 |
| Other revenues | 7,074 | 349 | 4,871 | 10,479 | -2,835 | 19,938 |
| **Net income from disposals** | **–** | **–** | **–** | **–** | **–** | **–** |
| Income from disposals of investment property | – | – | – | – | – | – |
| **Total** | **102,367** | **18,421** | **21,257** | **177,052** | **-71,851** | **247,246** |
| Type of revenue recognition | | | | | | |
| at a point in time | 74,796 | 18,421 | 21,257 | 140,153 | -47,786 | 206,841 |
| over time | 27,571 | – | – | 36,899 | -24,065 | 40,405 |
| **Total** | **102,367** | **18,421** | **21,257** | **177,052** | **-71,851** | **247,246** |

## Performance obligations

### Commission revenue from home loan savings business

In home loan savings business, commission revenue mainly consists of fees that are collected for the administration of home loan savings contracts, such as account maintenance fees, as well as for payment transactions. The fees received for account maintenance are recognised in the income statement over time in the course of continually providing the service. The other fees are recognised as commission revenue at the point in time at which the one-time service is completed.

### Commission revenue from brokering activities

Commission revenue from brokering activities for our own banking/home loan savings products and those of other entities, as well as for the insurance products of other entities, is recognised in the income statement at the point in time at which the respective brokering service is completed. Portfolio commissions for brokering services relating to investment units are recognised in the income statement at the time of contract fulfilment.

### Commission revenue from investment business

Commission revenue from investment business consists of, in particular, income from portfolio management, received portfolio commissions, and income from advisory services. Income is realised at the time when the services are rendered.

### Income from disposals of inventories (property development business)

In property development business, disposal revenue is mainly generated from the construction and sale of residential housing units. This revenue is recognised in the income statement at a point in time based on the progress of the construction of the sold residential housing unit, as well as on the contractually specified down payments received. Furthermore, pursuant to IAS 2, the associated residential units that are currently under construction or have not yet been turned over to customers are carried under inventories at the cost of purchase or manufacture and then recognized upon sale as an expense under "Other operating expenses". In the case of new construction, the property developer is required to provide a five-year warranty for each purchased residential unit.

**Income from disposals of investment property**

Disposal revenue from investment property is recognised at the time of transfer of ownership and relates exclusively to properties of life and health insurers.

### Contract balances

Receivables from contracts with customers primarily consisted of fees owed by home loan savings customers of €13.4 million (previous year: €13.7 million) and receivables from property development business of €147.1 million (previous year: €52.1 million), and they are included in the item "Financial assets at amortised cost" (sub-items "Other receivables"). Impairment expenses amounted to €4.9 million (previous year: €4.8 million) for loans and advances to home loan savings customers and to €0.0 million (previous year: €0.0 million) for receivables from property development business. In the area of property development business relating to the construction and sale of residential housing units, down payments received amounted to €0.0 million (previous year: €0.0 million). Revenue from property development business was recognised in the reporting period in the amount of €0.0 million (previous year: €0.0 million), which was included at the start of the period in the liability balance for down payments received. In addition, business activities in the other divisions did not result in any contract assets or contract liabilities.

### Transaction price allocated to the remaining performance obligations

At the end of the reporting period, there were unsatisfied or partially unsatisfied customer contracts in property development business, since the anticipated time required to construct residential housing units is normally somewhat longer than one year. This did not result in a material aggregate amount of the transaction price being allocated to unsatisfied or partially unsatisfied performance obligations. Proportionate financing was concluded for the construction of a residential neighbourhood as part of a major project. In the case of a sale to investors, the related project financing was directly settled by the investor in the year under review when payment was due to the external third party and only the difference against the purchase price was paid to us.

### Significant judgements

No significant judgements were made.

### Contract costs

Contract costs are incurred solely in the area of property development business in the form of commissions paid for the sale of building plots and self-constructed residential housing units. Such contract costs are capitalised and then amortised over the period of the service provision. As at the reporting date, contract costs amounted to €1.5 million (previous year: €2.9 million). Amortisation amounts totalled €0.0 million (previous year: €0.0 million).

## (53) Currency gains and losses

Currency translation – with the exception of the currency translation of financial instruments at fair value through profit or loss – generated total currency income of €81.5 million (previous year: €37.6) million and currency expenses of €29.2 million (previous year: €21.5 million).

## (54) Leases

### W&W Group as lessee

The W&W Group leases properties, vehicles and EDP equipment for own use, as well as investment properties.

Most of the properties for own use have indefinite terms. Renewal options exist in some cases. Price adjustment clauses are likewise agreed to, which are based on the consumer price index. There are normally no purchase options. EDP equipment and vehicles have fixed terms of up to three years. Investment properties have terms of up to 99 years.

The following overview shows the changes in right-of-use assets.

## Right-of-use assets in 2022

| In € thousands | Investment property 2022 | Property for own use 2022 | Vehicles 2022 | EDP equipment 2022 | Total 2022 |
|---|---|---|---|---|---|
| **Carrying amounts as at 1 January** | **15,542** | **39,621** | **2,027** | **4,906** | **62,096** |
| Additions | 322 | 2,423 | 1,075 | – | 3,820 |
| Disposals | – | 1 | – | – | 1 |
| Depreciation/amortisation | 285 | 12,749 | 1,150 | 1,780 | 15,964 |
| **As at 31 December** | **15,579** | **29,294** | **1,952** | **3,126** | **49,951** |

## Right-of-use assets in 2021

| In € thousands | Investment property 2021 | Property for own use 2021 | Vehicles 2021 | EDP equipment 2021 | Total 2021 |
|---|---|---|---|---|---|
| **Carrying amounts as at 1 January** | **15,492** | **53,320** | **2,053** | **6,662** | **77,527** |
| Additions | 328 | 2,643 | 1,502 | 30 | 4,503 |
| Disposals | – | 2,844 | 7 | 6 | 2,857 |
| Depreciation/amortisation | 278 | 13,498 | 1,521 | 1,780 | 17,077 |
| **As at 31 December** | **15,542** | **39,621** | **2,027** | **4,906** | **62,096** |

The consolidated income statement includes interest expenses from lease liabilities of €0.5 (previous year: €0.7) million. Expenses for short-term leases of €0.0 million (previous year: €0.1 million) were also recognised in the consolidated income statement. Expenses for leases of a low-value asset of €0.2 million relate to bike leasing for employees introduced this year.

Recognised under "Property for own use" are, in particular, the properties located at Friedrich-Scholl-Platz 1 in Karlsruhe, Germany, and at Presselstraße 10 in Stuttgart, Germany, which were sold in the 2011 and 2018 financial year, respectively, and then leased back for continued own use (known as sale and leaseback transactions).

The lease for the property at Friedrich-Scholl-Platz 1 in Karlsruhe has a term of 15 years and cannot be terminated. Also agreed upon was a one-time lease renewal option for a fixed term of five years. If the lessee intends to exercise the option, it must give the lessor notice thereof 16 months prior to expiry of the lease term. Moreover, the lease contains a general prospective price adjustment clause, which is based on how the consumer price index changes. In addition, neither a repurchase option nor contingent lease payments or restrictions were agreed to. Most of the property is used within the Group. A portion has been subleased outside the Group. Future minimum payments of €3.1 million (previous year: €4.1 million) are expected from this sublease.

The lease for the property on Presselstraße has a term of five years and cannot be terminated. Also agreed upon was a one-time lease renewal option for a fixed term of five years. If the lessee intends to exercise the option, it must give the lessor notice thereof 6 months prior to expiry of the lease term. Furthermore, the lease provides for annual rent increases of 3% from 1 January 2020. In addition, neither a repurchase option nor contingent lease payments or restrictions were agreed to. The property is used within the Group.

In addition, the building of the former Aachener Bausparkasse AG was sold when ownership of the property was transferred as at 1 January 2022 and then partially leased back for continued own use (sale and leaseback transaction). The lease for the property leased back is five years. The lease is extended by one year if it is not terminated at least six months before it expires. The lessee also has a unilateral one-time termination option on 31 December 2024. If the lessee intends to exercise the option, it must give the lessor notice thereof 6 months prior to expiry. In addition, neither a repurchase option nor contingent lease payments or restrictions were agreed to. The property is used within the Group. The sale and leaseback transaction resulted in a net gain of €1.1 million.

Payment outflows under leases of €17.5 million were recognised in the cash flow statement (previous year: €18.9 million

For an analysis of the remaining term to maturity of lease liabilities, please see Note 48 “Liquidity risk”.

## W&W Group as lessor

We are the lessor under operating leases for investment property. Many of the leases entered into have open-ended terms. Some, however, have fixed terms. With regard to commercial properties, price adjustment clauses are regularly agreed to, which are based on the consumer price index. With regard to residential properties, such agreements have been entered into for properties that have been acquired since 2012 and for those that have undergone high-quality renovations. Rental income amounted to €123.3 million (previous year: €117.2 million).

### Undiscounted minimum lease payments

| | Lessor - operating leases | |
|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2021 |
| Within 1 year | 77,413 | 81,917 |
| 1 to 2 years | 65,679 | 66,564 |
| 2 to 3 years | 58,813 | 54,973 |
| 3 to 4 years | 53,496 | 46,140 |
| 4 to 5 years | 46,054 | 42,672 |
| Later than 5 years | 314,624 | 302,932 |
| **Total** | **616,079** | **595,198** |

A finance lease under which we are the lessor is in place for the portion of the property at Friedrich-Scholl-Platz 1 in Karlsruhe, which has been subleased outside the Group. The lease receivables from this sublease are due as follows:

### Undiscounted minimum lease payments

| | Lessor - finance lease | |
|---|---|---|
| In € thousands | 31.12.2022 | 31.12.2021 |
| Within 1 year | 1,032 | 1,032 |
| 1 to 2 years | 1,032 | 1,032 |
| 2 to 3 years | 1,032 | 1,032 |
| 3 to 4 years | – | 1,032 |
| 4 to 5 years | – | – |
| Later than 5 years | – | – |
| **Gross investment (also net investment)** | **3,096** | **4,128** |

Income relating to variable lease payments not included in the measurement of the net investment in the lease came to €0.1 million (previous year: €0.0 million).

## (55) Contingent assets, contingent liabilities and other obligations

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **Contingent liabilities** | **2,232,460** | **2,155,127** |
| from deposit guarantee funds | 357,918 | 297,706 |
| from letters of credit and warranties | 10,000 | 10,133 |
| from uncalled capital | 1,823,473 | 1,744,132 |
| from contractual obligations to buy and to build investment property | 34,019 | 37,351 |
| from contractual obligations to buy and to build property, plant and equipment | 5,508 | 64,013 |
| Other contingent liabilities | 1,542 | 1,792 |
| **Other commitments** | **1,446,532** | **1,617,230** |
| Irrevocable loan commitments | 1,446,532 | 1,617,230 |
| **Total** | **3,678,992** | **3,772,357** |

Pursuant to Sections 221 of the German Act on the Supervision of Insurance Undertakings (VAG), German life insurers are required to be members of a protection fund. Pursuant to Section 221 (2) VAG, ARA Pensionskasse AG joined the protection fund for life insurers (Protektor Lebensversicherungs-AG) as a voluntary member. Based on the German Protection Fund Financing Regulation (Life), the protection fund for life insurers levies annual contributions of not more than 0.02‰ of total net technical provisions until a protection fund of 0.1‰ of total net technical provisions has been built up. The Group is not subject to any future obligations from this.

In addition, the protection fund can levy special contributions equal to an additional 1‰ of total net technical provisions. This corresponded to an obligation of €35.5 million (previous year: €29.5 million).

Following the underwriting of insurance contracts, the protection fund for health insurers can levy special contributions of not more than 2‰ of total net technical provisions in order to fulfil its duties. This resulted in a payment obligation of €2.7 million (previous year: €2.5 million).

In addition, the W&W Group's life insurers and pension funds have undertaken to provide the protection fund or, alternatively, Protektor Lebensversicherungs AG with financial resources in the event that the resources of the protection fund are insufficient in the case of a reorganisation. The obligation amounts to 1% of total net technical provisions, with offsetting of the contributions that have previously been made to the protection fund to date. Including the above-mentioned payment obligation of 1%, the total obligation as at the reporting date amounted to €319.7 million (previous year: €265.7 million).

As at 31 December 2022, obligations for capital contribution calls not yet made as relate to investment funds in the W&W Group amounted to €1,823.5 million (previous year: €1,744.1 million).

Irrevocable loan commitments consisted of remaining obligations under loans and credit lines that have been granted but not yet drawn down or fully drawn down. The risk of a change in interest rates is low for irrevocable loan commitments due to their short terms. Wüstenrot Bausparkasse AG is a member of Entschädigungseinrichtung deutscher Banken GmbH, which is a company that operates the compensation scheme established by the Association of German Banks. As a member of this compensation scheme and given the obligation to fund the European restructuring fund for credit institutions, Wüstenrot Bausparkasse AG is required to pay annual contributions to the guarantee funds. The calculations for determining the annual contributions are based on factors including the amount of covered deposits and the risk parameters of all credit institutions in question. We are not aware of the estimate of the reportable key figures by the guarantee funds or the risk factors set for Wüstenrot Baussparkasse AG. This have a material impact on the amount of the contributions payable. Accordingly, there are considerable estimation uncertainties that could affect Wüstenrot Bausparkasse AG's financial position. As a result of participation in the deposit protection funds, member institutions are obligated to provide additional funding when necessary.

In connection with the sale of Wüstenrot Bank Pfandbriefbank AG, the buyer had claims against W&W AG under guarantees. These guarantees expired as at 31 December 2022. As no claims were asserted, the provisions recognised for a possible claim were reversed. As a result of membership in Verkehrsopferhilfe e.V., which is an association that assists road accident victims through a guarantee fund established by German motor liability insurers, the W&W Group is obligated to provide this association with the resources necessary for carrying out its purpose. The amount that it is required to pay in each year is determined by its share of the premium revenue that member companies earned from direct motor liability insurance in the calendar year before last. Employees who joined one of the two sponsoring undertakings, Württembergische Versicherung AG and Württembergische Lebensversicherung AG, prior to 1 January 2002 could be accepted as members in the pension fund Pensionskasse der Württembergischen VVaG (WürttPK). Being a legally independent, regulated pension fund, WürttPK is subject to supervision by the German Federal Financial Supervisory Authority (BaFin). WürttPK benefits are financed through contributions by members and subsidies by the sponsoring undertakings. Pursuant to their articles of association, Württembergische Versicherung AG and Württembergische Lebensversicherung AG are obligated to pay subsidies. In accordance with the business plan, the sponsoring undertakings handle administration at no cost. In addition, there is secondary liability in some cases under the German Occupational Pensions Act (BetrAVG).

With regard to the calculation of current tax assets and current tax liabilities made as at the reporting date, it cannot be ruled out that the fiscal authorities will take a different position. In addition, the outcome of pending tax proceedings, both in and out of court, cannot be determined or predicted. Additional liabilities and receivables may need to be recognised in this area whose occurrence is not overwhelming likely, meaning that no corresponding liabilities and receivables were created. Württembergische Lebensversicherung AG indemnified the pension institutions Versorgungseinrichtung Karlsruhe e.V. (VeK) and AVM – Arbeitnehmer Vorsorge Management – überbetriebliche Unterstützungskasse e.V. against claims for compensation of damages resulting from a mistake in the processing of the insurance contracts of the sponsoring undertakings.

### Waiver of recourse and indemnity declaration

Pursuant to an existing waiver of recourse and indemnification agreement, in the event that the company is sued as a result of an agent having provided faulty advice in connection with the brokering of an insurance product that the company sells, the company has agreed to waive potential recourse claims against the agent, unless the agent acted wilfully and the damage is covered by liability insurance. With respect to the agent's own liability in connection with the brokering of insurance or financial services products offered by an insurance company of the W&W Group, by a collaboration partner of one of these insurance companies or in the course of further advice for one of these companies or collaboration partners, the company has also agreed to provide an indemnity in the event faulty advice was provided. The minimum insurance cover is limited to €200 thousand per claim and a total of €300 thousand per year and, for damages in connection with faulty advice provided in insurance brokering, to €1,300 thousand per claim and €1,925 thousand per year.

## (56) Related party disclosures

### Parent company

The ultimate controlling company is Wüstenrot & Württembergische AG, Kornwestheim.

### Transactions with related persons

Natural persons considered to be related parties in accordance with IAS 24 are members of management in key positions (the Management Board and the Supervisory Board of W&W AG) and their close relatives.

Transactions were performed with related persons of W&W AG in the course of the normal operating activities of Group companies. These essentially related to business relationships in the areas of home loan savings business and life, health and property insurance.

All transactions were at arm's length.

Receivables from related persons amounted to €193 thousand (previous year: €387 thousand) as at 31 December 2022. Liabilities to related persons amounted to €687 thousand (previous year: €750 thousand) as at the end of the reporting period. In the 2022 financial year, interest income from loans to related persons amounted to €6 thousand (previous year: €9 thousand), while interest expenses for savings deposits of related persons amounted to €2 thousand (previous year: €8 thousand). In 2022, premiums of €81 thousand (previous year: €221 thousand) were paid by related persons for insurance policies in the areas of life, health and property insurance. Premiums paid by related persons for occupational pensions came to €623 thousand in the year under review (previous year: €548 thousand). Benefits received by related persons from occupational pensions totalled €416 thousand (previous year: €0 thousand).

## Transactions with related companies

### Subsidiaries of W&W AG and other related companies

There are various service agreements, including in the area of investment management, between the W&W Group and subsidiaries of W&W AG as well as other related companies of W&W AG. There is a brand transfer and use agreement between Wüstenrot Holding AG and W&W AG. As at 31 December 2022, there is a remaining financial liability to Wüstenrot Holding AG under this agreement of €8.6 million (previous year: €10.9 million). W&W AG pays Wüstenrot Holding AG a fixed annual amount (principal and interest) of €2.5 million plus statutory VAT.

The charity Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e. V., Wüstenrot Holding AG, WS Holding AG and Pensionskasse der Württembergischen VVaG are reported under “Other related parties” as the postemployment benefit plan for employees.

The transactions were at arm’s length.

The outstanding balances of transactions with related companies are as follows as at the end of the reporting period:

| In € thousands | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **Financial assets from related companies** | **289,039** | **242,653** |
| Subsidiaries | 263,045 | 216,854 |
| Other related parties | 25,994 | 25,799 |
| **Financial liabilities to related companies** | **82,416** | **184,409** |
| Subsidiaries | 52,671 | 81,632 |
| Associates | – | 70,181 |
| Other related parties | 29,745 | 32,596 |

As at the end of the reporting period, the outstanding transactions with related companies of W&W AG in its capacity as the parent company of the Group comprised receivables of €0.8 million (previous year: €0.7 million) and liabilities of €11.8 million (previous year: €14.1 million).

The income and expenses from transactions with related companies are as follows:

| In € thousands | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|
| **Income from transactions with related companies** | **57,438** | **50,945** |
| Affiliated undertakings | 1 | 1 |
| Subsidiaries | 54,810 | 48,507 |
| Associates | 35 | 79 |
| Other related parties | 2,592 | 2,358 |
| **Expenses from transactions with related companies** | **-70,520** | **-102,669** |
| Subsidiaries | -53,393 | -51,679 |
| Associates | -26 | -308 |
| Other related parties | -17,101 | -50,682 |

In the reporting period, the income from transactions with related companies of W&W AG in its capacity as the parent company of the Group amounted to €1.0 million (previous year: €1.4 million) with expenses of €1.6 million (previous year: €6.2 million).

In the previous year, expenses from transactions with related companies to other related parties included a voluntary supplementary payment to Pensionskasse der Württembergischen VVaG of €40.0 million.

## (57) Information concerning remuneration of the Executive Board and the Supervisory Board

### Remuneration of the members of the Executive Board

The following remarks contain the disclosures required under Section 314 (1) No. 6 (a) to (c) of the German Commercial Code (HGB).

Total remuneration was examined by the Supervisory Board, and it bears a reasonable relationship to the duties and performance of Executive Board members, as well as to the company’s condition.

Total remuneration paid to Executive Board members during the reporting year for performing their duties in the Group amounted to €3,625.0 thousand (previous year: €3,716.8 thousand).

The Group did not grant any loans to members of the Executive Board. No liabilities were entered into in favour of Executive Board members. No subscription rights or other share-based remuneration were granted to members of the Executive Board.

Total remuneration paid to former Executive Board members in the financial year amounted to €1,680.4 thousand (previous year: €2,085.1 thousand). Of this amount, €382.6 thousand (previous year: €379.7 thousand) was attributable to survivor's pensions.

A reserve of €25,537.4 thousand (previous year: €25,537.4 thousand) was created for pension commitments to former members of the Executive Board and their survivors.

There were no other encumbrances on the Group during the financial year for benefits to former members of the Executive Board or Supervisory Board or their survivors through severance payments, pensions, survivor's pensions or other benefits of a related nature.

### Remuneration of the Supervisory Board

In the 2022 financial year, the company paid the members of the Supervisory Board of Wüstenrot & Württembergische AG total remuneration of €865.8 thousand (previous year: €863.1 thousand). Of this amount, further Supervisory Board mandates in the Group accounted for €104.4 thousand (previous year: €103.9 thousand). In the 2022 financial year, the company paid members of the Supervisory Board of Wüstenrot & Württembergische AG who had retired during the financial year pro rata temporis remuneration of €128.3 thousand (previous year: €16.2 thousand).

Members of the Supervisory Board are reimbursed for expenses and the value-added tax due on Supervisory Board remuneration, provided same is owed. However, this is not included in the designated expenses.

Advances and loans to active members of the Supervisory Board of the W&W Group amounted to €89.0 thousand (previous year: €90.3 thousand). The loans were granted by Group companies. The agreed interest rates range from 1.6% to 7.9%. Loans amounting to €8.1 thousand (previous year: €93.1 thousand) were repaid by active members of the Supervisory Board. No liabilities were entered into in favour of these persons.

Subscription rights or other share-based remuneration for members of the Supervisory Board do not exist in the W&W Group. No provisions for current pensions or entitlements had to be created for members of the Supervisory Board or their survivors.

### Total remuneration for persons in key positions

The total remuneration for persons of Group management in key positions (Management Board and Supervisory Board of Wüstenrot & Württembergische AG) amounted to €8,123.0 thousand (previous year: €8,354.1 thousand). Of this amount, short-term employee benefits accounted for €6,581.6 thousand (previous year: €6,620.8 thousand), post-employment benefits accounted for €831.4 thousand (previous year: €946.7 thousand), other long-term benefits accounted for €710.0 thousand (previous year: €786.6 thousand) and termination benefits accounted for €0.0 thousand (previous year: €0.0 thousand).

## (58) Number of employees

The W&W Group had 6,306 employees (full-time equivalents) as at 31 December 2022 (previous year: 6,307). Its headcount by employment contracts was 7,390 as at the end of the reporting period (previous year: 7,458).

The average number of employees over the past twelve months was 7,381 (previous year: 7,532). This average is calculated as the arithmetic mean of the end-of-quarter headcounts between 31 March 2022 and 30 September 2022 and the respective prior-year period. The Group’s headcount breaks down by segment as follows:

**Average number of employees over the year by segment**

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Housing | 2,138 | 2,210 |
| Life and Health Insurance | 532 | 607 |
| Property/Casualty insurance | 3,698 | 3,704 |
| All other segments | 1,013 | 1,011 |
| **Total** | **7,381** | **7,532** |

## (59) Auditor fee

The Supervisory Board of Wüstenrot & Württembergische AG engaged Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, to audit the consolidated financial statements. The cost of the audit firm's services for the W&W Group totalled €5,131 thousand (previous year: €4,255 thousand) for the financial year. Of this amount, audit services accounted for €4,586 thousand (previous year: €3,543 thousand), other assurance services accounted for €108 thousand (previous year: €48 thousand), tax advisory services accounted for €0 thousand (previous year: €0 thousand) and other services accounted for €437 thousand (previous year: €664 thousand).

The fee for the **auditing services** of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, is related to the audit of the consolidated financial statements and the annual financial statements of W&W AG, as well as to other permissible services occasioned directly by the audit. In addition, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft conducted audits of the annual financial statements and group reporting of various subsidiaries, as well as statutory audits in accordance with the German Securities Trading Act (WpHG), the German Act on the Supervision of Insurance Undertakings (VAG), the German Stock Corporation Act (AktG) and other legal provisions.

**Other assurance services** included audits pursuant to the General Terms and Conditions of the Deutsche Bundesbank, the substantive audit of the sustainability report and other audits under the German Securities Trading Act (WpHG) and the German Investment Firm Act (WpIG), as well as an assurance service consisting of the provision of a letter of comfort in connection with a bond issue.

The German Act on the Strengthening of Financial Market Integrity (FISG), which was enacted in 2021, imposed a ban on auditors providing **tax advisory services** to companies in the public interest. As was the case in the previous year, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, did not provide any such service to the W&W Group in 2022.

The **other services** consisted of various professional assistance – primarily concerning current and future accounting and regulatory issues, as well as in the area of sustainability reporting. Also, a tool solution was provided for the structured processing of regulatory and legislative developments. In addition, audits were conducted in connection with new IT migration projects.

## (60) Events after the reporting period

There were no material reportable events after the end of the reporting period.

## (61) Corporate Governance Code

The Executive Board and Supervisory Board of the publicly traded Wüstenrot & Württembergische AG, Kornwestheim, Germany, submitted the statement of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) and have made it permanently available to shareholders on the website of the W&W Group at www.wwag.com (in German only). → Investor Relations → Publications → Further publications

## (62) Group affiliation

Wüstenrot & Württembergische AG, Kornwestheim, Germany, is the parent company of the W&W Group. The consolidated financial statements of the W&W Group are published in the German Federal Gazette (Bundesanzeiger).

## (63) List of shareholdings pursuant to Section 315e (1) of the German Commercial Code (HGB) in conjunction with Section 313 (2) HGB

The list of shareholdings of the W&W Group as at 31 December 2022 is presented below. We made use of the exemption provided for in Section 313 (3) sentence 4 HGB in conjunction with Section 313 (2) No. 4 HGB.

| Name and registered office of the company | Interest in capital, in % | Type of consolidation[1] |
|---|---|---|
| Wüstenrot & Württembergische AG, Kornwestheim | | F |
| **Affiliated companies** | | |
| **Germany** | | |
| 3B Boden-Bauten-Beteiligungs-GmbH, Ludwigsburg | 100.00 | F |
| Adam Riese GmbH, Stuttgart[2] | 100.00 | F |
| Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart | 100.00 | F |
| Altmark Versicherungsmakler GmbH, Stuttgart | 100.00 | M |
| Altmark Versicherungsvermittlung GmbH, Stuttgart | 100.00 | M |
| Asendorfer Kippe ASK GmbH & Co. KG, Stuttgart | 100.00 | M |
| Bausparkasse Wüstenrot Immo GmbH, Ludwigsburg | 100.00 | M |
| Beteiligungs-GmbH der Württembergischen, Stuttgart | 100.00 | M |
| City Immobilien GmbH & Co. KG der Württembergischen, Stuttgart | 100.00 | F |
| Feuersee Entwicklungsgesellschaft mbH & Co. KG, Kornwestheim | 100.00 | F |
| Ganzer GmbH & Co. KG, Stuttgart | 100.00 | M |
| Gerber GmbH & Co. KG, Stuttgart | 100.00 | F |
| GMA Gesellschaft für Markt- und Absatzforschung mbH, Ludwigsburg | 100.00 | M |
| IVB - Institut für Vorsorgeberatung Risiko- und Finanzierungsanalyse GmbH, Karlsruhe | 100.00 | M |
| KLV BAKO Dienstleistungs-GmbH, Karlsruhe | 94.90 | M |
| KLV BAKO Vermittlungs-GmbH, Karlsruhe | 78.60 | M |
| W&W Asset Management GmbH, Ludwigsburg | 100.00 | F |
| W&W brandpool GmbH, Stuttgart | 100.00 | F |
| W&W Informatik GmbH, Ludwigsburg[2] | 100.00 | F |
| W&W Interaction Solutions GmbH, Munich | 100.00 | M |
| W&W Service GmbH, Stuttgart[2] | 100.00 | F |
| WHS Entwicklungs-GmbH, Kornwestheim | 100.00 | M |
| Windpark Golzow GmbH & Co. KG, Rheine | 100.00 | M |
| WL Erneuerbare Energien Verwaltungs GmbH, Stuttgart | 100.00 | M |
| WL Renewable Energy GmbH & Co. KG, Stuttgart | 100.00 | F |
| WL Sustainable Energy GmbH & Co. KG, Stuttgart | 100.00 | F |

## List of shareholdings (continuation)

| Name and registered office of the company | Interest in capital, in % | Type of consolidation[1] |
|---|---|---|
| Württembergische Akademie GmbH, Stuttgart | 100.00 | M |
| Württembergische Immobilien AG, Stuttgart | 100.00 | F |
| Württembergische Kö 43 GmbH, Stuttgart | 89.90 | M |
| Württembergische Krankenversicherung AG, Kornwestheim | 100.00 | F |
| Württembergische Lebensversicherung AG, Kornwestheim | 94.89 | F |
| Württembergische Logistik I GmbH & Co. KG, Stuttgart | 100.00 | M |
| Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart | 100.00 | M |
| Württembergische Versicherung AG, Kornwestheim | 100.00 | F |
| Württembergische Vertriebspartner GmbH, Stuttgart | 100.00 | M |
| Württembergische Verwaltungsgesellschaft mbH, Stuttgart | 100.00 | M |
| Württfeuer Beteiligungs-GmbH (formerly W&W Gesellschaft für Finanzbeteiligungen mbH), Stuttgart | 100.00 | F |
| WürttLeben Alternative Investments GmbH, Stuttgart | 100.00 | F |
| WürttVers Alternative Investments GmbH, Stuttgart | 100.00 | F |
| Wüstenrot Bausparkasse AG, Kornwestheim | 100.00 | F |
| Wüstenrot Grundstücksverwertungs-GmbH, Ludwigsburg | 100.00 | M |
| Wüstenrot Haus- und Städtebau GmbH, Ludwigsburg | 100.00 | F |
| Wüstenrot Immobilien GmbH, Ludwigsburg | 100.00 | M |
| **Finland** | | |
| Kiinteistö Oy Porkkalankatu 5, Helsinki | 100.00 | F |
| **France** | | |
| REI Holding Management France I SAS, Paris | 100.00 | F |
| REI PropCo France I SCI, Paris | 100.00 | F |
| Württembergische France Immobiliere SARL, Strasbourg | 100.00 | M |
| Württembergische France Strasbourg SARL, Strasbourg | 100.00 | M |
| **Ireland** | | |
| W&W Asset Management Dublin DAC, Dublin | 100.00 | F |
| W&W Investment Managers DAC, Dublin | 100.00 | F |
| **Austria** | | |
| G6 Zeta Errichtungs- und VerwertungsGmbH & Co OG, Vienna | 99.90 | M |
| Kellerwirt Holding GmbH, Brixlegg | 100.00 | M |
| Kellerwirt Mountain Health Resort GmbH, Brixlegg | 100.00 | M |
| SAMARIUM drei GmbH & Co OG, Vienna[3] | 100.00 | M |

## List of shareholdings (continuation)

| Name and registered office of the company | Interest in capital, in % | Type of consolidation[1] |
|---|---|---|
| **Structured entities (required to be consolidated)** | | |
| **Germany** | | |
| LBBW AM-69, Stuttgart | 100.00 | F |
| LBBW AM-76, Stuttgart | 100.00 | F |
| LBBW AM-94, Stuttgart | 100.00 | F |
| LBBW AM-AROS, Stuttgart | 100.00 | F |
| LBBW AM Emerging Markets Bonds-Fonds 1, Stuttgart | 100.00 | F |
| LBBW AM Emerging Markets Bonds-Fonds 2, Stuttgart | 100.00 | F |
| LBBW AM Emerging Markets Bonds-Fonds 3, Stuttgart | 100.00 | F |
| LBBW AM High Yield Corporates Bonds Fonds, Stuttgart | 98.38 | F |
| LBBW AM REA-Fonds, Stuttgart | 100.00 | F |
| LBBW AM-Südinvest 160, Stuttgart | 100.00 | F |
| LBBW AM-US Municipals 1, Stuttgart | 100.00 | F |
| LBBW AM-US Municipals 2, Stuttgart | 86.20 | F |
| LBBW AM-USD Corporate Bond Fonds 1, Stuttgart | 100.00 | F |
| LBBW AM-USD Corporate Bond Fonds 2, Stuttgart | 100.00 | F |
| LBBW AM-WSV, Stuttgart | 100.00 | F |
| LBBW AM-WV Corp Bonds Fonds, Stuttgart | 100.00 | F |
| LBBW AM-WV P&F, Stuttgart | 100.00 | F |
| LBBW AM WWAG Corporate Bonds Fonds, Stuttgart | 100.00 | F |
| W&W Real Estate International 1, Frankfurt am Main | 100.00 | F |
| **Ireland** | | |
| ARP Alternative Investment Fund I, Dublin | 100.00 | F |
| ARP Alternative Investment Fund II, Dublin | 100.00 | F |
| The W&W Global Income Fund ICAV - The W&W AG Alternative Investment Fund, Dublin | 100.00 | F |
| The W&W Global Income Fund ICAV - The W&W Infrastructure Fund, Dublin | 100.00 | F |
| The W&W Global Income Fund ICAV - The W&W Private Debt Fund, Dublin | 100.00 | F |
| W&W Flexible Premium, Dublin | 100.00 | F |
| W&W Flexible Premium II, Dublin | 100.00 | F |
| W&W Global Strategies South East Asian Equity Fund, Dublin | 99.92 | F |
| W&W International Global Convertibles Fonds, Dublin | 90.73 | F |
| WK Alternative Investment Fund I, Dublin | 100.00 | F |
| WK Alternative Investment Fund II, Dublin | 100.00 | F |
| WL Alternative Investment Fund I, Dublin | 100.00 | F |
| WV Alternative Investment Fund I, Dublin | 100.00 | F |
| WV Alternative Investment Fund II, Dublin | 100.00 | F |

## List of shareholdings (continuation)

| Name and registered office of the company | Interest in capital, in % | Type of consolidation[1] |
|---|---|---|
| **Joint ventures** | | |
| **Germany** | | |
| ver.di Service GmbH, Berlin | 50.00 | M |
| **Associates** | | |
| **Germany** | | |
| BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart | 35.00 | E |
| BWK Holding GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart | 35.00 | M |
| Domus Beteiligungsgesellschaft der Privaten Bausparkassen mbH, Berlin | 28.73 | M |
| V-Bank AG, Munich | 15.34 | E |
| **Hungary** | | |
| Fundamenta-Lakáskassza-Lakástakarékpénztár Zrt., Budapest | 11.47 | M |

1 Explanation of types of entities and consolidation:
F = Companies included in the Consolidated financial statements by way of full consolidation
E = Companies included in the consolidated financial statements using the equity method
M = Not included in the Consolidated financial statements due to minor significance.
2 Pursuant to Section 264 (3) of the German Commercial Code (HGB),W&W Service GmbH, Stuttgart, Germany, W&W Informatik GmbH, Ludwigsburg, Germany, and Adam Riese GmbH, Stuttgart, Germany, are exempt from the obligation to prepare, have audited and publish a management report in accordance with the rules applicable to corporations and Limited liability companies.
3 SAMARIUM drei GmbH & Co OG, Vienna, is a structured entity.

## List of shareholdings (continuation)

| Name and registered office of the company | Interest in capital, in % | Currency | Reporting date | Equity[1] | Net income after taxes[1] |
|---|---|---|---|---|---|
| **Other participations of 5% or more** | | | | | |
| **Germany** | | | | | |
| Adveq Europe II GmbH, Frankfurt am Main[2] | 16.77 | € | 31.12.2021 | 910,266 | 35,058 |
| Adveq Opportunity II Zweite GmbH, Frankfurt am Main[2] | 29.31 | € | 31.12.2021 | 6,986,424 | 2,210,311 |
| Adveq Technology V GmbH, Frankfurt am Main[2] | 16.50 | € | 31.12.2021 | 4,208,911 | 4,167,822 |
| Deutscher Solarfonds "Stabilität 2010" GmbH & Co. KG, Frankfurt am Main[2] | 17.77 | € | 31.10.2021 | 63,331,980 | 3,714,700 |
| European Sustainable Power Fund Nr. 2 GmbH & Co. KG, Grünwald[2] | 12.10 | € | 30.9.2021 | 332,675,000 | 13,358,000 |
| GLL GmbH & Co. Messeturm Holding KG i.L., Munich[2] | 5.97 | € | 31.12.2021 | 64,145 | -39,854 |
| Immomio GmbH, Hamburg | 14.34 | € | 31.12.2021 | 5,759,158 | -751,118 |
| IVZ Immobilien Verwaltungs GmbH & Co. Südeuropa KG i.L., Munich[2] | 10.00 | € | 31.12.2021 | 178,931 | -66,086 |
| Keleya Digital-Health Solutions GmbH, Berlin | 17.53 | € | 31.12.2020 | 0 | -782,713 |
| Kinderheldin GmbH, Berlin | 7.81 | € | 31.12.2021 | 0 | -691,255 |
| Onshore Wind Portfolio 2012 GmbH & Co. KG, Frankfurt am Main[2] | 20.72 | € | 31.8.2021 | 92,819,275 | 4,212,153 |
| VC Fonds Baden-Württemberg GmbH & Co. KG, Stuttgart[2] | 25.00 | € | 31.12.2021 | 1,071,639 | 254,730 |
| **United Kingdom of Great Britain and Northern Ireland** | | | | | |
| Partners Group Emerging Markets 2007, L.P., Edinburgh[2] | 9.38 | US$[3] | 31.12.2021 | 42,876,000 | 536,000 |

1 The figures relate to the most recent annual financial statements available on the reporting date.
2 These companies are structured entities.
3 US$/€ exchange rate as at 31 December 2021: 1.1326/1.0000.

# The W&W Group
# Responsibility statement

To the best of our knowledge, and in accordance with applicable accounting principles, the consolidated financial statements present a true and accurate view of the Group's net assets, financial position and financial performance, and the Group management report provides a true and accurate presentation of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Kornwestheim, 28 February 2023

Jürgen A. Junker

Alexander Mayer

Jürgen Steffan

Jens Wieland

# The W&W Group
# Auditor's report

## Report of the independent statutory auditor

To Wüstenrot & Württembergische AG, Kornwestheim

## Report on the audit of the consolidated financial statements and of the combined management report

### Audit opinions

We have audited the consolidated financial statements of Wüstenrot & Württembergischen AG, Kornwestheim, and its subsidiaries (the Group), consisting of the consolidated balance sheet as at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2022, as well as the notes to the consolidated financial statements, together with the a summary of significant accounting policies. In addition, we have audited the combined management report of Wüstenrot & Württembergischen AG, Kornwestheim, for the financial year 1 January to 31 December 2022. In conformity with German statutory requirements, we have not audited the content of the Group corporate governance statement pursuant to Section 341j of the German Commercial Code (HGB) in conjunction with Section 315d HGB, which is contained in the section "Corporate Governance Statement" of the combined management report, the six pages on "Work perspectives" or the report on equality and equal pay pursuant to the German Transparency in Wage Structures Act (EntgTransG). We have not audited the content of the company's information outside of the annual report to which reference is made through links in the section "Corporate governance statement" of the combined management report.

In our opinion, based on the knowledge acquired in connection with the audit,

- the attached consolidated financial statements comply in all material respects with the IFRSs applicable in the EU and with the additional German statutory requirements that are applicable pursuant to Section 315e (1) of the German Commercial Code (HGB), and in compliance with those provisions, they present a true and accurate view of the Group's net assets and financial position as at 31 December 2022 and its financial performance for the financial year 1 January to 31 December 2022, and

- the attached combined management report as a whole presents a true and accurate view of the Group's position. The combined management report is consistent with the consolidated financial statements in all material respects, complies with German statutory requirements and accurately depicts the opportunities and risks of future development. As stated above, our audit opinion on the combined management report does not cover the content of the Group corporate governance declaration, the six pages on "Work prospects", the report on gender equality and equal pay in accordance with the German Transparency in Wage Structures Act or any information provided by the W&W Group outside this annual report, referred to in this report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations concerning the regularity of the consolidated financial statements or the combined management report.

### Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the combined management report in conformity with Section 317 of the HGB (German Commercial Code) and with Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities (hereinafter, the "EU Audit Regulation"), as well as in accordance with the German standards for the proper auditing of financial statements promulgated by the IDW (Institute of

Public Auditors in Germany). Our responsibility in accordance with those provisions and standards is described extensively in the section of our audit report entitled "Responsibility of the statutory auditor for the audit of the consolidated financial statements and the combined management report". We are independent of the Group companies in accordance with the requirements of European and German commercial law, as well as professional rules, and we have fulfilled our other German professional duties in accordance with these requirements and rules. In addition, pursuant to Article 10(2)(f) of the EU Audit Regulation, we declare that we did not provide any prohibited non-audit services referred to in Article 5(1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions concerning the consolidated financial statements and the combined management report.

## Key audit matters in connection with the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the following, we describe the key audit matters in our view:

### 1. Measurement of the gross provision for future policy benefits in life insurance, taking into consideration the interest rate commitments to policyholders

**Reasons why this was determined to be a key audit matter**

The calculation of the gross provision for future policy benefits in life insurance (without taking into account the provision for future policy benefits for unit-linked insurance policies) is performed in accordance with provisions of supervisory law largely on the basis of prospective methods and includes various assumptions about biometrics (inter alia, mortality, longevity, occupational disability), about the exercise of policyholder options (cancellation and lump-sum disbursement rates) and about the costs for and interest payable on technical obligations. Depending on the product, these actuarial bases are determined in some cases in a fully automated manner in the portfolio management systems and in other cases in subsequent calculations performed in connection with the preparation of the financial statements.

The actuarial bases are based, on the one hand, on the product-related actuarial bases for premium calculation and, on the other, on current actuarial bases. They result in part from statutory provisions (e.g. the reference interest rate pursuant to the DeckRV (German Regulation on Calculation of the Provision for Future Policy Benefits) and from publications of the DAV (German Association of Actuaries). In addition, they include assumptions derived for each individual company on the basis of past experience, taking into consideration current legal and economic developments, such as probabilities of cancellation and lump-sum disbursement and biometric assumptions. As a general rule, these assumptions are derived using mathematical methods from historical data, in some cases taking into consideration long-term assumptions in accordance with the proposals of the DAV.

In this regard, technical provisions are to be created to the extent necessary in accordance with reasonable commercial judgement in order to ensure that the obligations under insurance policies can be satisfied at all times. Consideration is to be paid in this respect to the supervisory provisions enacted in the interest of policyholders concerning the actuarial bases to be applied when calculating provisions, including the actuarial interest rate to be applied and the allocation of certain capital income to the provisions.

Particularly with regard to the creation of the gross provision for future policy benefits, interest rate commitments to policyholders are also to be taken into consideration to the extent that current or expected income from assets is insufficient to cover these commitments. As part of the gross provision for future policy benefits, this results in the creation of a provision for additional interest, which consists of the additional interest reserve (new portfolio) and interest rate reinforcement (old portfolio).

In calculating the provision for additional interest, use is made of the options described in the letter of the BaFin (German Federal Financial Supervisory Authority) of 5 October 2016 entitled "Explanations concerning the calculation of the additional interest reserve for the new portfolio and the funding of interest rate reinforcement for the old portfolio". In this context, probabilities of cancellation and lump-sum disbursement are applied, the specification of which involves the exercise of discretion. Having an impact here are, in particular, assumptions about the future behaviour of policyholders. In addition, for certain endowment policies, biometric actuarial bases are applied with reduced haircuts, which likewise involves the exercise of discretion.

On account of the estimation processes and the associated exercise of discretion, as well as on account of the amount of the gross provision for future policy benefits, there is a risk that the measurement will not be in conformity with accounting requirements. For this reason, we defined this matter to be a key audit matter.

**Audit approach**

As part of our audit, we examined the processes used to calculate the gross provision for future policy benefits (including the provision for additional interest), evaluated the controls implemented in these processes with respect to their design, and tested them for their effectiveness in ensuring the accuracy and completeness of the insurance portfolio.

In addition, we performed statement-based audit procedures. By extrapolating the gross provision for future policy benefits on the basis of profit breakdowns of past years and current portfolio trends, we formulated our own expectations and compared them with the recognised values. In addition, we recalculated the product-based gross provision for future policy benefits and the provision for additional interest for a selection of partial portfolios and policies. Furthermore, we performed indicator and time-series analyses in order to evaluate the change in the gross provision for future policy benefits as a whole as well as for partial portfolios or partial components over time.

We analysed the derivation of the actuarial bases using current and historical portfolio trends, profit breakdown, and expected future behaviour of policyholders. For this purpose, we in particular drew on the recommendations and publications of the DAV and BaFin.

In addition, we examined whether the gross provision for future policy benefits, including the provision for additional interest, was created pursuant to the approved business plans or the notifications in accordance with Section 143 of the VAG (German Act on the Supervision of Insurance Undertakings) and in observance of other supervisory rules.

Furthermore, we analysed the explanatory report of the responsible actuary for the individual Group companies and also the results of the annual BaFin forecast calculation for whether the measurement of the gross provision for future policy benefits took into consideration all risks with respect to the appropriateness of the actuarial bases and the ability to satisfy insurance policies at all times.

As part of our audit, we used our own insurance mathematicians.

Our audit procedures did not result in any objections to the measurement of the gross provision for future policy benefits, taking into consideration the interest rate commitments to policyholders.

**Reference to associated disclosures**

The disclosures concerning the recognition and measurement of the gross provision for future policy benefits are contained in the notes to the consolidated financial statements in the section “Accounting policies: Technical provisions”.

## 2. Measurement of the sub-provision for reported insurance claims in direct property and casualty business included in the gross provision for outstanding insurance claims

**Reasons why this was determined to be a key audit matter**

The gross provision for outstanding insurance claims is mainly allocated to direct property and casualty business.

Most of the gross provision for reported insurance claims relates to the gross provision for outstanding insurance claims in direct property and casualty business.

The measurement of the gross provision for reported insurance claims in direct property and casualty business is performed individually and is based on an estimate made by the Executive Board on the basis of current information concerning claims development and on assumed future claims development based on knowledge about the settlement of comparable claims.

On account of the exercise of discretion and the estimation procedures applied, we determined that measurement of the sub-provision for reported insurance claims in direct property and casualty business included in the gross provision for outstanding insurance claims is a key audit matter. There is a risk here that the gross provision for reported insurance claims as a whole and in the individual insurance branches is not appropriately measured.

**Audit approach**

As part of our audit, we examined the processes for claims processing and the calculation of the gross provision for reported insurance claims, evaluated the implemented controls with respect to their design, and tested their effectiveness at ensuring the reported insurance claims are recognised correctly and in full.

In this regard, for the gross provision for reported insurance claims in direct property and casualty business, we gained an understanding of the processing of individual insurance claims – from the reporting of the claims to their processing and reserving to their depiction in the consolidated financial statements – with respect to their proper recording and measurement.

Furthermore, we performed spot checks of insurance claims in direct property and casualty business and examined whether the provisions created in this respect for reported insurance claims were appropriately measured on the basis of current information and knowledge as at the reporting date. For this purpose, we used the records for various insurance branches and types to gain an understanding of the amount of the individual provisions and in the process examined whether discretion was exercised within a justifiable range with regard to the specification of provision amounts. Moreover, we used multi-year comparisons to review loss ratios and average losses for abnormalities with respect to measurement.

Using abnormalities in settlement results, we analysed the actual change in the provision for outstanding insurance claims that had been created in the previous year.

Furthermore, on the basis of mathematical and statistical procedures, we performed our own claims projections in order to evaluate the measurement of the gross provision for reported insurance claims in direct property and casualty business. In this regard, we used the best estimated value as determined by us for a selection of business lines that was made on a risk-oriented basis as the standard for evaluating the measurement of the provision for claims as a whole.

As part of our audit, we used our own insurance mathematicians.

Our audit procedures did not result in any objections concerning the measurement of the sub-provision for reported insurance claims in direct property and casualty business included in the gross provision for outstanding insurance claims.

**Reference to associated disclosures**
The disclosures concerning the measurement of the gross provision for outstanding insurance claims are contained in the notes to the consolidated financial statements in the section “Accounting policies: Technical provisions”.

## 3. Measurement of unlisted securities, derivative financial instruments and investments in alternative investments held for the purpose of capital investment

**Reasons why this was determined to be a key audit matter**
The Wüstenrot & Württembergische AG Group holds unlisted securities for the purpose of capital investment, particularly registered bonds and debenture bonds, unlisted derivative financial instruments and investments in alternative investments.

If prices for identical financial instruments (Level 1 of the measurement hierarchy) quoted on active markets are unavailable, recognised measurement methods are used to determine the fair value of the unlisted securities and derivative financial instruments. The input factors used in this regard are based to the greatest possible extent on measurement parameters that are observable on the market (Level 2 of the measurement hierarchy). If these are not sufficiently current, measurement parameters that are not observable on the market are also used (Level 3 of the measurement hierarchy). For investments in alternative investments, use is particularly made of prices provided by outside capital management companies and managers of alternative investment funds.

Unlisted securities and derivative financial instruments as well as investments in alternative investments make up a considerable amount of the consolidated balance sheet, and changes in their value have an impact on consolidated equity in some cases and on consolidated net income in other cases.

For registered bonds and debenture bonds as well as unlisted derivative financial instruments, fair values are calculated using recognised measurement procedures that are customary on the market, particularly discounted cash flow methods. Other recognised instrument-specific measurement procedures are used to only a limited extent. Primarily used as input data in this regard are measurement parameters that are observable on the market (in particular, yield curves, risk premiums, and volatilities), but also to a lesser extent measurement parameters that are not observable on the market. Discretion is exercised by the management in connection with the selection of the procedures and the specification of the measurement parameters.

In the case of investments in alternative investments, measurement is based on prices provided by outside capital management companies and managers of alternative investment funds, which as a general rule calculate them in accordance with the principles of investment law. These prices, which are often provided with a slight time delay, are checked by the management for their plausibility prior to adopting them. In the process, in addition to performing the required capital updating based on intermittent deposits and disbursements, the management reviews trends in market values over the period of the investment cycle and compares them with trend factors observable on the market. Discretion is also exercised here with respect to the carrying amounts to be adopted.

Because discretion is exercised in connection with the specification of the measurement procedures and measurement parameters for the purpose of model-based measurement and in connection with the adoption of carrying amounts, and because this is associated with the risk of a materially incorrect presentation in the consolidated financial statements, this has to do with a key audit matter.

**Audit approach**

As part of our audit, we first analysed the process used to measure unlisted securities and derivative financial instruments as well as investments in alternative investment for risks of error, evaluated the implemented controls with respect to their design, and tested them for their effectiveness. The focus here was on controls that ensure the accuracy of the portfolio data and the appropriateness of the utilised prices.

For unlisted securities and derivative financial instruments, we performed spot checks to gain an understanding of the utilised measurement procedures with respect to their appropriateness. Furthermore, for a partial portfolio of these financial instruments, we examined the discretion-dependent measurement parameters that are observable on the market for whether they are located within a range that is observable on the market. In this connection, we gained an understanding of the utilised measurement parameters and prices by comparing them with publicly available measurement parameters and prices for a selection of financial instruments. If parameters were not observable on the market, we evaluated them by remeasuring a select partial portfolio of the financial instruments.

In addition, for a partial portfolio of unlisted securities and derivative financial instruments, we performed our own calculations of fair value, drawing on the assistance of measurement specialists.

In the case of investments in alternative investments, we discussed the utilised prices and their trends with the company, gained an understanding of them by performing spot checks with respect to the measurement undertaken on the reporting date, and compared them with the values calculated by the management.

Our audit procedures did not result in any objections concerning the measurement of unlisted securities and derivative financial instruments as well as investments in alternative investments.

**Reference to associated disclosures**

The disclosures concerning the measurement of unlisted securities and derivative financial instruments as well as investments in alternative investments are contained in the notes to the consolidated financial statements in Note 38 “Disclosures concerning the measurement of fair value”.

## 4. Measurement of provisions for home loan savings business

**Reasons why this was determined to be a key audit matter**

The provisions for home loan savings business include, in particular, provisions for expected charges for interest bonuses (interest bonus provisions) where the requirements defined in the product-specific General Terms and Conditions for Home Loan Savings Contracts (ABB) are met. The amount of the provisions to be created is determined on the basis of historical data (empirical forward projection) and, in the absence of sufficient historical data, on the basis of expert estimates.

The provisions for home loan savings business are fraught with uncertainties to a great extent and require that assumptions and estimates be made with respect to the relevant parameters and future customer behaviour. In addition, the measurement model is considerably complex. These circumstances may have a significant impact on the recognition and amount of the provision and thus on net assets and financial performance. Therefore, we determined the measurement of provisions for home loan savings business (interest bonus provisions) to be a key audit matter.

**Audit approach**

We examined the process for calculating the amount of the provision for expected charges for interest bonuses and evaluated the implemented controls.

We gained a methodological understanding of the measurement models used for the calculation and examined whether the material estimation parameters were taken into account in the model.

For the purpose of validating the estimation parameters, we analysed the annual comparison of the actual change during the financial year with the estimates made for the previous year (target/actual comparison).

Moreover, we gained an understanding of the mathematical accuracy of the calculations of the amount of the provisions.

On the basis of a selection of products, we examined whether the data base underlying the calculation of the provision rates and the bonus potential was complete. Moreover, we gained an understanding of whether all relevant products were taken into account in the measurement model.

In connection with our audit of the model, we used our own specialists, who have special expertise in the area of home loan savings mathematics.

Our audit procedures did not result in any objections to the measurement of provisions for home loan savings business (interest bonus provisions).

**Reference to associated disclosures**

The company's disclosures concerning the measurement of home loan savings provisions are contained in the notes to the consolidated financial statements in the section "Accounting policies: Other provisions".

## 5. Accounting for deferred tax assets

**Reasons why this was determined to be a key audit matter**

Deferred tax assets and liabilities are created because of temporary differences between the carrying amounts of assets and liabilities in the balance sheet drawn up pursuant to IFRS and the corresponding tax carrying amounts.

In particular, significant interest rate hikes in 2022 resulted in a considerable decrease in the market values of fixed-income capital investments and, in turn, in a rise in deferred tax assets. After offsetting these against deferred tax liabilities, there is a deferred tax asset in Wüstenrot & Württembergische AG's consolidated financial statements as at 31 December 2022.

A deferred tax asset may be recognised only to the extent that it is probable that sufficient taxable profit will be available at the time of the reversal. As this judgement is highly dependent on the assessment and assumptions of the Executive Board regarding future business performance and is thus subject to considerable estimation uncertainties, we identified this as a key audit matter.

**Audit approach**

We gained an understanding of the mathematical accuracy of the calculation and measurement of deferred tax assets and, in particular, assessed impairment. In this context, our audit procedures focused on the consistent determination of future taxable profit from general company planning, the analysis of planned business performance and the Executive Board's measures for managing business activities. We also considered planning factors observable on the market.

In addition, we used our own employees who have special expertise in tax legislation for the review of the tax planning calculations.

Our audit procedures did not result in any objections to the accounting and impairment of the deferred tax assets.

**Reference to associated disclosures**
The deferred tax assets are discussed in the section "Accounting policies" and in Note "(14) Deferred tax assets" of the notes to the consolidated financial statements.

## 6. Accounting for the deferred provision for premium refunds

**Reasons why this was determined to be a key audit matter**
Deferred provisions for premium refunds arise in the IFRS financial statements in the amount of the portions attributable to policyholders of the measurement differences between the carrying amounts of the assets and liabilities in the commercial balance sheet and the carrying amounts of the assets and liabilities in the IFRS balance sheet.

In particular, significant interest rate hikes in 2022 resulted in a considerable decrease in the market values of fixed-income capital investments. In the IFRS balance sheet, this results in negative measurement differences compared to the commercial balance sheet. Assuming only temporary interest-related impairment, these capital investments, which are measured in accordance with the provisions of German commercial law for fixed assets, are not usually written down. Under IFRS accounting, however, these capital investments are mostly measured at the lower fair value. Given this, there is a negative deferred provision for premium refunds in Wüstenrot & Württembergische AG's consolidated financial statements as at 31 December 2022.

We consider the recognition of a negative deferred provision for premium refunds in the IFRS financial statements, which exceeds an uncommitted provision for premium refunds under commercial law, to be acceptable under narrow conditions. In particular, these conditions include evidence (e.g. a planning calculation) that the interim measurement losses will reduce actual payments to policyholders in later periods or at least reverse in full as temporary effects. As this judgement is highly dependent on the assessment and assumptions of the Executive Board regarding future capital market performance and the development of the company and is thus subject to considerable estimation uncertainties, we identified this as a key audit matter.

**Audit approach**
We gained an understanding of the mathematical accuracy of the calculation and measurement of the deferred provisions for premium refunds and, in particular, assessed impairment. In this context, our audit procedures focused on the analysis of planned business performance and the Executive Board's measures for managing business activities. We also considered planning factors observable on the market.

Furthermore, the Executive Board comprehensibly demonstrated by way of a planning calculation that it does not expect any significant losses to be realised in the planning period and that the Company will always be able to generate a current or average interest rate that exceeds the interest requirement under equity and liabilities.

In addition, we used our own employees who have special expertise in actuarial calculations for the review of the planning calculations.

Our audit procedures did not result in any objections to the accounting and impairment of the negative deferred provision for premium refunds.

**Reference to associated disclosures**

The negative deferred provisions for premium refunds as part of the Technical provisions item are explained in the section "Accounting policies" and in Note "(17) Technical provisions" of the notes to the consolidated financial statements.

## Other information

The Supervisory Board is responsible for the report of the Supervisory Board. The Executive Board and the Supervisory Board are responsible for the statement pursuant to the Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act (AktG), which is an element of the Group corporate governance statement. In addition, the legal representatives are responsible for the other information. The other information comprises the Group corporate governance declaration, the six photo spreads on "Work prospects" and the report on gender equality and equal pay in accordance with the German Transparency in Wage Structures Act. In addition, the other information comprises the combined, non-financial report of the W&W Group, a copy of which was provided to us prior to issuing this audit report. Furthermore, the other information comprises additional elements envisaged for the annual report, a copy of which was provided to us prior to issuing this audit report, in particular:

- the letter to shareholders,
- presentation of the Management Board and the Supervisory Board,
- key figures, financial calendar, glossary,
- the responsibility statement and
- the report of the Supervisory Board,

Our audit opinions concerning the consolidated financial statements and the combined management report do not cover the other information, and as a result, we do not provide an audit opinion or any other form of audit conclusion concerning it.

In connection with our audit, our responsibility is to read the other information and, in doing so, assess whether the other information

- is materially inconsistent with the consolidated financial statements, the combined management report or our knowledge obtained in the audit or
- otherwise appears to be materially misstated.

## Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the combined management report

The legal representatives are responsible for preparing the consolidated financial statements in a manner that complies in all material respects with the IFRSs applicable in the EU and with the additional German statutory requirements that are applicable pursuant to Section 315e (1) of the HGB (German Commercial Code), as well as for ensuring that in compliance with those provisions, the consolidated financial statements present a true and accurate view of the Group's net assets, financial position and financial performance. Furthermore, the legal representatives are responsible for the internal controls that they deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. the manipulation of financial reporting or financial losses) or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. Moreover, they are responsible for using the going concern basis of accounting unless they intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for preparing the combined management report that as a whole presents a true and accurate view of the Group's position and that in all material respects is consistent with the consolidated financial statements, complies with German statutory requirements and accurately depicts the opportunities and risks of future development. In addition, the legal representatives are responsible for the arrangements and measures (systems) that it considers necessary in order to facilitate the preparation of a combined management report in conformity with applicable German statutory requirements and to enable sufficient and appropriate evidence to be provided for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the Group's accounting process with respect to the preparation of the consolidated financial statements and the combined management report.

## Responsibility of the statutory auditor for the audit of the consolidated financial statements and the combined management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an accurate view of the Group's position and is in all material respects consistent with the consolidated financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in conformity with Section 317 HGB and with the EU Audit Regulation, as well as in accordance with the German standards for the proper auditing of financial statements promulgated by the IDW (Institute of Public Auditors in Germany), will always detect a material misstatement. Misstatements may be the result of fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users that are taken on the basis of these consolidated financial statements and the combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- we identify and assess the risks of material misstatements in the consolidated financial statements and the combined management report due to fraud or errors, we plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our audit opinions. The risk that material misstatements as a result of fraud are not detected is greater than the risk that material misstatements due to error are not detected, because fraud can include collusion, falsification, intentional omissions, misrepresentation or the invalidation of internal controls;

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of the arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;

- Evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimates and related disclosures made by the legal representatives;

- Draw conclusions on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, about whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements depict the underlying business transactions and events in such a way as to present a true and accurate view of the Group's net assets, financial position and financial performance in accordance with the IFRSs applicable in the EU and with the additional German statutory requirements that are applicable pursuant to Section 315e (1) HGB.

- Obtain sufficient and appropriate audit evidence for the accounting information of the companies or business activities in the Group in order to submit audit opinions concerning the consolidated financial statements and the combined management report. We are responsible for guiding, monitoring and conducting the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions;

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with the law and its depiction of the view of the Group's position;

- Perform audit procedures concerning the forward-looking statements made by the legal representatives in the combined management report. In doing so, on the basis of sufficient and appropriate audit evidence, we gain an understanding, in particular, of the key assumptions underlying the legal representatives' forward-looking statements and evaluate whether the statements were properly derived from those assumptions. We do not provide a separate audit opinion concerning the forward-looking statements or the underlying assumptions. There is a substantial, unavoidable risk that future events may significantly deviate from the forward-looking statements.

We meet with the individuals responsible for monitoring in order to discuss, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We provide the individuals responsible for monitoring with a statement that we complied with the relevant independence requirements, and we discuss with them all relationships and other matters that may reasonably be presumed to influence our independence and the steps we have taken to guard against this.

From the matters that we discussed with the individuals responsible for monitoring, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

## Other statutory and legal requirements

### Report on the audit of the electronic renderings of the consolidated financial statements and the combined management report that are prepared for the purposes of disclosure pursuant to Section 317 (3a) of the HGB (German Commercial Code)

#### Audit opinion

Pursuant to Section 317 (3a) of the HGB (German Commercial Code), we performed an audit with reasonable assurance of whether the renderings of the consolidated financial statements and the combined management report that are prepared for the purposes of disclosure (hereinafter, the "ESEF documents") and that are included in the WW_AG_KLB+KA_ESEF-2022-12-31.zip comply with the requirements of Section 328 (1) HGB concerning the electronic reporting format (the "ESEF format") in all material respects. In conformity with German statutory provisions, this audi t covers only the transmission of the information in the consolidated financial statements and the combined management report in the ESEF format and therefore does not cover either the information included in those renderings or other information included in the aforementioned file.

In our opinion, the renderings of the consolidated financial statements and the combined management report that are included in the aforementioned attached file and that are prepared for the purposes of disclosure comply with the requirements of Section 328 (1) HGB concerning the electronic reporting format in all material respects. Other than this audit opinion and the audit opinions concerning the attached consolidated financial statements and the attached combined management report for the financial year from 1 January to 31 December 2022 that are included in the foregoing "Report on the audit of the consolidated financial statements and of the combined management report", we do not provide any audit opinion concerning the information included in those renderings or concerning the other information included in the aforementioned file.

## Basis for the audit opinion

We conducted our audit of the renderings of the consolidated financial statements and the combined management report that are included in the aforementioned file in conformity with Section 317 (3a) HGB and in observance of the standard promulgated by the IDW (Institute of Public Auditors in Germany) "Audit of electronic renderings of financial statements and management reports prepared for the purposes of disclosure pursuant to Section 317 (3a) HGB" (IDW PS 410 (June 2022)). Our responsibility in accordance therewith is described extensively in the section "Responsibility of the Group statutory auditor for the audit of the ESEF documents". Our public auditor practice applied the requirements for the quality assurance system contained in the IDW quality assurance standard "Requirements for quality assurance in public auditor practice" (IDW QS 1).

## Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The company's legal representatives are responsible for preparing the ESEF documents with the electronic renderings of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4, No. 1 HGB and for marking up the consolidated financial statements in accordance with Section 328 (1) sentence 4, No. 2 HGB.

In addition, the company's legal representatives are responsible for the internal controls that it considers necessary in order to facilitate the preparation of ESEF documents that are free from material infringements, whether intentional or unintentional, of the requirements of Section 328 (1) HGB concerning the electronic reporting format. The Supervisory Board is responsible for monitoring the preparation of the ESEF documents as part of the accounting process.

## Responsibility of the Group statutory auditor for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF document are free from material infringements, whether intentional or unintentional, of the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material infringements, whether intentional or unintentional, of the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion;

- Obtain an understanding of internal controls relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;

- Evaluate the technical validity of the ESEF documents, i.e. whether the file contained in the ESEF documents satisfies the requirements concerning the technical specifications for this file as are set forth in Delegated Regulation (EU) 2019/815, in the version in force on the audit date;

- Evaluate whether the ESEF documents facilitate an identical XHTML rendering of the audited consolidated financial statements and the audited combined management report; and

- Evaluate whether the markup of the ESEF documents with inline XBRL technology (iXBRL) facilitates an suitable, complete, machine-readable XBRL copy of the XHTML rendering in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version in force on the audit date.

# Other disclosures pursuant to Article 10 of the EU Audit Regulation

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on 25 May 2022. We were engaged by the Chairperson of the Risk and Audit Committee of the Supervisory Board on 20 June 2022. We have served as the Group statutory auditor of Wüstenrot & Württembergische AG without interruption since the 2020 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Super -visory Board's Risk and Audit Committee in accordance with Article 11 of the EU Audit Regulation.

### Other matter – Use of the audit report

Our audit report must always be read in conjunction with the audited consolidated financial statements and the audited combined management report, as well as with the audited ESEF documents. The consolidated financial statements and combined management report transmitted in the ESEF format – including the versions to be included in the company r egister – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and are not a substitute for them. In particular, the ESEF audit report and our audit opinion contained therein may be used only in conjunction with the audited ESEF documents provided in electronic form.

## Responsible public auditor

The public auditor responsible for the audit is Martin Gehringer.

Stuttgart, 23 March 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Wagner | Gehringer |
| Public auditor | Public auditor |

# Contents

# Annual financial statements Wüstenrot & Württembergische AG

## Balance sheet as of 31 December 2022

### Assets

| In € thousand | Cf. Note No.[1] | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2021 |
|---|---|---|---|---|---|
| **A. Investments** | | | | | |
| I. Land, land rights and buildings including buildings on third-party land | 1 | | 458,213 | | 413,670 |
| II. Investments in affiliated companies and participating interests | 2 | | | | |
| 1. Shares in affiliated companies | | 1,399,375 | | | 1,345,592 |
| 2. Loans to affiliated companies | | 517,500 | | | 432,250 |
| 3. Participating interests | | 20,615 | | | 20,523 |
| | | | 1,937,490 | | 1,798,365 |
| III. Other investments | | | | | |
| 1. Shares, units or shares in investment funds and other non-fixed-income securities | 3 | 892,271 | | | 904,984 |
| 2. Bearer bonds and other fixed-income securities | | 436,075 | | | 443,652 |
| 3. Other loans | 4 | 243,503 | | | 213,719 |
| 4. Deposits with credit institutions | 5 | 79,264 | | | 135,043 |
| of which at affiliated companies €66,100 thousand (previous year: €119,500 thousand) | | | | | |
| 5. Other investments | | 87 | | | 87 |
| | | | 1,651,200 | | 1,697,485 |
| IV. Deposits from reinsurance accepted | | | 847 | | 1,651 |
| | | | | 4,047,750 | 3,911,171 |
| **B. Receivables** | | | | | |
| I. Amounts receivable on reinsurance business | | | 73,431 | | 80,709 |
| II. Other receivables | 6 | | 224,657 | | 259,396 |
| of which to affiliated companies €177,387 thousand (previous year: €257,155 thousand) | | | | 298,088 | 340,105 |
| **Carryover** | | | | **4,345,838** | **4,251,276** |

1 Refer to the numbered explanations in the notes.

## Assets

| In € thousand | Cf. Note No. | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2021 |
|---|---|---|---|---|---|
| **Carryover** | | | | **4,345,838** | **4,251,276** |
| **C. Other assets** | | | | | |
| I. Tangible assets and inventories | | | 3,118 | | 620 |
| II. Cash at banks, cheques and cash-in-hand | | | 8,653 | | 15,594 |
| | | | | 11,771 | 16,214 |
| **D. Prepaid expenses and deferred income** | | | | | |
| I. Deferred rent and interest income | | | 8,512 | | 6,140 |
| II. Other prepaid expenses | 7 | | 3,673 | | 2,679 |
| | | | | 12,185 | 8,819 |
| | | | | | |
| **E. Excess of plan assets over pension liabilities** | 8 | | | 855 | 1,357 |
| **Total assets** | | | | **4,370,649** | **4,277,666** |

## Equity and liabilities

| In € thousand | Cf. Note No. | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2021 |
|---|---|---|---|---|---|
| **A. Equity** | | | | | |
| I. Share capital[1] | 9 | 490,311 | | | 490,311 |
| of which less: notional value of treasury shares | | 181 | | | 418 |
| | | | 490,130 | | 489,893 |
| II. Capital reserve | 10 | | 993,691 | | 993,468 |
| III. Retained earnings | 11 | | | | |
| Other revenue reserves | | 569,577 | | | 513,577 |
| | | | 569,577 | | 513,577 |
| IV. Net retained profits | 12 | | 80,048 | | 77,607 |
| | | | | 2,133,446 | 2,074,545 |
| **B. Subordinated liabilities** | 13 | | | **300,000** | **300,000** |
| **C. Technical provisions** | | | | | |
| I. Provision for unearned premiums | | | | | |
| 1. Gross premiums | | 18,179 | | | 17,645 |
| | | | 18,179 | | 17,645 |
| II. Provision for future policy benefits | | | | | |
| 1. Gross premiums | | 12 | | | 1,494 |
| | | | 12 | | 1,494 |
| III. Provision for outstanding insurance claims | | | | | |
| 1. Gross premiums | | 615,786 | | | 745,056 |
| 2. of which less: share for ceded reinsurance business | | 239,388 | | | 368,466 |
| | | | 376,398 | | 376,590 |
| IV. Claims equalisation reserve and similar provisions | | | 104,719 | | 98,404 |
| V. Other technical provisions | | | | | |
| 1. Gross premiums | | 3,135 | | | – 7,714 |
| 2. of which less: share for ceded reinsurance business | | – 1,953 | | | – 12,874 |
| | | | 5,088 | | 5,160 |
| | | | | 504,396 | 499,293 |
| **Carryover** | | | | **2,937,842** | **2,873,838** |

1 Refer to the notes for information on authorised and contingent capital.

## Equity and liabilities

| In € thousand | | Cf. Note No. | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2021 |
|---|---|---|---|---|---|---|
| **Carryover** | | | | | **2,937,842** | **2,873,838** |
| **D.** | **Other provisions** | | | | | |
| I. | Provisions for pensions and similar obligations | 14 | | 1,196,870 | | 1,168,967 |
| II. | Provisions for taxes | | | 33,267 | | 66,003 |
| III. | Miscellaneous provisions | 15 | | 19,485 | | 22,275 |
| | | | | | 1,249,622 | 1,257,245 |
| **E.** | **Deposits retained from ceded reinsurance business** | 16 | | | **38,813** | **28,666** |
| **F.** | **Other liabilities** | | | | | |
| I. | Accounts payable on reinsurance business | | | 53,081 | | 29,639 |
| | of which to affiliated companies €45,300 thousand (previous year: €25,093 thousand) | | | | | |
| II. | Miscellaneous liabilities | 17 | | 91,291 | | 88,276 |
| | of which from affiliated companies €79,807 thousand (previous year: €82 764 thousand), of which taxes €1,359 thousand (previous year: €146 thousand) | | | | 144,372 | 117,915 |
| **G.** | **Deferred income** | 18 | | | – | 2 |
| **Total equity and liabilities** | | | | | **4,370,649** | **4,277,666** |

# Income statement
# for the period from 1 January to 31 December 2022

| In € thousand | | | Cf. Note No. | 1.1.2022 to 31.12.2022 | 1.1.2022 to 31.12.2022 | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|---|---|---|---|---|
| **I.** | **Technical account** | | | | | | |
| 1. | Earned premiums, net of reinsurance | | | | | | |
| | a) | Gross premiums written | | 499,639 | | | 452,708 |
| | b) | Premiums ceded to reinsurers | | 178,957 | | | 147,827 |
| | | | | | 320,682 | | 304,881 |
| | c) | Change in provision for unearned premiums | | – 534 | | | 1,733 |
| | | | | | – 534 | | 1,733 |
| | | | | | | 320,148 | 306,614 |
| 2. | Income from technical interest, net of reinsurance | | 19 | | | 13 | 63 |
| 3. | Other underwriting income, net of reinsurance | | | | | 388 | 362 |
| 4. | Claims incurred, net of reinsurance | | | | | | |
| | a) | Claims payments | | | | | |
| | | aa) Gross premiums | | 424,342 | | | 371,535 |
| | | bb) Reinsurers’ portion | | 230,973 | | | 193,627 |
| | | | | | 193,369 | | 177,908 |
| | b) | Change in the provision for outstanding insurance claims | 20 | | | | |
| | | aa) Gross premiums | | – 130,005 | | | 273,529 |
| | | bb) Reinsurers’ portion | | – 130,848 | | | 259,905 |
| | | | | | 843 | | 13,624 |
| | | | | | | 194,212 | 191,532 |
| 5. | Change in other net actuarial reserves | | | | | | |
| | a) | Net aggregate reserve | | | 451 | | 9,469 |
| | b) | Other net underwriting provisions | | | 71 | | – 34 |
| | | | | | | 522 | 9,435 |
| 6. | Expenses for insurance business, net of reinsurance | | 21 | | | | |
| | a) | Gross expenses for insurance operations | | | 154,362 | | 141,758 |
| | b) | of which less: commissions and profit participations received from ceded reinsurance contracts | | | 33,416 | | 28,902 |
| | | | | | | 120,946 | 112,856 |
| 7. | Other underwriting expenses, net of reinsurance | | | | | 2,059 | 1,858 |
| **8.** | **Subtotal** | | | | | **3,854** | **10,228** |
| 9. | Changes to equalisation reserve and similar provisions | | | | | – 6,315 | 7,922 |
| 10. | Underwriting result, net of reinsurance | | | | | – 2,461 | 18,150 |
| **Carryover** | | | | | | **– 2,461** | **18,150** |

| In € thousand | | | Cf. Note No. | 1.1.2022 to 31.12.2022 | 1.1.2022 to 31.12.2022 | 1.1.2022 to 31.12.2022 | 1.1.2021 to 31.12.2021 |
|---|---|---|---|---|---|---|---|
| **Carryover** | | | | | | **– 2,461** | **18,150** |
| **II.** | **Non-underwriting account** | | | | | | |
| 1. | Investment income | | | | | | |
| | a) | Income from participating interests | 22 | 54,359 | | | 44,445 |
| | | of which from affiliated companies €54,182 thousand (previous year: €43,977 thousand) | | | | | |
| | b) | Income from other investments | 22 | 41,324 | | | 39,048 |
| | | of which from affiliated companies €22,294 thousand (previous year: €20,246 thousand) | | | | | |
| | c) | Income from write-ups | 23 | 35,404 | | | 7,154 |
| | d) | Gains on disposal of investments | 24 | 12,527 | | | 968 |
| | e) | Income from profit-pooling, profit transfer and partial profit transfer agreements | | 144,171 | | | 160,102 |
| | | | | | 287,785 | | 251,717 |
| 2. | Investment charges | | | | | | |
| | a) | Investment management expenses, interest expenses and other expenses related to investments | | 7,278 | | | 8,398 |
| | b) | Impairment losses on investments | 25 | 83,147 | | | 27,952 |
| | c) | Losses on disposal of investments | 26 | 9,092 | | | 2,808 |
| | d) | Costs of loss absorption | | 4,127 | | | 2,789 |
| | | | | | 103,644 | | 41,947 |
| | | | | | 184,141 | | 209,770 |
| 3. | Technical interest income | | | | – | | – 64 |
| | | | | | | 184,141 | 209,706 |
| 4. | Other income | | 27 | | 70,606 | | 71,903 |
| 5. | Other expenses | | 28 | | 133,409 | | 133,560 |
| | | | | | | – 62,803 | – 61,657 |
| 6. | Result from ordinary activities | | | | | 118,877 | 166,199 |
| 7. | Income taxes | | 29 | | – 242 | | 55,347 |
| 8. | Other taxes | | | | – 237 | | – 846 |
| | | | | | | – 479 | 54,501 |
| **9.** | **Net income for the year** | | | | | **119,356** | **111,698** |
| 10. | Retained profit brought forward | | | | | 692 | 909 |
| 11. | Appropriation to revenue reserves | | | | | | |
| | | Other revenue reserves | | | | 40,000 | 35,000 |
| **12.** | **Net retained profits** | | | | | **80,048** | **77,607** |

# Notes

## Disclosures on the annual financial statements

Wüstenrot & Württembergische AG prepares the annual financial statements and the management report in accordance with the legal requirements of the German Commercial Code (HGB), the German Stock Corporation Act (AktG), the German Insurance Supervision Act (VAG) and the German Insurance Accounting Regulation (RechVersV).

### Asset accounting policies

#### Land, land rights and buildings including buildings on third-party land

Assets included in the item "land and land rights and buildings" are measured at the lower of fair value or cost minus permissible straight-line depreciation. Impairment losses are only recognised when permanent impairment is likely, and the impaired asset is written down to the lower fair value. If the reasons for a lower carrying amount no longer apply, the impairment loss is reversed to no more than the amortised historical cost.

#### Shares in affiliated companies

Shares in affiliated companies are measured at cost. Pursuant to Section 341b (1) HGB in conjunction with Section 253 (3) sentence 5 HGB, impairment losses to the lower fair value are only recognised if permanent impairment is likely (less strict principle of lower of cost or market). If the reasons for a lower carrying amount no longer apply, the impairment loss is reversed to no more than the historical cost.

#### Loans to affiliated companies

The item "loans to affiliated companies" contains bearer bonds, promissory notes and loans. Its accounting and measurement is presented in the disclosures for the following balance sheet items.

#### Participating interests

Participating interests are measured at cost. Pursuant to Section 341b (1) HGB in conjunction with Section 253 (3) sentence 5 HGB, impairment losses to the lower fair value are only recognised if permanent impairment is likely (less strict principle of lower of cost or market). If the reasons for a lower carrying amount no longer apply, the impairment loss is reversed to no more than the historical cost.

#### Shares, units or shares in investment funds and other non-fixed-income securities

Shares, units or shares in investment funds and other non-fixed-income securities are recognised at the average cost of the security less impairment losses in accordance with the strict principle of lower of cost or market pursuant to Section 341b (2) HGB in conjunction with Section 253 (4) HGB. If the reasons for a lower carrying amount no longer apply, the impairment loss is reversed to no more than the historical cost.

Securities within this item that are intended to support business operations on a long-term basis are recognised in accordance with the provisions of Section 341b (2) clause 2 HGB in conjunction with Section 253 (3) sentence 5 HGB and measured at the lower of cost or market using the less strict lower-of-cost-or-market principle. Allocations to fixed assets are generally decided on a case-by-case basis. Special funds are looked through to the individual underlying securities. Impairment losses are only recognised when permanent impairment is likely.

## Bearer bonds and other fixed-income securities

Bearer bonds and other fixed-income securities are recognised at the average cost of the security less impairment losses in accordance with the strict lower-of-cost-or-market principle pursuant to Section 341b (2) HGB in conjunction with Section 253 (4) HGB. Write-downs are reversed when the reasons for them no longer apply.

Securities within this item that are intended to support business operations on a long-term basis are recognised in accordance with the provisions of Section 341b (2) clause 2 HGB in conjunction with Section 253 (3) sentence 5 HGB and measured at the lower of cost or market using the less strict lower-of-cost-or-market principle. At acquisition fixed-income bearer securities are allocated to fixed assets.

On the basis of an Executive Board resolution the reclassification of fixed-income securities previously held in current assets to fixed assets took place for the first time in the reporting year with effect from 1 January 2022 on the basis of the carrying amounts of 31 December 2021. In the reporting year, a large part of bearer bonds were reclassified from current assets to fixed assets.

Creditworthiness analyses are conducted to identify permanent impairments for issuers whose ratings have deteriorated by two or more notches or whose issues have hidden liabilities of 10.0% or more. To do this, permanence is assessed on the basis of standard applicability criteria relevant for the company or environment. Furthermore, critical issuers are discussed in the Group Credit Committee. If the creditworthiness analyses reveal that it is no longer likely that the securities will be redeemed in accordance with the terms of their contracts, they are written down to the lower fair value.

## Other loans

The item “other loans” contains registered bonds, promissory notes and loans. These receivables are measured in accordance with the rules and regulations for fixed assets.

Registered bonds, in contrast, are recognised at their nominal value less repayments made in accordance with Section 341c (1) HGB. Premiums and discounts are distributed on a straight-line basis over the term.

Promissory notes and loans are measured at amortised cost in accordance with Section 341c (3) HGB by distributing the difference between the cost and the repayment amount over the remaining term using the effective interest method.

Creditworthiness analyses are conducted for registered bonds, promissory notes and loans to identify permanent impairments for issuers whose ratings have deteriorated by two or more notches or whose issues have hidden liabilities of 10.0% or more. If the creditworthiness analyses reveal that it is no longer likely that the securities will be redeemed in accordance with the terms of their contracts, they are written down to the lower fair value. Portfolio-based general valuation allowances are also recognised for registered bonds based on empirical data from recent years.

## Deposits with credit institutions

Deposits with credit institutions are recognised at their nominal amounts.

## Other investments

Investments classified as “other” are measured at cost.

## Deposits from reinsurance accepted, amounts receivable on reinsurance business and other receivables

Deposits from reinsurance accepted and amounts receivable on reinsurance business are recognised at their nominal amounts. Amounts receivable on reinsurance business also include receivables that are measured based on their probability of default, which is indicated by the S&P rating and determines their general valuation allowances.

Reinsurer default risk was accounted for not only by recognising a general valuation allowance for amounts receivable from reinsurers but also by deducting the reinsurers' shares from the technical provisions for insurance claims on the liabilities side.

Other receivables are carried at cost or nominal value.

## Other assets

Property, plant and equipment are measured at cost less straight-line depreciation over their standard useful life. Low-value assets with a net cost of up to € 800 are fully depreciated in the year of acquisition. Assets acquired by 2019 with a net acquisition cost of more than € 250 and up to € 1,000 were capitalised in the year of acquisition and depreciated on a straight-line basis over five years.

The excess of plan assets over pension liabilities refers to the surplus resulting from offsetting claims from pension liability insurance policies measured at fair value against obligations from phased retirement agreements. Insolvency-remote claims from pension liability insurance policies were measured at the actuarial reserve based on the business plan plus irrevocable profit participation commitments, which are equal to amortised cost in accordance with the strict lower-of-cost-or-market principle pursuant to Section 253 (4) HGB and thus, in the absence of other measurement methods, to fair value as defined by Section 255 (4) sentence 4 HGB.

The option to report deferred tax assets due to available tax relief under Section 274 (1) sentence 2 HGB is not exercised.

## Reversals of write-downs

Assets written down to a lower fair value in previous years must be written up if the reasons for the write-down no longer apply. These reversals of write-downs may not exceed the amortised cost in accordance with the principles set out in Section 253 (5) HGB.

## Derivatives

Forward exchange contracts were concluded to hedge bearer bonds. They are measured on an individual transaction basis. Provisions are recognised for expected losses from these contracts.

Acquired option rights are measured at cost, which amounts to the option premium, less depreciation according to the strict lower-of-cost-or-market principle. Write-downs are reversed when the reasons for them no longer apply. Premiums for written options are recognised as miscellaneous liabilities for as long as the performance obligation from the option exists. Any impending excess liability resulting from writing options is accounted for by recognising provisions for expected losses.

## Fair value measurements

Real estate used by the group is generally measured using income values established by external valuers. New valuations are requested at regular intervals. The W&W Campus is measured using the net asset value method.

The fair value of capital investments in affiliated companies and participating interests is based on the income value or a fair value calculated using the net asset value method. In individual cases, fair value is also based on cost, liquidation value or equity stake.

Units or shares in investment funds are carried at the last available redemption price.

The fair value of the alternative investment funds is generally determined on the basis of the pro rata net asset value.

The fair values of the remaining investments are based on the last available stock market price or a market value calculated using standard recognised valuation models.

# Measurement methods: liabilities

## Subordinated liabilities

Subordinated liabilities are carried at their settlement amount.

## Technical provisions

The provision for unearned premiums from accepted reinsurance business was recognised based on information provided by the ceding insurers and in compliance with the supervisory regulations.

The provision for future policy benefits related to return-of-premium personal accident insurance and the life insurance business was recognised based on information provided by the ceding insurers.

Provisions for outstanding insurance claims for accepted reinsurance business were calculated based on information provided by the ceding insurers and supplemented where necessary by our own findings.

The claims equalisation reserve contained in item B. IV. was recognised in accordance with the annex to Section 29 RechVersV.

The provision for nuclear plants and the major risk provision for product liability insurance for pharmaceutical risks were recognised in accordance with Section 30 RechVersV.

Other technical provisions were calculated based on information provided by the ceding insurers and supplemented where necessary by our own findings.

The reinsurers' portion of technical provisions was calculated in accordance with the contractual agreements.

## Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are calculated using actuarial principles. The settlement amount, as defined in the German Accounting Law Modernisation Act (BilMoG), is calculated using the projected unit credit method and reported as the present value of the acquired entitlement. The following actuarial assumptions apply to the calculation of these provisions:

| In % | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Interest rate | 1.79 | 1.87 |
| Pension trend | 2.00 | 2.00 |
| Salary trend | 3.00 | 3.00 |
| Fluctuation of pay-scale employees | 3.50 | 3.50 |
| Fluctuation of contracted employees | 1.00 | 1.00 |
| Biometry | Heubeck Mortality Tables 2018 G | Heubeck Mortality Tables 2018 G |

Pursuant to Section 253 (2) sentence 1 HGB, the actuarial interest rate is set at the average market interest rate of the past ten years. The discount rates published by the Deutsche Bundesbank as of 31 October 2022 with a ten-year average interest rate were adjusted by extrapolating the interest rate as of 31 October 2022 for the months of November and December 2022, thus calculating the interest rate as of 31 December 2022. The difference between the measurement of the provision for pensions and similar obligations at the ten-year average interest rate and the seven-year average interest rate in accordance with Section 253 (6) HGB amounts to € 56.2 million. The simplification rule of Section 253 (2) sentence 2 HGB is used. In the case of pension liability insurance policies IDW Accounting Practice Note IDW RH FAB 1.021 was applied using the actuarial reserve method on the basis of pension provisions.

The pledged pension liability insurance policies (€ 4.7 million (previous year: € 4.9 million)) are recognised at their fair value (plan assets) in accordance with the offsetting requirement of Section 246 (2) HGB. The fair value comprises the actuarial reserve plus irrevocable profit participation commitments.

## Tax provisions and miscellaneous provisions

Miscellaneous provisions and tax provisions were at the required settlement amount. Provisions with a term of more than one year were generally calculated using the settlement amount pursuant to Section 253 (1) sentence 2 HGB after adjusting for future price and cost increases. The price and cost increases are based on the inflation rate and were deemed to be 1.5% over the respective term of the provision. The interest rate used for discounting miscellaneous provisions is equal to the average interest rate of the last seven years published by the Deutsche Bundesbank in accordance with the German Regulation on the Discounting of Provisions (RückAbzinsV) for an appropriate assumed remaining term. Gains or losses from applying or unwinding discounts, changes in the discount rate, or interest effects from a change in the estimated remaining term are reported as interest income and interest expense in other income or other expenses. The tax interest accrued up to the reporting date is reported under miscellaneous provisions. Tax provisions are recognised at the settlement amount; if they are non-current, they are compounded at an interest rate of 6.0% p.a. for interest periods until 31 December 2018 in accordance with IDS RS HFA 34 pursuant to Section 233a German Tax Code (AO). For interest periods from 1 January 2019 onwards, in accordance with the case law of the German Federal Constitutional Court the interest rate was determined anew at 1.8% p.a. In accordance with the expected term, the tax provisions were discounted using the Deutsche Bundesbank's discount rate.

## Provisions for phased retirement, social security, and anniversary bonuses

Legal obligations from phased retirement agreements in force on the reporting date consist of a provision equalling the present value of future top-up benefits (salary and additional pension contributions), compensation payments due to reduced pension claims and settlement arrears from work performed in advance by the employee after accounting for the employer's social security expenses. The provision is discounted based on the individual maturities using the interest rates published by the Deutsche Bundesbank in accordance with RückAbzinsV. The measurement also incorporates a salary trend of 2.5% p.a. Biometric factors are reflected in the measurement of the provision through a universal discount of 2.0%. Pledged pension liability insurance policies are measured at fair value, which is equal to cost minus the phased retirement obligations since they are cover assets pursuant to Section 285 (25) HGB in conjunction with Section 246 (2) sentence 2 HGB. The fair value comprises the actuarial reserve plus irrevocable profit participation commitments.

The provisions for social security and for anniversary bonuses were calculated at the settlement amount required under Section 253 (1) sentence 2 HGB using the Heubeck 2018 G mortality tables, interest rate of 0.83%, according to the projected unit credit method. Fluctuation and future salary increases were taken into account.

## Deposits retained from ceded reinsurance business and other liabilities

Deposits retained and other liabilities are carried at their settlement amount.

**Currency translation**

All business transactions are recorded in the original currency and translated into euros at the ECB's mean spot exchange rate for the relevant day. We follow the economic principle of congruent coverage for each currency.

We translate the balance sheet items related to foreign insurance business into euros at the ECB's mean spot exchange rates on the reporting date. The corresponding expenses and income are recognised in the income statement at the applicable ECB mean spot exchange rate on the settlement date.

We generally measure capital investments in foreign currencies using item-by-item measurement rules and the lower-of-cost-or-market principle. They are subsequently measured using the ECB's mean spot exchange rate.

Bank balances denominated in foreign currency are measured at the ECB's mean spot exchange rate on the reporting date.

For remaining terms of one year or less, the gains and losses from the translation are recognised in net profit or loss in accordance with Section 256a HGB.

The actuarial translation gains or losses are reported in the general part of the income statement under other income and other expenses.

Exchange rate gains and losses for investments in foreign currency are reported under income from write-ups and gains on the realisation of investments or write-downs and losses on the realisation of investments.

Exchange rate gains and losses from current bank balances in foreign currency are reported under other income and other expenses.

**Accrual accounting of income and expenses**
Non-group reinsurance acceptance business is recognised in the year after the transaction takes place since the information required to prepare the financial statements for the current accounting year is not provided by the ceding insurers before the financial statements are prepared. Business acquired from affiliated companies is recognised in the reporting year. Due to the delay in posting the related entries, premium income of € 1.0 million (previous year: € 1.2 million) was recognised for 2021 in the 2022 reporting year.

# Asset disclosures

## B. Capital investments

Changes in capital investments are shown in the notes under individual asset disclosures.

### I. Land, land rights and buildings including buildings on third-party land (1)

As of the reporting date, our real estate comprises four (previous year: four) plots of land with a carrying amount of € 458.2 million (previous year: € 413.7 million), € 447.2 million (previous year: € 392.8 million) of which relates to W&W Campus.

No properties were acquired or sold in the reporting year.

The useful lives of the properties are between 40 and 50 years.

### II. Capital investments in affiliated companies and participating interests (2)

The disclosures on participating interests are shown in the "List of shareholdings" table in accordance with Section 285 (11) HGB in conjunction with Section 271 (1) HGB. The list includes all the companies in which W&W AG holds at least 5.0% of the shares.

### III. Other investments

#### 1. Shares, units or shares in investment funds and other non-fixed-income securities (3)

| In € thousand | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Shares, units or shares in investment funds and other non-fixed-income securities | 892,271 | 904,984 |
| **Total** | **892,271** | **904,984** |

#### 3. Other loans (4)

| In € thousand | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Registered bonds | 102,441 | 84,446 |
| Promissory notes and loans | 141,062 | 129,273 |
| **Total** | **243,503** | **213,719** |

## 4. Deposits with credit institutions (5)

At the end of the reporting year, we had overnight and term deposits of € 79.3 million (previous year: € 135.0 million), of which € 66.1 million (previous year: € 119.5 million) were invested with affiliated companies.

## Fair value of investments

### Valuation reserves

| | Carrying amount | Fair value | Valuation reserves[1] | Carrying amount | Fair value | Valuation reserves[1] |
|---|---|---|---|---|---|---|
| In € thousand | 31.12.2022 | 31.12.2022 | 31.12.2022 | 31.12.2021 | 31.12.2021 | 31.12.2021 |
| Land, land rights and buildings including buildings on third-party land | 458,213 | 458,213 | – | 413,670 | 413,670 | – |
| Shares in affiliated companies | 1,399,375 | 3,475,933 | 2,076,558 | 1,345,592 | 3,305,936 | 1,960,344 |
| Loans to affiliated companies | 517,500 | 510,345 | – 7,155 | 432,250 | 460,462 | 28,212 |
| Participating interests | 20,615 | 25,548 | 4,933 | 20,523 | 27,713 | 7,190 |
| Shares, units or shares in investment funds and other non-fixed-income securities | 892,271 | 931,463 | 39,192 | 904,984 | 1,008,871 | 103,887 |
| Bearer bonds and other fixed-income securities | 436,075 | 334,432 | – 101,643 | 443,652 | 452,195 | 8,543 |
| Registered bonds | 102,441 | 98,880 | – 3,561 | 84,446 | 92,437 | 7,991 |
| Promissory notes and loans | 141,062 | 127,729 | – 13,333 | 129,273 | 134,541 | 5,268 |
| Deposits with credit institutions | 79,264 | 78,721 | – 543 | 135,043 | 135,077 | 34 |
| Other investments | 87 | 87 | – | 87 | 87 | – |
| Deposits from reinsurance accepted | 847 | 847 | – | 1,651 | 1,651 | – |
| **Total** | **4,047,750** | **6,042,198** | **1,994,448** | **3,911,171** | **6,032,640** | **2,121,469** |
| **As % of carrying amount of all investments** | | | **49.27** | | | **54.24** |

1 Net view, total from valuation reserves and hidden liabilities.

| The figures provided above include the following amounts for securities serving a long-term investment: | Carrying amount | Fair value | Hidden liabilities | Carrying amount | Fair value | Hidden liabilities |
|---|---|---|---|---|---|---|
| In € thousand | 2022 | 2022 | 2022 | 2021 | 2021 | 2021 |
| Shares, units or shares in investment funds and other non-fixed-income securities | 2,970 | 2,970 | - | - | - | - |
| Bearer bonds and other fixed-income securities | 410,838 | 309,197 | 101,656 | - | - | - |
| **Total** | **413,808** | **312,167** | **101,656** | **-** | **-** | **-** |

## Section 285 (18) HGB - disclosures on investments shown above their fair value

On loans to affiliated companies with a carrying amount of €303,000.0 thousand, write-downs of € 8,921.8 thousand were not taken, as this impairment is only temporary.

For bearer bonds of €410,190.6 thousand write-downs of €101,656.3 thousand were avoided. This was due to the fact that the impairment is induced only by interest rates and is expected to be only temporary due to the issuer rating. The securities are held on a long-term basis to ensure redemption at nominal value.

With other loans in the form of registered bonds and promissory note loans, with a carrying amount of € 215,561.4 thousand these items have a market value €17,263.3 thousand below the carrying amount. No write-downs were taken due to the fact that the impairment is induced only by interest rates and is expected to be only temporary due to the issuer rating. It is expected that interest and principal payments will be made as scheduled.

On deposits with credit institutions with a carrying amount of €73,164 thousand, write-downs of € 543 thousand were not taken, as this impairment is only temporary.

## Section 285 (19) HGB - disclosures on derivative financial instruments not recognised at fair value

| Derivative financial instrument / classification | Type | Nominal amount | Fair value | Measurement method used | Carrying amount and balance sheet item[1] |
|---|---|---|---|---|---|
| | | In € thousand | In € thousand | | In € thousand |
| Share / index-related transactions | Option OTC | 73 | 1,238 | Option price model | 622 |
| Currency-related transactions | Forward exchange contract | 85,536 | 19 | Discounted cash flow method | – 3 |

1 The derivatives are pending transactions not recognized for accounting purposes. Paid option premiums are an exception. The negative balance sheet items relate to the loss provision recognised.

Derivatives are the focus of this table if their carrying amount does not equal the fair value on the reporting date. Derivatives are transactions to be settled at a future date whose value is determined by the change in the value of an underlying object under the contractual conditions. They cost little to nothing to acquire.

If the carrying amount of a derivative corresponds to the fair value on the reporting date, it is nevertheless included in the table if the recognised value is based on the imparity principle or results from the recognition of a loss provision.

## Disclosures according to Section 285 (26) HGB: shares, units or shares in investment funds

| Fund name | Investment target | Certificate value according to Section 36 InvG | Carrying amount | Difference to carrying amount | Distribution made for the financial year |
|---|---|---|---|---|---|
| | | In € thousand | In € thousand | In € thousand | In € thousand |
| LBBW AM-76 | Mixed fund (up to 70% shares) | 312,062 | 312,062 | – | – |
| LBBW AM-EMB3 | Bond fund | 108,021 | 108,004 | 17 | – |
| LBBW AM-W&W AG Corporate Bonds fund | Bond fund | 80,755 | 80,755 | – | – |
| LBBW AM-USD CORP.BD FDS 3 | Bond fund | 46,923 | 46,923 | – | 1,648 |
| W&W Flexible Point & Figure | Mixed fund (up to 70% shares) | 39,310 | 39,310 | – | – |
| LBBW AM-US Municipals 2 | Bond fund | 26,514 | 26,514 | – | 1,092 |
| W&W Flexible Premium II Fund B | Mixed fund (up to 70% shares) | 14,833 | 14,833 | – | – |
| Do-RM Special Situations Total Return | Mixed fund (up to 70% shares) | 5,273 | 5,026 | 247 | 27 |

All funds have no restrictions on daily redemptions or on full redemption of unit certificates on three months’ notice.

## C. Receivables

### II. Other receivables (6)

| In € thousand | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Receivables from accounting transactions with affiliated companies and with investees and investors | 25,289 | 89,389 |
| Receivables from profit and loss transfer agreements | 144,171 | 160,102 |
| Tax office receivables | 45,742 | 1,909 |
| Assets pledged, transferred or deposited as security[1] | 7,927 | 7,664 |
| Miscellaneous other receivables | 1,528 | 332 |
| **Total** | **224,657** | **259,396** |

1 Of which pension liability insurance policies at affiliated companies to secure pension obligations against insolvency €7,927.0 thousand (previous year: €7,664.0 thousand).

**Remaining terms of receivables**
Receivables with a remaining term of more than one year amount to € 7,927.0 thousand and relate to receivables from pension liability insurance policies for pension commitments.

## E. Deferred assets

### II. Other deferred assets (7)

The item contains a discount of € 2,515.3 thousand (previous year: € 2,649.7 thousand) from subordinated liabilities and a premium from the purchase of registered bonds of € 1,027.7 thousand (previous year: € 0.4 thousand).

## F. Excess of plan assets over pension liabilities (8)

Assets that serve to cover debts arising from retirement benefit obligations or similar long-term obligations and that are inaccessible to all other creditors must be offset against the provisions for these obligations. If the fair value of these assets exceeds the carrying value of the provisions, an “excess of plan assets over pension liabilities” item must be shown on the assets side of the balance sheet. Offsetting claims from pension liability insurance policies of € 2.6 million (previous year: € 2.3 million) against the portions of the phased retirement provisions used for outstanding settlement amounts of € 1.0 million (previous year: € 1.0 million) in accordance with Section 246 (2) sentence 3 HGB yields an excess of plan assets over pension liabilities of € 0.9 million (previous year: € 1.0 million).

# Liability disclosures

## A. Equity

### Employee share ownership programme

Another employee share ownership programme was implemented in the first half of 2022 under which all eligible employees of W&W Group companies were able to purchase up to 40 (previous year: 40) shares at a discounted price of € 13.50 each (previous year: € 13.20). The discount amounted to € 5.00 (previous year: € 5.00). Employees are obliged to hold these shares for at least three (previous year: three) years (vesting period). The purchase price was fixed at the XETRA closing price on 28 March 2022.

In addition to issuing 78,634 treasury shares, another 41,000 treasury shares were bought on the market and issued. Employees acquired a total of 85,974 (previous year: 82,787) employee shares in exchange for paying the purchase price. This translates into € 0.4 million or 0.09 % of the relevant share capital. W&W AG thus still held 34,632 (previous year: 79,966) treasury shares on 31 December 2022, which accounted for € 181,125.36 of the share capital (0.40%). These shares are to be used for further employee share ownership programmes.

### Number of shares outstanding

| | 2022 | 2021 |
|---|---|---|
| **As of 1 January** | 93,669,754 | 93,734,468 |
| Repurchase for employee share ownership programme | - 41,000 | - 147,501 |
| Issue to employees | 85,974 | 82,787 |
| Sale on the stock exchange | 360 | – |
| **As of 31 December** | **93,715,088** | **93,669,754** |

## I. Share capital (9)

According to the Articles of Association the share capital remains at € 490.3 million), divided into 93,749,720 fully paid-up no-par value registered shares, each representing a pro rata notional value of € 5.23 of the share capital. Of this amount there are 34,632 no-par value treasury shares (€ 0.4 million). These were acquired in the context of implementing the employee share ownership programme. This results in share capital of € 490.1 million.

Legally, they are ordinary shares.

They confer voting and dividend rights, the right to a share in the liquidation proceeds and subscription rights. They are not subject to preferential rights or restrictions.

### Share capital

| | In € thousand |
|---|---|
| **As of 31.12.2021** | 489,893 |
| Purchase: 41,000 treasury shares (Ø purchase price: € 17.26) | - 214 |
| Sale to employees: 85,974 treasury shares (selling price: € 13.50) | 449 |
| Sale on the stock exchange: 360 treasury shares (selling price: € 17,80) | 2 |
| **As of 31.12.2022** | **490,130** |

## II. Capital reserve (10)

The capital reserve is € 993.7 million (previous year: € 993.5 million) on the reporting date and consists of the premium from the capital contribution of € 271.9 million (previous year: € 271.9 million) and other additional payments of € 725.9 million (previous year: € 725.9 million), less € 4.1 million (previous year: € 4.3 million) for the net shortfall obtained by deducting the notional value from the difference between the acquisition costs and sales proceeds of the treasury shares over multiple years.

### Capital reserve

| | In € thousand |
|---|---|
| **As of 31.12.2021** | 993,468 |
| Purchase: 41,000 treasury shares (Ø purchase price: € 17.26) | - 493 |
| Sale to employees: 85,974 treasury shares (selling price: € 13.50) | 711 |
| Sale on the stock exchange: 360 treasury shares (selling price: € 17,80) | 5 |
| **As of 31.12.2022** | **993,691** |

## III. Retained earnings (11)

Retained earnings increased from € 513.6 million to € 569.6 million due to the allocation of € 16.0 million from the net retained profits of 2021 and the allocation of € 40.0 million from the net profit of 2022 approved by the Annual General Meeting.

### Retained earnings

| | In € thousand |
|---|---|
| **As of 31.12.2021** | 513,577 |
| Allocation by the Annual General Meeting from the net profit of 2021 | 16,000 |
| Allocation from net income of 2022 | 40,000 |
| **As of 31.12.2022** | **569,577** |

## IV. Net retained profits (12)

Net retained profits are € 80.0 million (previous year: € 77.6 million). They include retained profits brought forward from the previous year of € 0.7 million (previous year: € 0.9 million).

### Proposal on the appropriation of net retained profits

Net retained profits are € 80,048,104.42. We request that they be used as follows:

| In € | 31.12.2022 |
|---|---|
| €0.65 dividend per no-par value share | 60,914,807.20 |
| Allocation to other revenue reserves | 19,000,000.00 |
| Profit brought forward to new account | 133,297.22 |
| **Total** | **80,048,104.42** |

The proposal for the appropriation of net retained profits considers the 34,632 treasury shares held directly by the company on 31 December 2022, which are not entitled to dividends pursuant to Section 71b AktG. The number of participating shares may change by the time of the Annual General Meeting. In this case, an updated proposal for a resolution on the appropriation of net retained profits will be submitted to the Annual General Meeting containing updated amounts for the total amount distributed and the profit carried forward with an unchanged distribution of € 0.65 per participating no-par value share.

## B. Subordinated liabilities (13)

In September 2021, W&W AG issued a subordinated bond with a value of € 300.0 million and a maturity of 20 years. The issue price was 99.103%. The subordinated bond carries an interest rate of 2.125% for the first ten years and a variable interest rate thereafter.

## C. Other provisions

### I. Provisions for pensions and similar obligations (14)

The pension provisions for eight (previous year: eight) subsidiaries are reported here in addition to the pension provisions for Wüstenrot & Württembergische AG and employees of the former Württembergische Feuerversicherung AG and Gemeinschaft der Freunde Wüstenrot GmbH. Wüstenrot & Württembergische AG assumed joint liability for the pension commitments of these companies in return for a one-time compensation payment amounting to the net present value at the time and agreed in a contract with these companies to fulfil their pension obligations. The income and expense from the change in these pension obligations is settled with the subsidiaries in cash every year. Pension provisions are € 1,196.9 million (previous year: € 1,169.0 million) on the reporting date. This amount includes the offset capitalised value from pension liability insurance policies of € 4.7 million (previous year: € 4.9 million).

### III. Miscellaneous provisions (15)

| In € thousand | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Partial retirement | 1,599 | 1,609 |
| Expenses for the annual financial statements | 1,515 | 2,307 |
| Annual leave obligations and flexitime credits | 2,417 | 2,457 |
| Bonuses and management commissions | 5,935 | 5,144 |
| Outstanding invoices from goods and services relating to property | 4,002 | 1,237 |
| Expenses for deferred maintenance relating to property | 235 | 62 |
| Employee anniversary obligations | 241 | 239 |
| Legal risks | 11 | 2,800 |
| Interest expenses according to Section 233a AO | 1,954 | 2,216 |
| Provisions for guarantees | 461 | 691 |
| Contributions to occupational health and safety agency, handicapped compensation levy et al | 1,112 | 3,476 |
| Derivatives | 3 | 37 |
| **Total** | **19,485** | **22,275** |

Miscellaneous provisions also include benefits for phased retirement. This item includes the portion of the provision that is not funded in an insolvency-remote manner by a pension liability insurance policy. They are netted against pledged pension liability insurance policies for the credit balance from phased retirement agreements, which are inaccessible to all other creditors and serve exclusively to fulfil debts from these phased retirement obligations. The same procedure is followed for the expenses and income from discounting the obligations and from the netted assets. The pledged pension liability insurance policies are recognised at fair value. The fair value comprises the actuarial reserve plus irrevocable profit participation commitments.

Benefits for phased retirement as of 31 December are calculated as follows:

| In € thousand | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Settlement amount of the vested claims | 3,354 | 2,563 |
| Of which with nettable pension liability insurance policies | 1,755 | 954 |
| **Recognition** | **1,599** | **1,609** |

## D. Deposits retained from ceded reinsurance business (16)

Deposits retained have an indefinite term. The term can be longer than five years depending on the individual claims experience and the terms available in the capital market.

## E. Other liabilities

### II. Miscellaneous liabilities (17)

| In € thousand | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Loans taken out from affiliated companies | 75,000 | 79,500 |
| Liabilities from profit and loss transfer agreements | 4,127 | 2,789 |
| Accrued interest for subordinated bond | 1,974 | 1,974 |
| Trade payables | 445 | 909 |
| Liabilities from accounting transactions with affiliated companies | 680 | 475 |
| Taxes | 1,359 | 146 |
| Miscellaneous other liabilities | 7,611 | 2,483 |
| **Total** | **91,196** | **88,276** |

**Remaining terms of miscellaneous liabilities**
The item comprises liabilities of € 90,535.0 thousand that have a remaining term of one year or less. There were no liabilities with a remaining term of more than five years.

## F. Deferred liabilities (18)

This includes discounts and interest accruals of € 0.0 thousand (previous year: € 2.0 thousand).

# Income statement disclosures

## Technical account

### 2. Income from technical interest, net of reinsurance (19)

Pursuant to Section 38 RechVersV, this item is used to report interest on pension reserves and provisions for future policy benefits after deducting the reinsurers' share. The item also includes the interest on the provision for future policy benefits for reinsurance acceptances on life insurance business.

### 4. Claims incurred, net of reinsurance

**b) Change in the provision for outstanding insurance claims (20)**
Reversing the provision for outstanding insurance claims that was assumed from the previous financial year resulted in gains of € 11.3 million (previous year: gains of € 24.4 million). The gains mainly stemmed from the fire (€ 7.3 million), other insurance (€ 6.8 million), liability (€ 6.5 million) and casualty (€ 1.0 million) lines. Run-off losses mainly stemmed from the other property insurance (€ 8.7 million), auto (€ 5.7 million), casualty (€ 1.6 million) and fire (€ 0.5 million) lines.

### 6. Net operating expenses (21)

Gross operating expenses amounted to € 154.4 million (previous year: € 141.8 million), of which € 154.0 million (previous year: € 141.4 million) was for profit shares and commissions and € 0.4 million (previous year: € 0.4 million) for general administrative expenses.

# II. Non-technical account

## 1. Investment income

### b) Income from other investments (22)

| In € thousand | 2022 | 2021 |
|---|---|---|
| Land, land rights and buildings including buildings on third-party land | 9,019 | 8,684 |
| Other investments | 32,305 | 30,364 |
| **Total** | **41,324** | **39,048** |

### c) Income from write-ups (23)

Write-ups include exchange rate gains of € 730.2 thousand (previous year: € 877.7 thousand). The breakdown of the item is described in the notes under “Individual asset disclosures”.

### d) Gains on the realisation of investments (24)

| In € thousand | 2022 | 2021 |
|---|---|---|
| Participating interests | 3,964 | 168 |
| Shares, units or shares in investment funds and other non-fixed-income securities [1] | 8,281 | 194 |
| Bearer bonds and other fixed-income securities[2] | 109 | 409 |
| Deposits with credit institutions[3] | 88 | 197 |
| Other investments | 85 | – |
| **Total** | **12,527** | **968** |

1 Of which exchange rate gains €2,016.8 thousand (previous year: € 183.1 thousand).
2 Of which exchange rate gains: € 1,9 thousand (previous year: € 215.0 thousand).
3 Of which exchange rate gains: € 87,6 thousand (previous year: € 196.5 thousand).

In the financial year, as gain of € 8.3 million was realised with the sale of alternative investment funds.

## 2. Investment charges

### b) Value adjustments on investments (25)

Value adjustments on investments include write-downs according to Section 253 (3) sentences 5 and 6 and (4) in conjunction with Section 277 (3) sentence 1 HGB. They break down as follows:

| In € thousand | 2022 | 2021 |
|---|---|---|
| Land, land rights and buildings including buildings on third-party land | – | 2,971 |
| Shares in affiliated companies and participating interests | – | 22 |
| Shares, units or shares in investment funds and other non-fixed-income securities | 61,813 | 2,158 |
| Bearer bonds and other fixed-income securities | 7,883 | 10,016 |
| Other loans | 16 | 19 |
| Deposits with credit institutions | 13 | – |
| **Total** | **69,725** | **15,186** |

Amounts at affiliated companies and participating interests and land all relate to balance sheet items reported as fixed assets. Of the shares, units or shares in investment funds € 129.7 thousand is to be allocated to balance sheet items reported as fixed assets. Of the shares, units or shares in investment funds € 69,725.2 thousand is to be allocated to balance sheet items measured as current assets.

Currency write-downs of € 56.2 thousand were recorded in 2022.

### c) Losses on the realisation of investments (26)

| In € thousand | 2022 | 2021 |
|---|---|---|
| Land, land rights and buildings including buildings on third-party land | 219 | – |
| Shares in affiliated companies | – | 87 |
| Participating interests | 7,543 | 2,257 |
| Shares, units or shares in investment funds and other non-fixed-income securities [1] | 1,317 | 92 |
| Bearer bonds and other fixed-income securities[2] | 13 | 372 |
| **Total** | **9,092** | **2,808** |

1 Of which exchange rate losses € 0.0 thousand (previous year: € 92.2 thousand).
2 Of which exchange rate losses € 0.2 thousand (previous year: € 0.0 thousand)

## 4. Other income (27)

The main items included here are:

| In € thousand | 2022 | 2021 |
|---|---|---|
| Income from services to affiliated companies and participating interests | 58,731 | 55,934 |
| Interest income from taxes | 2,692 | 9,264 |
| Income from post-employment benefits and phased retirement | 1,934 | 2,118 |
| Exchange rate gains[1] | 321 | 598 |
| Reversal of other provisions | 3,396 | 3,345 |
| **Total** | **67,074** | **71,259** |

1 Of which exchange rate gains realised € 3.1 thousand (previous year: € 563.1 thousand).

## 5. Other expenses (28)

The position includes the following material items:

| In € thousand | 2022 | 2021 |
|---|---|---|
| Administrative expenses | 108,520 | 100,664 |
| of which: expenses affiliated companies and participating interests for services | 58,731 | 55,934 |
| Interest expenses | 21,077 | 26,110 |
| of which: interest on current accounts resulting from joint liability for pension provisions | 8,852 | 11,184 |
| of which: interest expenses from pension provisions | 4,881 | 12,584 |
| of which: interest expenses on subordinated capital | 6,375 | 1,974 |
| of which: interest expenses from unwinding the discount on provisions | 14 | 17 |
| Increase of general valuation allowance from reinsurance shares | – | 3,054 |
| Post-employment benefit costs | 2,108 | 2,133 |
| Negative interest | 52 | 95 |
| Exchange rate expenses | 1,129 | 1,127 |
| **Total** | **132,886** | **133,183** |

In relation to phased retirement agreements, expenses of € 5.4 thousand (previous year: € 4.0 thousand) from unwinding discounts on the assets being offset and income of € 52.9 thousand (previous year: € 43.5 thousand) from applying discounts were offset against each other in accordance with Section 246 (2) sentence 2 HGB. Likewise, expenses of € 4,881.0 thousand (previous year: € 12,584.0 thousand) from unwinding discounts on pension provisions and income of € 103.2 thousand (previous year: € 106.2 thousand) from applying discounts to the capitalised values of pension liability insurance policies were offset against each other in accordance with Section 246 (2) sentence 2 HGB.

## 7. Income taxes (29)

Income taxes were € 0.2 million (income) (previous year: € 55.3 million (expenses)) in the financial year.
The decrease in tax expenses in the financial year is mainly due to non-taxable income.

Deferred tax assets and liabilities result from different carrying amounts under commercial and tax law for land, land rights and buildings from shares, units or shares in investment funds and other non-fixed-income securities, the provision for outstanding insurance claims and provisions for pensions. Deferred taxes were calculated using a tax rate of 30.36%. Expected future tax charges and tax benefits are netted against each other when calculating deferred tax amounts. In exercising the option granted in Section 274 (1) sentence 2 HGB, any excess deferred tax assets left after netting are not recognised in the balance sheet.

# Other mandatory disclosures

## Mandates

Memberships in supervisory boards required by law and in comparable domestic and foreign supervisory bodies (disclosures pursuant to Section 285 (10) HGB):

a) Group mandates on domestic supervisory boards required by law
b) Third-party mandates on domestic supervisory boards required by law
c) Mandates on comparable supervisory bodies

### Members of the Supervisory Board of W&W AG

**Hans Dietmar Sauer, Chairman**
(until 31 August 2022)
Former Chairman of the Executive Board
Landesbank Baden-Württemberg
Former Chairman of the Executive Board
Landeskreditbank Baden-Württemberg

**Dr. Michael Gutjahr, Chairman**
(as of 1 September 2022)
Former member of the Executive Board
Wüstenrot & Württembergische AG
Wüstenrot Bausparkasse AG
Württembergische Versicherung AG
Württembergische Lebensversicherung AG

**Frank Weber, Deputy Chairman**[1]
Chairman of the Works Council
Württembergische Versicherung AG/Württembergische Lebensversicherung AG, Karlsruhe location
Chairman of the Group Works Council
a) Württembergische Lebensversicherung AG, Stuttgart

**Jutta Eberle**[1]
Insurance employee
Württembergische Versicherung AG

**Dr Frank Ellenbürger**
Auditor and tax advisor

**Prof. Dr Nadine Gatzert**
Chair of Insurance Economics and Risk Management
at the Friedrich Alexander University Erlangen/Nuremberg
b) Nürnberger Beteiligungs-AG, Nuremberg
Nürnberger Lebensversicherung AG, Nuremberg

**Dr Reiner Hagemann**
Former Chairman of the Executive Board
Allianz Versicherungs-AG
Former member of the Executive Board
Allianz AG

**Jochen Höpken**[1]
Task Group Chair
ver.di United Services Union
b) ATRUVIA AG, Karlsruhe (until 30 June 2022)

**Ute Kinzinger**[1]
Chairwoman of the Works Council
W&W Informatik GmbH
a) W&W Informatik GmbH, Ludwigsburg, Deputy Chairwoman

**Corinna Linner**
Linner Wirtschaftsprüfung
Managing Director Bankhaus von der Heydt GmbH & Co. KG (until 28 February 2023)
b) Donner & Reuschel AG, Munich/Hamburg
SIGNAL IDUNA Bauspar AG, Hamburg

**Marika Lulay**
(until 9 August 2022)
Chief Executive Officer (CEO) and Managing Director and
Member of the GFT Technologies SE Advisory Board
b) EnBW Energie Baden-Württemberg AG, Karlsruhe

**Bernd Mader**[1]
Head of Customer Service -Cross-Functional Operations Functions
Württembergische Versicherung AG

**Andreas Rothbauer**[1]
Chairman of the Works Council
Wüstenrot Bausparkasse AG
a) Wüstenrot Bausparkasse AG, Kornwestheim

**Dr. Wolfgang Salzberger**
(as of 1 September 2022)
Chief Financial Officer (CFO) and
member of the ATON GmbH management

**Hans-Ulrich Schulz**
(until 31 August 2022)
Former member of the Executive Board
Wüstenrot Bausparkasse AG

**Christoph Seeger**[1]
Chairman of the Works Council
Wüstenrot Bausparkasse AG, Kornwestheim location
a) Wüstenrot Bausparkasse AG, Kornwestheim, Deputy Chairman

**Jutta Stöcker**
Former member of the Executive Board
RheinLand-Versicherungsgruppe
b) RheinLand Versicherungs AG, Neuss
RheinLand Holding AG, Neuss

**Susanne Ulshöfer**[1]
Deputy Chairwoman of the Works Council
Wüstenrot Bausparkasse AG, Kornwestheim location
a) Wüstenrot Bausparkasse AG, Kornwestheim

**Edith Weymayr**
(as of 1 September 2022)
Chairwoman of the Executive Board
Landeskreditbank Baden-Württemberg – Förderbank (L-Bank)
c) Baden-Württemberg International - Gesellschaft für internationale wirtschaftliche and wissenschaftliche Zusammenarbeit mbH (bw-i), Stuttgart

1 Employee representatives

Jürgen A. Junker, Chair

**Group Legal, Group Audit, Communication, Group Development (strategy, M&A, strategic brand management and corporate identity, customer data) and Operational Organisation**

a)

a) Württembergische Lebensversicherung AG, Kornwestheim, Chairman
Württembergische Versicherung AG, Kornwestheim, Chairman
Wüstenrot Bausparkasse AG, Kornwestheim, Chairman

c) Wüstenrot Wohnungswirtschaft reg. Gen. m.b.H., Salzburg (until 29 June 2022)

**Alexander Mayer**

Group Accounting, Financial Management/Asset Allocation, Financial Services, Retained Organisation

c) BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart, Deputy Chairman of the Supervisory Board

**Jürgen Steffan**

Risk and Compliance (money laundering/securities compliance), Group Controlling, Cost Controlling, Group Personnel

a) Württembergische Krankenversicherung AG, Kornwestheim, Deputy Chairman
W&W Informatik GmbH, Ludwigsburg, Chairman

b) V-Bank AG, Munich, Chairman
EUWAX AG, Stuttgart

c) Vereinigung Baden-Württembergische Wertpapierbörse e.V., Stuttgart, Deputy Chairman of the Executive Committee

**Jens Wieland**

Enterprise IT Management, Customer Data Protection and Operational Security

# Supplemental disclosures

## Contingencies and other financial commitments

As a member of the pharmaceutical reinsurance pool, we have to assume our 1.41% portion of another pool member's payment obligation if that member defaults. The pool currently has a total volume of € 106.7 million. No provision was made for this contingency because we have no doubts about the current named pool members' creditworthiness and so do not expect the company's obligation to be invoked.

In a release and hold harmless agreement dated 20 October 1993, Württembergische Versicherung AG assumed the risk from the contract signed by W&W AG through a London broker. This is why Württembergische Versicherung AG shows provisions for outstanding insurance claims of € 22.5 million. W&W AG is outwardly liable to third parties for these obligations. Württembergische Versicherung AG has sufficient reserves from today's perspective. It therefore appears unlikely that W&W AG will be held liable. The debtor's credit rating means that no liability claim is expected.

Wüstenrot Bausparkasse AG would like to obtain security from W&W AG for any loans that have been granted for housing purposes and are not secured by property. W&W AG extended a guarantee to Wüstenrot Bausparkasse AG for the receivables from the loans in place at the time the contract was concluded. The guarantee is reduced as the loan principal is repaid. The volume of the guarantee was € 11.8 million on the reporting date, after accounting for the provisions for guarantees (€ 0.5 million). The guarantee is not expected to be additionally enforced, judging from Wüstenrot Bausparkasse AG's assessment of the borrowers' creditworthiness.

W&W AG has assumed an unconditional, unlimited, directly enforceable guarantee up to € 10.0 million to WISAG Facility Management Süd-West GmbH & Co. KG under a staff transfer agreement between W&W Service GmbH and WISAG Facility Management Süd-West GmbH & Co. KG. This guarantee applies to the fulfilment of all existing and future financial liabilities of W&W Service GmbH under this staff transfer agreement. The guarantee is not expected to be called due to the debtor's credit rating.

Outstanding call obligations for equity and fund investments received amounted to € 118.0 million on the reporting date.

W&W AG had financial obligations of around € 5.2 million as of the reporting date resulting from contracts signed for the first and second stage of W&W Campus, the new construction project.

We expect compensation payments of € 5.6 million to start-ups from start-up losses under existing control and profit and loss transfer agreements in the next three years. Profits are expected in the medium term.

Expenses of € 33.1 million are expected for intra-group services in the coming financial year.

Based on what we know today, we assume that, as in the past, the company will not incur any additional expenses from the risk of being held liable for the listed contingencies in the future.

## Authorised capital

Under Article 5 (5) of the Articles of Association of W&W AG, the Executive Board is authorised, with the consent of the Supervisory Board, to increase the share capital of the company by issuing new no-par value registered shares for cash and/or non-cash contributions on one or more occasions until 24 May 2027. The total increase may not exceed € 100.0 million. The shareholders have a statutory subscription right.

## Contingent capital

The Annual General Meeting resolved on 25 May 2022 to authorise the Executive Board to issue bonds with warrants, convertible bonds, participation rights, participating bonds or a combination of these instruments until 24 May 2027. Article 5 (6) of the Articles of Association stipulates that the share capital of W&W AG is contingently increased by up to a nominal amount of € 240,000.0 thousand, divided into no more than 45,889,102 no-par value registered shares.

## German Corporate Governance Code

The Executive Board and Supervisory Board of our company have issued the declaration of conformity with the German Corporate Governance Code in accordance with Section 161 AktG and have made it permanently available to shareholders on the W&W Group website at
www.ww-ag.com → Investor Relations → Publications → Further Publications. It is also included in the declaration on corporate governance in the annual report.

## Relationships with related parties

Transactions with related parties are conducted at arm’s length terms used in the market. Transactions with employees are conducted at arm’s length terms used in the market or industry.

The control and profit and loss transfer agreements concluded with Württembergische Versicherung AG, W&W Informatik GmbH, W&W Asset Management GmbH, W&W Service GmbH and W&W brandpool GmbH remain in effect.

## Group affiliation

Wüstenrot & Württembergische AG, Kornwestheim, is the parent company of the W&W Group. The consolidated financial statements of the W&W Group are published in the German Federal Gazette.

The company has received the following notices pursuant to Section 33 (1) WpHG:

| Company name | Domicile | Threshold crossed upward / downward | Reporting threshold | Date | Percentage voting rights held | Number of votes | Attribution in line with Section 22 WpHG |
|---|---|---|---|---|---|---|---|
| Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e. V. (attribution via Wüstenrot Holding AG, Ludwigsburg) | Ludwigsburg, Stuttgart | Downward | 50% | 17.8.2016 | 39.91% | 37,417,638 | Section 22 (1) sentence 1 no. 1 WpHG |
| Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e. V. (attribution via WS Holding AG, Stuttgart) | Ludwigsburg, Stuttgart | Upward | 25% | 17.8.2016 | 26.40% | 24,750,000 | Section 22 (1) sentence 1 no. 1 WpHG |
| Dr. Lutz Helmig (attribution via FS BW Holding GmbH) | Hallbergmoos, Germany | Upward | 10% | 11.12.2013 | 10.62% | 9,960,674 | Section 22 (1) sentence 1 no. 1 WpHG |

## Legal bases

Wüstenrot & Württembergische Aktiengesellschaft has its domicile in Kornwestheim and is entered in the Commercial Register of the Local Court of Stuttgart under number HRB 20203.

## Supplementary report

No events of particular importance for the assessment of the net assets, financial position and results of operations of Wüstenrot & Württembergische AG occurred after the end of the financial year and the preparation of the annual financial statements.

## Auditor’s fee

The fee for auditing services provided by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, , Stuttgart, covers the audit of the consolidated and annual financial statements of W&W AG as well as other permissible services directly caused by the audit. In addition, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, audited the annual financial statements and consolidated financial statements of various subsidiaries as well as statutory audits in accordance with the German Securities Trading Act, the German Insurance Supervision Act, the German Stock Corporation Act and other legal provisions.

The disclosures of the auditor’s fees are included in the consolidated financial statements of W&W AG. They are not disclosed at this point due to the group exemption set forth in Section 285 (17) HGB

## Employees

| Number[1] | 2022 | 2021 |
| --- | --- | --- |
| Employees | 532 | 541 |
| of which women | 281 | 287 |
| of which men | 251 | 254 |
| of which full time | 378 | 392 |
| of which part time | 154 | 149 |

1 Average number of employees in line with Section 285 (7) HGB.

## Remuneration of the Executive Board

The remuneration report required by Section 162 AktG is published at www.ww-ag.com/go/media/verguetungsbericht-2022. The following statements include the disclosures required by Section 285 (9) HGB.

The total remuneration was reviewed by the Supervisory Board and is commensurate with the duties and performance of the Executive Board members and the situation of the company.

The total remuneration of the members of the Executive Board for the performance of their duties in Wüstenrot & Württembergische AG amounted to € 2,779.5 thousand (previous year: € 2,890.8 thousand) in the reporting year.

No loans were granted to members of the Executive Board. No contingent liabilities were assumed for the benefit of the members of the Executive Board. No subscription rights or other share-based payments were granted to the Executive Board.

The total remuneration of former members of the Executive Board amounted to € 1,614.7 thousand (previous year: € 2,085 thousand) in the financial year, of which € 382.6 thousand (previous year: € 379.7 thousand) was for survivors' pensions.

Provisions totalling € 22,860.71 thousand (previous year: € 23,012.2 thousand) were recognised for pension obligations to former members of the Executive Board and their surviving dependents.

There were no further burdens for the company from payments to former members of the Executive Board, Supervisory Board and their surviving dependents in the form of severance payments, pensions, survivor's pensions or other related benefits in the financial year.

## Remuneration of the Supervisory Board

The Supervisory Board members of Wüstenrot & Württembergische AG received total remuneration of € 761.4 thousand (previous year: € 759.2 thousand) from the company for the 2022 financial year. Members of the Supervisory Board of Wüstenrot & Württembergische AG who left the company during the financial year received pro rata remuneration of € 128.3 thousand (previous year: € 16.2 thousand) from the company for the 2022 financial year.

Members of the Supervisory Board are reimbursed for expenses and any value-added tax levied on Supervisory Board remuneration (if subject to value-added tax). However, they are not included in the expenses mentioned.

Wüstenrot & Württembergische AG holds no receivables from members of the Supervisory Board arising for advances and loans granted.

There are no subscription rights or other share-based payments for members of the Supervisory Board in the W&W Group. No provisions for current pensions or future pension claims had to be made for members of the Supervisory Board or their surviving dependents.

The company did not pay any remuneration or grant any benefits to members of the Supervisory Board for personal services such as consulting or mediation services.

# Annex to the notes

## Individual asset disclosures

### Asset disclosures

| In € thousand | | | Balance sheet values 2021 | Additions | Reclassifications | Disposals | Write-ups | Depreciation, amortisation and write-downs | Balance sheet values 2022 |
|---|---|---|---|---|---|---|---|---|---|
| **B.** | **I.** | **Land, land rights and buildings including buildings on third-party land** | **413,670** | **58,184** | **–** | **219** | **–** | **13,422** | **458,213** |
| **B.** | **II.** | **Investments in affiliated companies and participating interests** | | | | | | | |
| 1. | Shares in affiliated companies | | 1,345,592 | 20,472 | – | – | 33,311 | – | 1,399,375 |
| 2. | Loans to affiliated companies | | 432,250 | 241,500 | – | 156,250 | – | – | 517,500 |
| 3. | Participating interests | | 20,523 | – | – 768 | 87 | 947 | – | 20,615 |
| 4. | Loans to long-term investees and investors | | – | – | – | – | – | – | – |
| **Total B. II.** | | | **1,798,365** | **261,972** | **– 768** | **156,337** | **34,258** | **–** | **1,937,490** |
| **B.** | **III.** | **Other investments** | | | | | | | |
| 1. | Shares, units or shares in investment funds and other non-fixed-income securities | | 904,984 | 109,444 | 768 | 61,517 | 405 | 61,813 | 892,271 |
| 2. | Bearer bonds and other fixed-income securities | | 443,652 | 4,473 | – | 4,167 | – | 7,883 | 436,075 |
| 3. | Other loans | | | | | | | | |
| | a) | Registered bonds | 84,446 | 28,000 | – | 10,000 | 11 | 16 | 102,441 |
| | b) | Promissory notes and loans | 129,273 | 13,606 | – | 1,817 | – | – | 141,062 |
| 4. | Deposits with credit institutions | | 135,043 | 15,130,247 | – | 15,186,743 | 730 | 13 | 79,264 |
| 5. | Other investments | | 87 | – | – | – | – | – | 87 |
| **Total B. III.** | | | **1,697,485** | **15,285,770** | **768** | **15,264,244** | **1,146** | **69,725** | **1,651,200** |
| **Total** | | | **3,909,520** | **15,605,926** | **–** | **15,420,800** | **35,404** | **83,147** | **4,046,903** |

## List of shareholdings

| | Direct share in capital in % | Indirect share in capital in %[3] | Currency | Reporting date | Equity[1] | Net income after taxes[1] |
|---|---|---|---|---|---|---|
| **Germany** | | | | | | |
| 3B Boden-Bauten-Beteiligungs-GmbH, Ludwigsburg | 100.00 | | € | 31.12.2021 | 65,977,807 | 1,356,250 |
| Adam Riese GmbH, Stuttgart[2] | | 100.00 | € | 31.12.2021 | 25,000 | – |
| Adveq Europe II GmbH, Frankfurt am Main | | 16.77 | € | 31.12.2021 | 910,266 | 35,058 |
| Adveq Opportunity II Zweite GmbH, Frankfurt am Main | | 29.31 | € | 31.12.2021 | 6,986,424 | 2,210,311 |
| Adveq Technology V GmbH, Frankfurt am Main | | 16.50 | € | 31.12.2021 | 4,208,911 | 4,167,822 |
| Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart | | 100.00 | € | 31.12.2021 | 95,390,553 | -9,565,087 |
| Altmark Versicherungsmakler GmbH, Stuttgart | | 100.00 | € | 31.12.2021 | 4,588,145 | 614,405 |
| Altmark Versicherungsvermittlung GmbH, Stuttgart | | 100.00 | € | 31.12.2021 | 664,861 | 135,715 |
| Asendorfer Kippe ASK GmbH & Co. KG, Stuttgart | | 100.00 | € | 31.12.2021 | 1,612,425 | -116,200 |
| Bausparkasse Wüstenrot Immo GmbH, Ludwigsburg | | 100.00 | € | 31.12.2021 | 108,077 | -244 |
| Beteiligungs-GmbH der Württembergischen, Stuttgart | | 100.00 | € | 31.12.2021 | 3,565,448 | 84,992 |
| BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart | | 35.00 | € | 31.12.2021 | 227,900,712 | 20,981,978 |
| BWK Holding GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart | | 35.00 | € | 31.12.2021 | 14,251,972 | 1,987,854 |
| City Immobilien GmbH & Co. KG der Württembergischen, Stuttgart | | 100.00 | € | 31.12.2021 | 83,388,615 | 293,448 |
| Deutscher Solarfonds “Stabilität 2010“ GmbH & Co. KG, Frankfurt am Main | | 17.77 | € | 31.10.2021 | 63,331,980 | 3,714,700 |
| Domus Beteiligungsgesellschaft der Privaten Bausparkassen mbH, Berlin | | 28.73 | € | 31.12.2021 | 27,910 | -2,196 |
| European Sustainable Power Fund No. 2 GmbH & Co. KG, Grünwald | 1.00 | 11.10 | € | 30.9.2021 | 332,675,000 | 13,358,000 |
| Feuersee Entwicklungsgesellschaft mbH & Co. KG, Kornwestheim | | 100.00 | | Founded 2022 | | |
| Ganzer GmbH & Co. KG, Stuttgart | | 100.00 | € | 31.12.2021 | 1,977,601 | 979,601 |
| Gerber GmbH & Co. KG, Stuttgart | | 100.00 | € | 31.12.2021 | 257,841,399 | -4,389,136 |
| GLL GmbH & Co. Messeturm Holding KG i.L., Munich | | 5.97 | € | 31.12.2021 | 64,145 | -39,854 |
| GMA Gesellschaft für Markt- and Absatzforschung mbH, Ludwigsburg | | 100.00 | € | 31.12.2021 | 1,442,884 | 167,430 |
| Immomio GmbH, Hamburg | | 14.34 | € | 31.12.2021 | 5,759,158 | -751,118 |
| IVB - Institut für Vorsorgeberatung Risiko- und Finanzierungsanalyse GmbH, Karlsruhe | | 100.00 | € | 31.10.2022 | 144,223 | 1,885 |
| IVZ Immobilien Verwaltungs GmbH & Co. Südeuropa KG i.L., Munich | | 10.00 | € | 31.12.2021 | 178,931 | -66,086 |
| Keleya Digital-Health Solutions GmbH, Berlin | | 17.53 | € | 31.12.2020 | 0 | -782,713 |
| Kinderheldin GmbH, Berlin | | 7.81 | € | 31.12.2021 | 0 | -691,255 |
| KLV BAKO Dienstleistungs-GmbH, Karlsruhe | | 94.90 | € | 31.12.2021 | 248,299 | 8,385 |
| KLV BAKO Vermittlungs-GmbH, Karlsruhe | | 78.60 | € | 31.12.2021 | 259,896 | 8,913 |
| Onshore Wind Portfolio 2012 GmbH & Co. KG, Frankfurt am Main | 4.41 | 16.31 | € | 31.8.2021 | 92,819,275 | 4,212,153 |
| V-Bank AG, Munich | | 15.34 | € | 31.12.2021 | 60,770,512 | 6,703,984 |
| VC Fonds Baden-Württemberg GmbH & Co. KG, Stuttgart | | 25.00 | € | 31.12.2021 | 1,071,639 | 254,730 |
| ver.di Service GmbH, Berlin | | 50.00 | € | 31.12.2021 | 195,443 | -1,437 |
| W&W Asset Management GmbH, Ludwigsburg[2] | 100.00 | | € | 31.12.2021 | 11,261,185 | – |

## List of shareholdings (continuation)

| Name and domicile of the company | Direct share in capital in % | Indirect share in capital in %[3] | Currency | Reporting date | Equity[1] | Net income after taxes[1] |
|---|---|---|---|---|---|---|
| W&W brandpool GmbH, Stuttgart[2] | 100.00 | | € | 31.12.2021 | 3,275,000 | – |
| W&W Informatik GmbH, Ludwigsburg[2] | 100.00 | | € | 31.12.2021 | 473,024 | – |
| W&W Interaction Solutions GmbH, Munich[2] | | 100.00 | € | 31.12.2021 | 3,382,560 | – |
| W&W Service GmbH, Stuttgart[2] | 100.00 | | € | 31.12.2021 | 100,153 | – |
| WHS Entwicklungs-GmbH, Kornwestheim | | 100.00 | | Founded 2022 | | |
| Windpark Golzow GmbH & Co. KG, Rheine | | 100.00 | € | 31.12.2021 | 0 | -160,207 |
| WL Erneuerbare Energien Verwaltungs GmbH, Stuttgart | | 100.00 | € | 31.12.2021 | 80,809 | 2,557 |
| WL Renewable Energy GmbH & Co. KG, Stuttgart | | 100.00 | € | 31.12.2021 | 110,463,551 | -1,304,389 |
| WL Sustainable Energy GmbH & Co. KG, Stuttgart | | 100.00 | € | 31.12.2021 | 106,805,487 | -1,046,151 |
| Württembergische Akademie GmbH, Stuttgart | | 100.00 | € | 31.12.2021 | 83,123 | 18,103 |
| Württembergische Immobilien AG, Stuttgart | | 100.00 | € | 31.12.2021 | 118,292,648 | 991,271 |
| Württembergische Kö 43 GmbH, Stuttgart | | 89.90 | € | 31.12.2021 | 22,797,480 | 524,264 |
| Württembergische Krankenversicherung AG, Kornwestheim | 100.00 | | € | 31.12.2021 | 54,348,122 | 6,200,000 |
| Württembergische Lebensversicherung AG, Kornwestheim | 94.89 | | € | 31.12.2021 | 511,511,724 | 20,000,000 |
| Württembergische Logistik I GmbH & Co. KG, Stuttgart | | 100.00 | € | 31.12.2021 | 15,117,313 | 1,611,738 |
| Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart | | 100.00 | € | 31.12.2021 | 75,907 | -585 |
| Württembergische Versicherung AG, Kornwestheim[2] | 100.00 | | € | 31.12.2021 | 392,563,107 | – |
| Württembergische Vertriebspartner GmbH, Stuttgart[2] | | 100.00 | € | 31.12.2021 | 74,481 | – |
| Württembergische Verwaltungsgesellschaft mbH, Stuttgart | | 100.00 | € | 31.12.2021 | 36,595 | 132 |
| Württfeuer Beteiligungs-GmbH, Stuttgart[4] | 100.00 | | € | 31.12.2021 | 59,659,128 | -38,440 |
| WürttLeben Alternative Investments GmbH, Stuttgart[2] | | 100.00 | € | 31.12.2021 | 198,025,000 | – |
| WürttVers Alternative Investments GmbH, Stuttgart[2] | | 100.00 | € | 31.12.2021 | 61,025,000 | – |
| Wüstenrot Bausparkasse AG, Kornwestheim | 100.00 | | € | 31.12.2021 | 860,937,028 | 30,273,698 |
| Wüstenrot Grundstücksverwertungs-GmbH, Ludwigsburg | 100.00 | | € | 31.12.2021 | 2,059,681 | -5,477 |
| Wüstenrot Haus- und Städtebau GmbH, Ludwigsburg | 100.00 | | € | 31.12.2021 | 107,727,056 | 1,205,035 |
| Wüstenrot Immobilien GmbH, Ludwigsburg | 100.00 | | € | 31.12.2021 | 7,551,349 | 1,916,711 |
| **France** | | | | | | |
| Württembergische France Immobiliere SARL, Strasbourg | | 100.00 | € | 30.9.2022 | 32,476,081 | 1,423,713 |
| Württembergische France Strasbourg SARL, Strasbourg | | 100.00 | € | 30.9.2022 | 54,661,760 | 1,720,219 |
| **Ireland** | | | | | | |
| W&W Asset Management Dublin DAC, Dublin | | 100.00 | € | 31.12.2021 | 20,367,252 | 4,397,381 |
| W&W Investment Managers DAC, Dublin | | 100.00 | € | 31.12.2021 | 12,388,604 | 3,872,126 |
| **Austria** | | | | | | |
| G6 Zeta Errichtungs- und VerwertungsGmbH & Co OG, Vienna | | 99.90 | € | 31.12.2021 | 21,960,550 | 1,462,685 |
| Kellerwirt Holding GmbH, Brixlegg | | 100.00 | € | 31.12.2021 | 582,978 | -17,022 |
| Kellerwirt Mountain Health Resort GmbH, Brixlegg | | 100.00 | € | 31.12.2021 | 202,832 | -332,168 |
| SAMARIUM drei GmbH & Co OG, Vienna | | 100.00 | € | 31.12.2021 | 9,587,334 | 559,482 |

## List of shareholdings (continuation)

| Name and domicile of the company | Direct share in capital in % | Indirect share in capital in %[3] | Currency | Reporting date | Equity[1] | Net income after taxes[1] |
|---|---|---|---|---|---|---|
| **Hungary** | | | | | | |
| Fundamenta-Lakáskassza-Lakástakarékpénztár Zrt., Budapest | 11.47 | | HUF | 31.12.2021 | 68,128,000,000 | 5,393,000,000 |
| **United Kingdom and Northern Ireland** | | | | | | |
| Partners Group Emerging Markets 2007, L.P., Edinburgh | | 9.38 | US$ | 31.12.2021 | 42,876,000 | 536,000 |

1 The figures relate to the last annual financial statements available on the reporting date.
2 Profit and loss agreement in place.
3 According to Section 16 (4) AktG, the indirect share comprises shares which belong to a dependent company or to another on behalf of the company or one of these dependent companies.
4 Previously W&W Gesellschaft für Finanzbeteiligungen mbH; retains its name after merger of the original Württfeuer with W&W Gesellschaft für Finanzbeteiligungen as of 1 August 2022.

# Individual income statement disclosures

| | Gross premiums written | | Underwriting result, net of reinsurance (before claims equalisation reserve) | | Underwriting result, net of reinsurance (after claims equalisation reserve) | |
|---|---|---|---|---|---|---|
| In € thousand | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Fire insurance | 105,892 | 90,376 | 2,338 | – 3,776 | – 447 | 3,598 |
| Other property insurance | 140,555 | 119,796 | – 3,849 | – 9,291 | – 11,966 | – 11,659 |
| **Total fire and other property insurance** | **246,447** | **210,172** | **– 1,511** | **– 13,067** | **– 12,413** | **– 8,061** |
| Auto insurance | 142,538 | 143,599 | – 13,248 | – 146 | – 14,839 | – 3,602 |
| Liability insurance | 50,643 | 41,190 | 12,082 | 8,629 | 17,612 | 15,337 |
| Personal accident insurance | 23,623 | 23,063 | 5,774 | 7,849 | 5,774 | 7,849 |
| Transport and aviation hull insurance | 4,471 | 4,092 | – 262 | 1,259 | 305 | 1,012 |
| Other insurance | 31,890 | 32,761 | 969 | – 1,507 | 1,050 | – 1,596 |
| **Total property and casualty insurance** | **499,612** | **454,877** | **3,804** | **3,017** | **– 2,511** | **10,939** |
| Life insurance | 27 | – 2,169 | 50 | 7,211 | 50 | 7,211 |
| **Total** | **499,639** | **452,708** | **3,854** | **10,228** | **– 2,461** | **18,150** |

## Commissions and other compensation paid to insurance agents, personnel expenses

| In € thousand | 2022 | 2021 |
|---|---|---|
| Wages and salaries | 44,223 | 41,466 |
| Social security and employee benefit expenses | 7,543 | 7,669 |
| Post-employment benefit costs | 8,178 | 2,447 |
| **Total** | **59,944** | **51,582** |

W&W AG has no mobile sales force of its own. As a result, the table required by RechVersV only contains personnel expenses and not commissions or other compensation paid to insurance agents.

# Wüstenrot & Württembergische AG Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company, and the combined management report of the company includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Kornwestheim, 9 March 2023

Jürgen A. Junker

Alexander Mayer

Jürgen Steffan

Jens Wieland

# Wüstenrot & Württembergische AG

## Independent auditor’s report

To Wüstenrot & Württembergische AG, Kornwestheim

### Report on the Audit of the Annual Financial Statements and of the Combined Management Report

#### Audit opinions

We have audited the annual financial statements of Wüstenrot & Württembergische AG, Kornwestheim, comprising the balance sheet as of 31 December 2022, the income statement for the financial year from 1 January to 31 December 2022, and the notes to the annual financial statements, including the presentation of the accounting policies. We have also audited the combined management report of Wüstenrot & Württembergische AG for the financial year from 1 January to 31 December 2022. In compliance with German law, we did not audit the content of the corporate governance declaration in accordance with Section 341a HGB in conjunction with Section 289f HGB contained in the corporate governance declaration section of the combined management report, the six pages on “Work prospects” or the report on gender equality and equal pay

in accordance with the Entgelttransparenzgesetz (German Transparency in Wage Structures Act). We did not audit any information given by the W&W Group outside this Annual Report, referred to in the declaration on corporate governance or the combined management report.

In our opinion, based on the findings of our audit,

- the attached annual financial statements comply in all material respects with the requirements of German commercial law applicable to insurance companies, and they give a true and fair view of the company’s net assets and financial position as of 31 December 2022, and of its results of operations for the financial year from 1 January 2022 to 31 December 2022, in accordance with the German principles of proper accounting, and
- the attached combined management report as a whole presents an accurate view of the company’s position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development. As stated above, our audit opinion on the combined management report does not cover the content of the corporate governance declaration, the six pages on “Work prospects”, the report on gender equality and equal pay in accordance with the German Transparency in Wage Structures Act or any information provided by the W&W Group outside this annual report, referred to in this report.

Pursuant to Section 322 (3) (1) HGB, we state that our audit has not led to any reservations with regard to the compliance of the annual financial statements or the combined management report.

#### Basis for the audit opinions

We conducted our audit of the annual financial statements and the combined management report in accordance with Section 317 HGB, the EU Audit Regulation (No 537/2014; hereinafter “EU-AR”) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors - IDW). Our responsibility according to these regulations and standards is described in further detail in the “Responsibility of the auditor for the audit of the annual financial statements and the combined management report” section of our auditor’s report. We are independent of the company in compliance with the provisions of European law, German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. In addition, we declare pursuant to Article 10, Paragraph 2 Letter f) EU-AR that we have provided no prohibited non-audit services referred to in Article 5, Paragraph 1 EU-AR. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the annual financial statements and the combined management report.

## Key audit matters in the audit of the annual financial statements

Key audit matters are such matters that, in our professional judgement, were the most significant in our audit of the annual financial statements for the financial year from 1 January 2022 to 31 December 2022. These matters were considered in connection with our audit of the annual financial statements as a whole and the formulation of our audit opinion; we do not provide a separate audit opinion on these matters.

In the following, we describe the audit matters that we consider to be key:

### Measurement of shares in affiliated companies

**Reasons for designation as a key audit matter**
The shares in affiliated companies are not listed on the stock exchange, which means that fair values cannot be derived from active markets on the reporting date. The fair values of these investments are determined using recognised standard valuation methods, particularly the German income approach and the net asset value method. In the German income approach, the primary input data consists of measurement parameters that cannot be observed on the market (particularly planning assumptions regarding expected income and expenses such as premiums, net interest income, and claims and administrative expenses) and, to a lesser extent, measurement parameters obtained from the market (particularly key determinants of the capitalisation interest rate). There is scope for discretion in the selection of procedures and the determination of measurement parameters and assumptions.

This is a particularly important audit matter due to the scope for discretion in selecting the measurement procedures and the assumptions to be made regarding the material measurement parameters and assumptions in the model-based measurement process and the resulting write-downs and reversals of write-downs, if any, as well as the associated risk of a material misstatement in the annual financial statements.

**Audit approach**
We gained an understanding of the planning and measurement processes.

We methodically and arithmetically reconstructed the measurement models used for a selection of shares in affiliated companies.

Where the fair value was determined on the basis of the German income approach, we focused on the most significant planning assumptions, among other things, when analysing the plans. In doing so, we also reconstructed the reasons for differences between the previous year's planning and the current year's planning and their expected one-off or lasting effects, especially amid the rise in interest rates and inflation. For the planning analyses, we relied on the current business development and on publicly available information.

Furthermore, we reconciled the plans submitted to us with the plans approved by the legal representatives of the responsible company. In a retrospective comparison, we also compared the plans from the previous year with the actual development of business and analysed the deviations.

We reconstructed the capitalisation interest rates used for discounting as well as their calculation using the capital asset pricing model. This involved the risk-free rate and market risk premium as well as the beta factors, country-specific risk premiums and growth discounts that had to be determined individually. We reproduced the calculation method presented to us and examined the parameters used on the basis of market data and available information on comparable companies, taking into account adjustments specific to the business model.

In addition, we employed our own specialists who have special expertise in business valuations for a selection of shares in affiliated companies.

For shares in affiliated companies whose fair value was determined using an international or, in individual cases, the German net asset value method, we methodically and mathematically reconstructed the value determinations for a selection.

Our audit procedures did not lead to any objections to the measurement of the shares in affiliated companies.

**Reference to related information**
The disclosures on the measurement of the shares in affiliated companies are included in the notes in sections "accounting policies", "shares in affiliated companies", "participating interests" and "fair value measurements".

## Determination of impairment expected to be permanent on fixed-income debt securities

**Reasons for designation as a key audit matter**
Investments measured as fixed assets must be written down to their lower fair value if impairment is expected to be permanent. The Executive Board of the company has discretion in assessing whether and to what extent impairment on these investments can be considered permanent.

In light of this, the financial statements are subject to the risk that impairment expected to be permanent, in particular for interest-bearing debt securities that have unrealised fair value losses as at the end of the reporting period, is not identified or that the discretion that exists is not exercised properly and necessary write-downs to lower fair value are not recognised or are recognised in an incorrect amount. For this reason and regarding the amount of the unrealised fair value losses as at the balance sheet date, we consider the determination of the existence and amount of impairment expected to be permanent on interest-bearing debt securities to be a key audit matter.

**Audit approach**
In conjunction with our audit, we examined the process for determining impairment expected to be permanent and the extent of the impairment on fixed-income debt securities. In this context, we assessed the nature of the procedures established as to whether their methods are suitable for determining impairment expected to be permanent and its extent and whether they are systematically applied. We examined the adequacy and effectiveness of the controls implemented.

Furthermore, on the basis of the assessments and analyses prepared by management, we assessed whether management's opinion on the permanence and extent of impairment is accurate. In this context, we analysed whether defaults or material deteriorations in issuers' credit quality have occurred regarding these investments. Moreover, we questioned employees of the company entrusted with this matter about the credit quality of the issuers of these investments to obtain further opinions. Furthermore, we obtained disclosures on the intention and ability to hold the investments, taking the company's liquidity planning into account.

Our audit procedures did not give rise to any objections to the determination of impairment expected to be permanent on fixed-income debt securities.

**Reference to related information**
The disclosures on the determination of impairment expected to be permanent on fixed-income debt securities can be found in the section entitled "Accounting policies" in the notes to the financial statements.

## Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration on the German Corporate Governance Code pursuant to Section 161 AktG, which forms part of the declaration on corporate governance. The legal representatives are responsible for the other information in all other respects. The other information comprises the corporate governance declaration, the six pages on "Work prospects" and the report on gender equality and equal pay in accordance with the German Transparency in Wage Structures Act. Furthermore, the other information comprises the combined non-financial report of the W&W Group, a version of which we obtained prior to issuing this auditor's report. Also, the other information includes other components intended for the annual report, a version of which we obtained prior to issuing this auditor's report, namely:

- the letter to shareholders,
- presentation of Management Board and Supervisory Board,
- key figures, financial calendar, glossary,
- the responsibility statement,
- the report of the Supervisory Board,

Our audit opinions regarding the annual financial statements and the combined management report do not extend to the other information, which is why we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit, we have a responsibility to read the other information and to evaluate whether it

- exhibits material discrepancies with the annual financial statements, the combined management report or the knowledge we have obtained during our audit, or
- otherwise seems significantly incorrect.

## Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the combined management report

The legal representatives are responsible for preparing the annual financial statements, which in all material respects comply with the requirements of German commercial law applicable to insurance companies, and for the annual financial statements giving a true and fair view of the net assets, financial position and results of operations of the company in accordance with the German principles of proper accounting. Furthermore, the legal representatives are responsible for the internal controls that, in accordance with the German principles of proper accounting, they deemed necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. the manipulation of financial reporting or financial losses) or error.

When preparing the annual financial statements, the legal representatives are responsible for assessing the company's status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless prevented by actual or legal circumstances.

Moreover, the legal representatives are responsible for preparing the combined management report, which as a whole provides an accurate view of the company's position and is consistent with the annual financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a combined management report in compliance with the applicable German legal regulations and to allow sufficient, suitable evidence to be provided for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the company's accounting process for the preparation of the annual financial statements and the combined management report.

## Responsibility of the auditor for the audit of the annual financial statements and the combined management report

Our objective is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an accurate view of the company's position and is in all material respects consistent with the annual financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the annual financial statements and the combined management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with Section 317 HGB, the EU-AR and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always uncover a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and assess the risks of material misstatements in the annual financial statements and the combined management report due to fraud or errors, we plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our audit opinion. The risk that material misstatements as a result of fraud are not detected is greater than the risk that material misstatements due to error

are not detected, because fraud can include collusion, falsification, intentional omissions, misrepresentation or the invalidation of internal controls;
- we gain an understanding of the internal control system relevant for the audit of the annual financial statements and of the arrangements and measures relevant for the audit of the combined management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these systems of the company;
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures;
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the company's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the annual financial statements and in the combined management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean that the company is no longer a going concern;
- we evaluate the overall presentation, the structure and the content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events such that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company in accordance with the German principles of proper accounting;
- we evaluate the consistency of the combined management report with the annual financial statements, its legality and the view it gives of the position of the company;
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

We issue a statement to the monitors to the effect that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be assumed to affect our independence and the safeguards put in place to protect against this.

From among the matters that we have discussed with the monitors, we determine which matters were most significant in the audit of the annual financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the auditor's report, unless laws or other legal provisions preclude their public disclosure.

## Other statutory and legal requirements

## Report on the audit of the electronic renderings of the annual financial statements and the combined management report prepared for the purpose of disclosure in accordance with Section 317 (3b) HGB

### Audit opinion

Pursuant to Section 317 (3b) HGB, we performed a reasonable assurance engagement to determine whether the renderings of the annual financial statements and the combined management report (hereinafter also referred to as the "ESEF documents") prepared for the purposes of disclosure and contained in the attached file WW_AG_KLB+JA_ESEF-2021-12-31.zip comply in all material respects with the electronic reporting format ("ESEF format") requirements of Section 328 (1) HGB. In accordance with German legal requirements, this audit only covers the conversion of the information in the annual financial statements and the combined management report into the ESEF format and therefore covers neither the information contained in these renderings nor any other information contained in the aforementioned file.

In our opinion, the renderings of the annual financial statements and the combined management report contained in the aforementioned attached file and prepared for the purpose of disclosure comply in all material respects with the electronic reporting format requirements of Section 328 (1) HGB. Other than this audit opinion and our audit opinions on the accompanying annual financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2022 included in the foregoing "Report on the audit of the annual financial statements and the combined management report", we do not express any audit opinion on the information contained in these renderings or on any other information contained in the aforementioned file.

### Basis for the audit opinion

We conducted our audit of the renderings of the annual financial statements and the combined management report contained in the aforementioned attached file in accordance with Section 317 (3b) HGB and in compliance with the IDW Auditing Standard: Audit of the electronic renderings of financial statements and management reports prepared for disclosure purposes in accordance with Section 317 (3b) HGB (IDW PS 410 (06.2022)). Our responsibility in this context is described in further detail in the "Auditor responsibility for auditing the ESEF documents" section. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

### Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic renderings of the annual financial statements and the combined management report in accordance with Section 328 (1) sentence 4 no. 1 HGB.

Furthermore, the legal representatives of the company are responsible for the internal controls that they deem necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Section 328 (1) HGB.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

### Responsibility of the auditor for the audit of the ESEF documents

Our objective is to obtain reasonable assurance as to whether the ESEF documentation is free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB. We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB, plan and implement audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion;
- we gain an understanding of the internal controls relevant for the audit of the ESEF documents in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these controls;

- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815, in the version in effect on the reporting date, regarding the technical specification for that file;
- we assess whether the ESEF documents enable a substantially identical XHTML rendering of the audited annual financial statements and the audited combined management report.
-

**Other disclosures pursuant to Article 10 EU-AR**
We were elected as the auditor of the annual financial statements by the Annual General Meeting on 25 May 2022. We were engaged by the Chairperson of the Risk and Audit Committee of the Supervisory Board on 20 June 2022. We have continuously been the auditor of the financial statements of Wüstenrot & Württembergische AG since the 2020 financial year.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Risk and Audit Committee according to Article 11 EU-AR (audit report).

In addition to auditing the annual financial statements and consolidated financial statements, we have performed the following services for the audited entity or entities controlled by the audited entity:

- review of the half-year financial report;
- performance of voluntary audits of annual financial statements of controlled companies;
- performance of the audit of the non-financial report to obtain limited assurance; and
- permitted non-audit services in the form of consulting services (essentially in connection with regulatory issues and in the field of sustainability reporting).

**Other matters – use of the auditor's report**
Our auditor's report should always be read in conjunction with the audited annual financial statements and the audited combined management report as well as the audited ESEF documents. The annual financial statements and combined management report converted to the ESEF format, including the versions to be published in the German Federal Gazette, are merely electronic renderings of the audited annual financial statements and the audited combined management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the electronic audited ESEF documents.

## Responsible auditor

The auditor responsible for the audit is Martin Gehringer

Stuttgart, 22 March 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Gehring | Bose |
| German Public Auditor | German Public Auditor |

# Wüstenrot & Württembergische AG Report of the Supervisory Board

The Supervisory Board performed the duties incumbent upon it under the law, the Articles of Association and the by-laws in the 2022 financial year. It supervised the management and was directly involved in all matters of fundamental importance to the company.

## Composition

The Supervisory Board of Wüstenrot & Württembergische AG comprises 16 members, as set out in the Articles of Association. The company is required by law to have a quota of at least 30% women on its Supervisory Board. The Supervisory Board consists of nine men and seven women. That means women make up 44% of the overall body. The shareholder representatives achieve full gender parity at 50 %. The declaration on corporate governance contains more detailed information on the composition of the Supervisory Board.

There were three personnel changes on the Supervisory Board during the 2022 financial year.

Mr Hans-Dietmar Sauer resigned from the Supervisory Board as a member and its Chair as of the end of 31 August 2022. On 25 May 2022, the Annual General Meeting elected Dr Michael Gutjahr as a member of the Supervisory Board as a shareholder representative as of 1 September 2022. By resolution of the Supervisory Board on 13 June 2022, he was elected Chair of the Supervisory Board as of 1 September 2022.

The Supervisory Board thanks Mr Hans-Dietmar Sauer for his years of dedication and his trust-based, constructive contributions. He significantly shaped the activities of the Supervisory Board over many years and rendered outstanding services to the company.

Ms Marika Lulay resigned as a member of the Supervisory Board as of the end of 9 August 2022. Mr Hans-Ulrich Schulz resigned from the Supervisory Board as of the end of 31 August 2022. The Supervisory Board thanks Ms Lulay and Mr Schulz for their years of dedication and valuable contributions to the Supervisory Board. On 25 May 2022, the Annual General Meeting elected Dr Wolfgang Salzberger and Ms Edith Weymayr to the Supervisory Board as new shareholder representatives as of 1 September 2022. Dr Reiner Hagemann resigned as a member of the Supervisory Board as of the end of 31 August 2022. By order of the Local Court of Stuttgart, Dr Reiner Hagemann was reappointed as a member of the Supervisory Board as of 1 September 2022 due to the resignation of Ms Marika Lulay.

## Supervisory Board meetings

The Supervisory Board dealt with the development of the company and the group in detail in four ordinary meetings last year (including one extended-format meeting held as a strategy retreat). The Supervisory Board received the Executive Board reports, presentations and meeting documents in enough time to prepare for the meetings. The Supervisory Board received regular, timely and comprehensive reports from the Executive Board, both in writing and verbally, on all strategy, planning, business development and risk issues relevant to the company and the group. Risk management was also explored in detail by the Supervisory Board and the Risk and Audit Committee. Detailed risk reports were prepared and submitted to the Supervisory Board for information and discussion. The business, risk, IT and sustainability strategies were presented to and discussed with the Supervisory Board. The Executive Board submitted the internal audit report and the compliance officer's report to the Risk and Audit Committee and the Supervisory Board; the Risk and Audit Committee meetings held in March and December 2022 were attended by both the head of internal audit and the compliance officer. The independent risk controlling function also attended the December meeting. In addition, there was an ongoing exchange between the Chairman of the Executive Board and the Chairman of the Supervisory Board as well as immediate information on all significant developments and decisions as they occurred. The Chair of the Risk and Audit Committee and the Chief Financial Officer were in close contact outside of the meetings as well.

The Supervisory Board meetings of Wüstenrot & Württembergische AG focused on evolving the "W&W Besser!" programme. The Supervisory Board thus addressed the W&W Group's strategic IT roadmap, discussing key roadmap projects such as b@w, Wohnen 4.0 and Komposit.Besser! along with the Kraftfahrt.Besser! sub-project. Furthermore, the Supervisory Board addressed the W&W Group's risk-bearing capacity, especially given the Russia/Ukraine war and the resulting economic trends. At the strategy retreat, the Supervisory Board discussed in detail the W&W Group's strategic positioning on sustainability in relation to the "New Work" action area. The Board had invited representatives from the segments to the retreat and discussed their strategies with them in detail.

Further discussions in the Supervisory Board focused on the effects of the Russia/Ukraine war, the coronavirus pandemic, progressing digitalisation measures, digital business models and the resulting consequences for the corporate structure, personnel development and IT structure within the Group. Other issues included the steep rise in interest rates, increasing regulation and changing customer behaviour. Possibilities for staff retention and recruitment were discussed in view of the general shortage of skilled labour. Another focus was the Group's strategic orientation, which was discussed extensively by the Supervisory Board. The Executive Board reported regularly on the W&W Campus project, focusing on the planning process, construction progress and costs.

Business development and earnings performance in the individual segments were discussed in detail, especially with regard to the challenging environment, as well as the current capital market situation and current regulatory developments and the expected effects on the Group. When discussing the management of equity investments, particular attention was paid to the performance of W&W brandpool GmbH, Adam Riese GmbH and Wüstenrot Haus- und Städtebau GmbH. The Supervisory Board was continuously informed about the W&W Group's investments. The Supervisory Board also thoroughly discussed the operational planning for 2023 and the further medium-term planning.

In addition, the Supervisory Board engaged in careful deliberations on filling committee vacancies.

The Supervisory Board also addressed the election of Dr Michael Gutjahr as Chair of the Supervisory Board through a circular resolution.

All measures requiring approval under the law and the company's regulations were submitted to the Supervisory Board.

The Supervisory Board also worked on central corporate governance issues. At its September 2022 meeting, the Supervisory Board dealt extensively with the reform of the German Corporate Governance Code (GCGC) and the resulting significant changes for W&W AG. The Supervisory Board responded by deciding to amend its bylaws and the bylaws of the Executive Board. It adopted an updated declaration of conformity along with the Executive Board in December 2022 based on the GCGC 2020 and the GCGC 2022. The declaration of conformity has been made permanently available on the company's website. The auditor found no facts during the audit that would have shown the declaration of conformity to be incorrect. Furthermore, the Supervisory Board passed a resolution to hold the 2023 Annual General Meeting of W&W AG virtually pursuant to the provisions of Section 118a of the German Stock Corporation Act (AktG).

The Supervisory Board carefully assessed the competency profile for the Supervisory Board as a whole and the development plan based on it as well as the general conditions affecting the composition of the Supervisory Board. Further development measures defined for the Supervisory Board relating to cyber risks and new accounting rules under international standard IFRS 17 were implemented in the 2022 financial year. The members of the Supervisory Board conducted another self-assessment in 2022 to rate their strengths in investment, underwriting and financial reporting. This, in turn, informs the development plan that the Supervisory Board prepares every year in which it determines areas in which the entire Board or individual Supervisory Board members want to develop further. The Supervisory Board adopted the development plan for 2023 at its December meeting. The self-assessment and development plan were forwarded to the supervisory authority.

There were no reportable conflicts of interest in 2022.

## Efficient committee work

In order to perform its duties efficiently, the Supervisory Board has formed four committees that can prepare the deliberations and resolutions of the full Supervisory Board or pass resolutions themselves: the Risk and Audit Committee, the Nomination Committee, the Personnel Committee and the Conciliation Committee. The declaration on corporate governance contains more detailed information on the composition and operation of the Supervisory Board.

The **Risk and Audit Committee** held a total of two ordinary meetings and one additional meeting to discuss the half-year financial report in 2022. One meeting was held in person; two meetings were held virtually via video conference. The **Personnel Committee** held two ordinary meetings. One meeting was held in person; one meeting was held virtually via video conference. The **Nomination Committee** met twice. One meeting was held in person; one meeting was held virtually via video conference. The **Conciliation Committee** did not meet. Topics relevant to the applicable committee were discussed in detail at the committee meetings. The committee chairpersons reported to the Supervisory Board on the work done by the committees at the next meeting.

In addition to the topics delegated to it by the law and the bylaws of the Supervisory Board, the **Risk and Audit Committee** focused on risk bearing capacity, particularly in the context of high inflation and the steep rise in interest rates. In addition, the **Risk and Audit Committee** discussed the progress of the IFRS 17, Finance22.ready and ReFIT projects as well as the Wirecard/EY case. Furthermore, the committee dealt extensively with the appropriateness and effectiveness of the internal audit function, the internal control system, the risk management system, the compliance management system and the quality of the audit of the financial statements in accordance with Section 107 (3) sentence 2 of the German Stock Corporation Act (AktG). Organisationally, it was determined that the approval process and its premisses have proven themselves compliant with the guideline for the provision of non-audit services by the auditor. The internal investment guideline was reviewed and confirmed.

The **Risk and Audit Committee** also monitored the auditor with regard to non-audit services and the auditor's independence. The committee reviewed the non-financial Group report at its meeting on 20 March 2023, at which the auditor also reported to the committee verbally and in writing on the methodology and main findings of its audit. The audit report was received by each member of the committee.

Following prior review by the **Personnel Committee**, the Supervisory Board worked on remuneration matters, particularly the remuneration report required by stock corporation law, and took note of the Executive Board's report on the design of the remuneration system for employees. The Supervisory Board and the **Nomination Committee** reviewed and assessed the professional qualifications and reliability of each Executive Board and Supervisory Board member in accordance with the self-imposed "Fit and proper guideline for executive directors and members of the Supervisory Board". The reporting of the Executive Board continued to cover current personnel topics.

## Individualised disclosure of meeting attendance

The following table discloses the meeting attendance of individual Supervisory Board members:

### Individualised disclosure of meeting attendance

| | Supervisory Board meetings | | Risk and Audit Committee | | Personnel Committee | | Nomination Committee | |
|---|---|---|---|---|---|---|---|---|
| | Number | Attendance as % | Number | Attendance as % | Number | Attendance as % | Number | Attendance as % |
| **(Number of meetings / attendance)** | | | | | | | | |
| Hans Dietmar Sauer (Chair) (until 31 August 2022) | 2/2 | 100 | | | 1/1 | 100 | 1/1 | 100 |
| Dr Michael Gutjahr (Chair) (from 1 September 2022) | 2/2 | 100 | | | 1/1 | 100 | 1/1 | 100 |
| Dr Frank Ellenbürger | 4/4 | 100 | 3/3 | 100 | | | 1/1 | 100 |
| Prof. Dr Nadine Gatzert | 4/4 | 100 | 3/3 | 100 | | | | |
| Dr Reiner Hagemann | 3/4 | 75 | 2/2 | 100 | 1/1 | 100 | 1/1 | 100 |
| Corinna Linner | 4/4 | 100 | | | | | 2/2 | 100 |
| Marika Lulay (until 9 August 2022) | 2/2 | 100 | | | | | | |
| Dr Wolfgang Salzberger (from 1 September 2022) | 2/2 | 100 | 1/1 | 100 | | | | |
| Hans-Ulrich Schulz (until 31 August 2022) | 2/2 | 100 | | | 1/1 | 100 | | |
| Jutta Stöcker | 4/4 | 100 | 3/3 | 100 | | | | |
| Edith Weymayr (from 1 September 2022) | 2/2 | 100 | | | | | | |
| Frank Weber (Deputy Chair) | 4/4 | 100 | | | 2/2 | 100 | 2/2 | 100 |
| Jutta Eberle | 4/4 | 100 | | | | | | |
| Jochen Höpken | 4/4 | 100 | | | | | 2/2 | 100 |
| Ute Kinzinger | 4/4 | 100 | 3/3 | 100 | | | | |
| Bernd Mader | 4/4 | 100 | 3/3 | 100 | | | | |
| Andreas Rothbauer | 4/4 | 100 | 3/3 | 100 | | | | |
| Christoph Seeger | 4/4 | 100 | | | 2/2 | 100 | 2/2 | 100 |
| Susanne Ulshöfer | 4/4 | 100 | 3/3 | 100 | | | | |
| | | **98** | | **100** | | **100** | | **100** |

## Audit of the annual financial statements and consolidated financial statements

The Supervisory Board thoroughly examined the annual financial statements and the consolidated financial statements for the 2022 financial year as well as the combined management report for Wüstenrot & Württembergische AG and the group as of 31 December 2022 and the proposal of the Management Board for the appropriation of net retained profits. The annual financial statements, the consolidated financial statements and the combined management report are complete and consistent with the assessments made by the Executive Board in the reports to be submitted to the Supervisory Board pursuant to Section 90 AktG. The Executive Board's proposal for the appropriation of the net profits comports with a consistent accounting and dividend policy, taking into account the company's liquidity situation, capital requirements and planned investments. The Supervisory Board therefore concurs with the proposal made by the Executive Board.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, the auditors appointed by the Supervisory Board, duly audited the annual financial statements and consolidated financial statements prepared by the Executive Board for the 2022 financial year and the combined management report for Wüstenrot & Württembergische AG and the group for the 2022 financial year and issued an unqualified auditor's report.

The auditor reported the main audit findings to the Supervisory Board in writing and verbally. The audit report was received by each member of the Supervisory Board. In addition, the auditor reported at both the Risk and Audit Committee meeting on 20 March 2023 and the Supervisory Board's balance sheet meeting on 29 March 2023. The submitted audit report complies with the legal requirements of Section 321 HGB and was considered by the Supervisory Board as part of its own review of the annual financial statements. There were no circumstances that could call the independence of the auditor into question.

The Supervisory Board examined the separate non-financial group report (CSR report) at its meeting on 29 March 2023, following prior review by the Risk and Audit Committee. As part of this process, the Supervisory Board had the auditor report in writing and verbally on the methodology and material results of its audit at the Supervisory Board meeting. The audit report was received by each member of the Supervisory Board. The findings from the auditor's audit of the CSR report are consistent with the findings of the Supervisory Board's examination. The Supervisory Board did not raise any objections to the CSR report.

Following the final result of the audit of the annual financial statements, the consolidated financial statements and the combined management report as well as the Executive Board's proposal for the appropriation of net retained profits, the Supervisory Board raised no objections and approved the annual financial statements and the consolidated financial statements prepared by the Executive Board at its meeting of 29 March 2023. The annual financial statements are thus deemed adopted in accordance with Section 172 sentence 1 AktG.

The Supervisory Board also discussed the Solvency II balance sheet for W&W AG and the W&W Group as of 31 December 2021 as well as the auditor's report on this.

## Composition of the Executive Board

There were no personnel changes on the Executive Board in the 2022 financial year. Due to substantive and linguistic changes to the responsibilities, the Executive Board's schedule of responsibilities was adjusted as of 1 January 2023.

This past year, 2022, placed high demands on management and staff. The Supervisory Board would like to express its sincere thanks and appreciation to the Executive Board and the employees of all Group companies for their work and tireless commitment in these challenging times.

Kornwestheim, 29 March 2023

The Supervisory Board

Dr Michael Gutjahr
Chairman

# Glossary

## Actuarial interest rate

Interest rate that is used by a life insurance company to calculate the provision for future policy benefits as well as, customarily, premiums, and that is guaranteed for the entire maturity. If a higher amount of interest is earned, customers receive most of this as profit participation.

## Additional interest reserve

An additional provision for future policy benefits mandated by statute for life insurance contracts in the new portfolio (see also interest reinforcement for the old portfolio) in order to cover interest obligations in an environment of low interest rates. The legal basis is Section 341f (2) of the German Commercial Code (HGB) in conjunction with Section 5 of the German Policy Benefit Provision Regulation (DeckRV).

## Affiliated companies

This term refers to the parent company (Group parent company) and all subsidiaries. Subsidiaries are companies over which the parent company can exercise a controlling influence on business policy. This is the case, for example, where the Group parent company directly or indirectly holds the majority of voting rights or has the right to appoint or remove the majority of the members of the Supervisory Board, or where there are contractual rights of control.

## Asset liability management

Asset liability management describes the coordination of the maturity structure of assets and liabilities, as well as control of the associated market and liquidity risks.

## Associated company

An associated company is a company over which the Group as owner has a decisive influence. It is neither a subsidiary nor a joint venture. Decisive influence typically exists where the Group maintains an ownership of 20-50%.

## Black-Scholes Model

Measurement model for ascertaining the fair value of options, which takes into consideration the strike price, the maturity of the option, the current price of the underlying, the risk-free interest rate and the volatility of the underlying.

## Building savings contract volume

This is defined when the contract is concluded and normally determines the volume of the home loan savings resources available for allocation.

## Cancellation (lapse rate)

Contracts that are terminated or made non-contributory by the policyholder before an insured event occurs. The lapse rate is the proportion of cancellations based on the average insurance portfolio.

## Cap

A cap is an agreement between the seller of the cap and the buyer that, when a fixed market interest rate rises above an agreed interest rate limit, the seller will refund to the buyer the amount of the difference as relates to an agreed nominal amount.

## Capital investments

Premium income from the operations of insurance companies is typically allocated to provisions and reserves. Pursuant to statutory provisions, the assigned amounts must be invested in such a way as to achieve the greatest possible security and profitability while maintaining the insurance company‘s liquidity at all times. This is done by ensuring an appropriate mix and spread with respect to investment types. By capital investments, we mean:

- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income
- Senior debenture bonds and registered bonds at amortised cost
- Subordinated securities and receivables at amortised cost
- Senior claims to institutional investors at amortised cost
- Financial assets accounted for under the equity method
- Investment property
- Non-current assets classified as held for sale, if included in one of the above categories

## Capital investments for the account and risk of life insurance policyholders

These mainly include capital investments in unit-linked life insurance and additional capital investments designed to cover liabilities under contracts where the benefit is index-linked. Policyholders are entitled to the income earned from these capital investments, but they also have to bear any losses themselves.

## Cash reserve

The cash reserve consists of cash in hand, deposits with the German Bundesbank and central bank that are payable on demand, balances with foreign postal giro offices, and debt instruments issued by public sector entities.

## Combined ratio

Actuarial profitability indicator used by property/casualty insurance companies, total of the loss ratio and the operating expense ratio.

## Compliance

Compliance refers to all measures that are taken to ensure the legally and ethically correct behaviour of companies, governing bodies and employees. Compliance is designed to protect the company against misconduct, which can lead to pecuniary losses, damage to image and the failure to meet corporate objectives. It is also designed to protect the interests of employees, customers and business partners.

## Contingent liabilities

Unrecognised liabilities that are unlikely to occur, for example contingent liabilities arising from guaranty obligations.

## Corporate Governance Code

The German Corporate Governance Code contains nationally and internationally recognised standards of good and responsible corporate governance. Apart from conditions that have to be observed by companies as applicable statutory law, the Code also contains recommendations and suggestions. Companies can deviate from recommendations, but they are obligated to disclose this annually. Suggestions can be deviated from without disclosure.

## Credit provision ratio

The credit provision ratio means the ratio of the individual and portfolio impairment provisions to the associated credit volume.

## D&O insurance

Directors & officers insurance is a type of liability insurance for managers. It covers executive board members, supervisory board members and senior executives against claims that may be brought against them as a result of a professional error.

## Deferred taxes

Deferred taxes must be created for temporary differences resulting from the different valuation methods applied to assets and liabilities in the tax and IFRS balance sheets, where the tax effects arise in future periods.

## Derivative financial instruments

Derivative financial instruments are forward transactions structured as a fixed or option transaction whose value depends on one or more underlying variables. Important examples of derivative financial instruments are options, futures, forwards and swaps.

## Direct credit

The part of the surplus earned by the insurance company that is credited directly to customers during the financial year.

## Earnings per share

Earnings per share are calculated by dividing the consolidated net profit attributable to the common shareholders of the parent company by the weighted average number of common shares outstanding during the reporting period.

## Effective interest rate method

Pursuant to IFRS 9, the effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability. It is also used to allocate interest receivable or interest payable over the relevant period. Using the effective interest rate, for example, a discount is spread over the maturity of the financial instrument and reduced to zero.

## Equalisation reserve

Reserve to be created in accordance with officially established, actuarial-based methods in order to compensate for fluctuations in claims development in various years. In years with a relatively low/relatively high number of claims, additions/withdrawals are made.

## Equity method

Units or shares in associated companies and joint ventures are recognised in accordance with this method. In doing so, the valuation corresponds to the Group‘s share of equity of these companies.

## Expenditure for insurance Business (administrative costs)

Commissions, salaries, materials costs and other expenditure for the sale and ongoing management of insurance contracts.

## Fair value

The amount at which an asset is exchanged between knowledgeable, willing and unrelated business partners. The fair value is the current market value, insofar as there is an active market. If an active market does not exist, fair value is determined using recognised valuation methods.

## Financial assets at fair value through profit or loss

Recognised here are financial assets that are assigned to the business model “Other/trading” or are assigned to the business models “Hold to collect” or “Hold to collect and sell” and do not pass the SPPI test. Changes in fair value are recognised in the income statement. Initial recognition and subsequent measurement take place at fair value.

## Financial assets at fair value through other comprehensive income

Financial assets that are assigned to the business model “Hold to collect and sell” and pass the SPPI test are initially recognised at fair value. In the case of subsequent measurement, changes in fair value are recognised through other comprehensive income. In the case of a disposal of the debt instrument, the changes in fair value that had previously been recognised in equity are recycled through profit or loss.

## Financial assets at amortised cost

Financial assets that are assigned to the business model “Hold to collect” and pass the SPPI test are recognised at amortised cost. Costs at the time of acquisition correspond to fair value. In subsequent measurement, the carrying amount is amortised through profit or loss by depreciating transaction costs, premiums and discounts at a constant effective interest rate.

## Financial holding group

A financial holding group is defined as a group of undertakings consisting of a superordinate undertaking and its consolidated undertakings in the banking sector. The supervisory authority thus has the ability to examine the financial situation from the standpoint of the group.

## Financial liabilities at fair value through profit or loss

Recognised here are the negative market values of derivative financial instruments that are not accounted for as a hedging instrument in connection with hedge accounting. Changes in fair value are recognised in the income statement.

## Financial liabilities

These are recognised at amortised cost. Costs at the time of acquisition correspond to fair value. In subsequent measurement, the carrying amount is amortised through profit or loss by depreciating transaction costs, premiums and discounts at a constant effective interest rate.

## For own account

In insurance terminology, “for own account“ (f.o.a.) means after deduction of the reinsurance component.

## Futures

Standardised forward transactions under which a commodity available on a cash, capital, precious-metal or foreign exchange market is to be delivered or purchased at the exchange price at a particular time in the future.

## Genuine securities repurchase transaction (repo)

A genuine securities repurchase transaction (repo) is a contract in which the buyer assumes the obligation to retransfer the securities acquired under a repurchase agreement at a predetermined time or at a time determined by the seller.

## German covered bonds

German covered bonds are:

- covered bonds based on acquired mortgages (German covered mortgage bonds)
- covered bonds based on acquired loans and advances due from governmental agencies (public German covered bonds)
- covered bonds based on acquired ship mortgages (German covered ship mortgage bonds)

## Gross/net

In underwriting, gross/net means the respective position or ratio before or after deducting reinsurance.

## Gross new business

For home loan and savings banks, gross new business describes new business as the sum of all building savings contracts applied for and accepted during a certain period of time.

## Guarantee assets

Separate assets to be set aside by insurance companies in order to guarantee the claims of policyholders.

## Guarantee needs

Guarantee needs have to do with the interest rate obligation under insurance contracts measured by taking into account a current market interest rate, less the provision for future policy benefits. Valuation reserves for fixed-income securities are to be taken into account with regard to the participation of policyholders in valuation reserves only to the extent that they exceed guarantee needs. Net profit may be distributed only to the extent that it exceeds the guarantee needs. The legal basis is Section 56a (2) et seq. of the Insurance Supervision Act (VAG) in conjunction with Section 8 of the German Regulation on the Minimum Premium Refund in Life Insurance (MindZV).

## Hedge accounting

Hedge accounting is an accounting procedure for depicting how the value of a hedge (e.g. an interest rate swap) and the value of an underlying (e.g. a loan) trend in opposite directions. The object of hedging is to minimise the impact on the income statement that results from the measurement of derivatives and recognition of the results in profit or loss.

## Hedging

Coverage against price risks through an adequate counter-position, particularly through derivative financial instruments. There are two basic models, depending on the risk to be secured: fair value hedges are used to secure assets or liabilities against risks of changes in value, and cash flow hedges mitigate the risk of fluctuations in future cash flows.

## IFRS/IAS

The abbreviation IFRS stands for International Financial Reporting Standards and describes the international principles of financial reporting. Since 2002, the designation IFRS applies to the overall concept of the standards enacted by the International Accounting Standards Board (IASB). Standards already enacted continue to be called International Accounting Standards (IAS).

## Interest book management

Interest book management means the active management of risks of interest rate changes, particularly with regard to credit institutions. In so doing, regulatory requirements need to be taken into account that aim at limiting potential risks of interest rate changes.

## Interest rate swap

An interest rate swap is a contractual agreement between two parties to exchange interest payments in a currency.

## Interest reinforcement

An additional provision for future policy benefits required by BaFin for life insurance contracts in the old portfolio (see also additional interest reserve for the new portfolio) in order to cover interest obligations in an environment of low interest rates. The calculation rule is dealt with in connection with the business plan for the old portfolio.

## Interim loan

Loan granted against a building savings contract that has reached the minimum savings balance but has not yet been allocated. It is subsequently replaced with the allocated building savings contract volume.

## IRBA (Internal Ratings Based Approach)

Banks, banking groups and financial holding groups may rely on their own internal estimates of risk components when determining minimum capital requirements and in providing backing for risk-weighted assets for counterparty risks. The approval of BaFin is required in order to use IRBA.

## ISDA (International Swaps and Derivatives Association)

The ISDA is an international trading organisation of participants on the derivatives market. The main purpose of the association is to research and mitigate risks in derivatives trading and in risk management in general. The association has published an ISDA Master Agreement, which is used for the standardised settlement of derivative transactions.

## Issuer rating

An issuer rating (for banks and insurance companies) represents the current opinion of a rating agency about a debtor‘s general financial ability to meet its financial obligations. This opinion relates in particular to a debtor‘s ability and willingness to settle its financial liabilities in full and on time.

## Loan under a building savings contract

After allocation of a building savings contract, there is a claim to a loan under a building savings contract, which is granted for housing financing activities. The amount of the loan under a building savings contract is typically determined by the difference between the building savings contract volume and the building savings contract balance. Special features of this loan are a fixed low interest rate for the entire term, the ability to subordinate collateral and the right to make unscheduled payments at any time.

## Loss ratio

Percentage ratio of loss expenses to premiums attributable to the financial year, i.e. those that are “earned“.

## Mixed funds

Investment funds that invest both in equities and in fixed-income securities.

## Monte Carlo simulation

Simulation of random numbers.

## Net interest

When calculating the net interest on capital investments, all realised income and expenses associated with the capital investments are taken into account and compared with the average value of the capital investment portfolio (according to carrying amounts). This also includes profits and losses from the disposal of capital investments, as well as depreciations. Net interest can therefore fluctuate considerably from year to year.

## Net new business

For home loan and savings banks, net new business describes the sum of all building-savings contracts paid in during a certain period of time.

## New business (annual portfolio contributions)

Annual portfolio contributions in property/casualty business that are added to the total portfolio over the course of the year on account of new contracts or contract amendments with a new business character (new contract or contract change to a different contract group).

## New construction financing business (including brokering for third parties)

Total of net new construction financing business (including brokering for third parties). The net new business includes contracts that have been signed by debtor (customer) and lender.

## New premium

This contains annual premiums from new life insurance business, including one-off premiums.

## New premiums

They include the annual portfolio contributions in live business including single premiums

## Non-controlling interests in equity

Interests in own funds of consolidated subsidiaries that, in the Group‘s view, are held by outside third parties.

## Non-technical account

The result from those types of income and expenses that are not allocated to direct insurance business.

## Options

Forward contracts where the buyer is entitled but not obligated to purchase (call option) or sell (put option) the subject of the option within a certain period at a price agreed to in advance. The seller of the option (writer) is obligated to provide or accept the subject of the option and receives a fee for granting the option.

## OTC (over the counter) derivatives

Derivative financial instruments that are not standardised and not traded on a stock exchange but instead are individually negotiated between two contractual partners.

## Paid in

A newly concluded building savings contract is deemed paid in after payment in full of the conclusion fee.

## Portfolio value from acquired insurance contracts

The value recognised upon acquisition of an insurance company as the countervalue for the acquired insurance contracts.

## Premiums, written/earned

The premium is the price for the benefit to be provided by the insurer. It can be paid either continually or as a one-off premium. Written premiums are premium revenues received for the respective financial year. Earned premiums are the amounts attributable to the financial year.

## Primary insurance

Primary insurance is established through a direct contractual relationship between the insurance company and the policyholder and is described as direct insurance business.

## Provision for future policy benefits

The insurance company creates a provision for future policy benefits in order to be able to guarantee the promised insurance cover at any time.

## Provision for outstanding insurance claims

This is a provision for expenses arising from claims that occurred in the respective financial year but have not yet been able to be settled. It also includes provisions for claims that occurred before the reporting date but have not yet been reported.

## Provision for premium refunds

The provision for premium refunds comes from that part of gross profit that is not credited directly to policyholders. It therefore includes those shares of the profit that are directly credited to customers in subsequent financial years. Consistent profit participation can thus be granted to policyholders from this provision, irrespective of fluctuating annual results. In addition, a deferred provision for premium funds must be created in IFRS financial statements for valuation differences between HGB and IFRS.

## Provision for unearned premiums

These premium revenues are allocated to income from future financial years. They are calculated individually and to the day for each insurance contract.

## Public funds

Investment funds whose units can be purchased by anyone. Purchase and sale are possible when stock exchanges are open.

## Public German covered bonds

Bonds issued by a mortgage bank to public authorities for the purposes of refinancing loans.

## Quoted prices

Quoted prices are characterised by the fact that they are readily and regularly available. Quotes are made via a stock exchange, a broker, an industry group, a pricing service or a supervisory authority. Prices must be accessible to the public. Prices quoted on a stock exchange, as well as pricing on OTC markets, are publicly available if the prices are available to the public, for example via Reuters or Bloomberg.

## Reinsurance

An insurance company insures part of its risk with another insurance company (the reinsurer).

## Reserve buffer

Includes the valuation reserves and free provisions for premium refunds, plus the amounts attributable to non-tied final profit participation funds.

## Reserve for financial assets at fair value through other comprehensive income

In this reserve market value changes to assets belonging to the category “Financial assets available for sale“ are recognised directly in equity in the reserve for financial assets available for sale. It is a component of equity.

## Result attributable to non-controlling interests

Shares in consolidated net profit that, in the Group‘s view, are attributable to outside third parties.

## Retained earnings

Recognised as retained earnings in individual HGB financial statements are only those amounts that were accrued from net income in the financial year or in previous financial years. They strengthen the company‘s financial matter.

## Retrocession

Assumption of the risks of reinsurance companies by other reinsurers.

## Risk provision

The arrangements in IFRS 9 concerning risk provision are applied to financial assets at amortised cost or at fair value through other comprehensive income, as well as to loan commitments and issued finance guarantees. In the case of assets at amortised cost, the risk provision is recognised directly in the risk provision position associated with the respective balance sheet item. In the case of assets at fair value through other comprehensive in-come, the risk provision is recognised in the income statement by adjusting the reserve for financial assets at fair value through other comprehensive income, which is recognised in equity. The risk provision for off-balance-sheet business is recognised as an expense under “Other provisions”. This risk provision is essentially calculated the same way as that for financial assets.

## RORAC (return on risk-adjusted capital)

Return on risk-adjusted capital is a key performance indicator for measuring income, taking into account the risk capital used.

## Solvency II group

A Solvency II group involves a group of insurance undertakings. The participations of the parent undertaking are pooled in an insurance group. The supervisory authority thus has the ability to examine the financial situation from the standpoint of the group.

## Solvency ratio

Term from the insurance industry. The solvency ratio indicates the relationship between an insurance company's own funds and the value of its capital investments as weighted according to investment risk. The higher the ratio, the more risks the insurance company may assume pursuant to European investment regulations.

## Special funds

Investment funds that are open only to a limited group of investors. These are usually institutional investors, such as insurance companies, pension funds, foundations, etc.

## SPPI (solely payments of principal and interest)

If a financial asset is assigned to the business model "Hold to collect" or "Hold to collect and sell", it must be assessed on the basis of contractual agreements whether the cash flows contain only principal and interest payments, known as basic loan features (SPPI test).

## Stress test

The stress test simulates the effects that future negative developments on the capital markets – such as a drop in share prices accompanied by a rise in interest rates – can have on the coverage of guaranteed benefits and the solvency of the company.

## Structured entity

With a structured entity, voting and comparable rights are not the definitive factors in determining who controls the company. Voting rights merely cover administrative duties, whereas material activities are performed pursuant to contractual arrangements.

## Underwriting result

The result from income and expenses from insurance business primarily comprises premiums, claims expenses, premium refunds and expenses for insurance operations. In addition, in life insurance business, the corresponding capital investment result and the change in the provision for future policy benefits form part of it.

## Valuation reserves

Difference between the fair value and the carrying amount of certain asset classes. In HGB financial statements, this includes capital investments. In IFRS financial statements, this includes financial instruments that are not recognised at fair value and property held as a financial investment.

## Value at risk (VaR)

The VaR is a measure of risk that indicates what value the loss of a certain risk position will not exceed with a stipulated probability of default (confidence level) during a stipulated time interval.

## Value-oriented net sales

New and replacement business less portfolio cancellations (in each case, according to annual contributions to the portfolio) of each insurance line in property/casualty insurance, weighted with factors. The factors are determined according to the respective profitability. As a rule, the more profitable the line, the higher the weighting factors. Positive value-oriented net sales means strong in-come growth.

## Value-oriented net valuation amount

Total premium from new business by product group, weighted with value-oriented factors. The factors are determined according to the profitability of each product group. As a rule, the more profitable a product group, the higher the weighting factor.

## Volatility

The standard deviation, translated to one year, of the logarithmic growth of a risk factor.

## Württembergische

The term "Württembergische" includes Württembergische Lebensversicherung AG, Württembergische Versicherung AG and die Württembergische Krankenversicherung AG.

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