Annual Report 2021

Wüstenrot & Württembergische AG

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

Wüstenrot & Württembergische AG

W&W Group (according to IFRS)

Consolidated balance sheet		31.12.2021	31.12.2020
Total assets	€ bn	75.2	76.5
Capital investments	€ bn	48.8	51.3
Senior fixed income securities	€ bn	9.0	12.4
Senior debenture bonds	€ bn	24.9	25.8
Building loans	€ bn	23.8	22.8
Liabilities to customers	€ bn	22.6	22.5
Technical provisions	€ bn	38.4	39.4
Equity	€ bn	4.9	5.1
Equity per share	€	51.72	53.80

Consolidated profit and loss statement		1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020
Net financial result (after credit risk adjustments)	€ mn	2,509.2	1,812.5
Premiums/contributions earned (net)	€ mn	4,638.4	4,415.1
Insurance benefits (net)	€ mn	−5,149.7	−4,455.4
Earnings before income taxes from continued operations	€ mn	480.7	306.9
Consolidated net profit	€ mn	352.2	210.8
Total comprehensive income	€ mn	−151.4	322.8
Earnings per share	€	3.74	2.24

Other information		31.12.2021	31.12.2020
Employees (full-time equivalent head count)		6,307	6,473
Employees (number of employment contracts)		7,458	7,666

Key sales figures		1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020
Group			
Gross premiums written	€ mn	4,718.5	4,491.0
New construction financing business (including brokering for third parties)	€ mn	6,898.2	6,142.7
Sales of own and third-party investment funds	€ mn	671.3	530.2
Housing			
New home loan savings business (gross)	€ mn	11,744.7	12,560.8
New home loan savings business (net)	€ mn	9,968.3	10,361.7
Life and Health Insurance			
Gross premiums written	€ mn	2,543.0	2,445.7
New premiums	€ mn	945.2	815.3
Property/Casualty Insurance			
Gross premiums written	€ mn	2,192.0	2,054.7
New premiums (measured in terms of annual contributions to the portfolio)	€ mn	352.8	322.0

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

		1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020
Net income	€.mn	111.7	100.3
Dividend per share[1]	€	0.65	0.65
Share price at year-end	€	17.66	16.52
Market capitalisation at year-end	€.mn	1,654.2	1,548.5

1 Subject to approval by the Annual General Meeting.

Financial calendar

Annual General Meeting

Annual General Meeting	Wednesday, 25 May 2022

Financial reports

2021 Annual Report	Thursday, 31 March 2022
Interim management statement as at 31 March	Friday, 13 May 2022
Half-yearly financial report as at 30 June	Friday, 12 August 2022
Interim management statement as at 30 September	Friday, 11 November 2022

Wüstenrot & Württembergische AG
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Letter to shareholders W&W AG

Jürgen A. Junker, Chairman
of the Executive Board

“Despite adverse circumstances, 2021 was a year that exceeded our expectations”

Dear shareholders,

In 2021 the W&W Group performed considerably better than had been expected at the start of the year. Consolidated net profit came in at EUR 352.2 million, a significant increase of 67 per cent over the previous year‘s figure. Our earnings forecast was revised upward on two occasions.

Five years after the start of its new beginning, the W&W Group is doing very well. New business was very satisfactory: we are gaining customers and market shares and making great progress with the digital transformation. At the same time, we further increased efficiency in the Group. Since 2016 it has improved by an average of about 5 per cent per year, and we also intend to continue to achieve this rate.

These developments are all the more remarkable given that we had to overcome two significant challenges in the past year. As in 2020, the aim was to adapt to the restrictions occasioned by the coronavirus pandemic. For our employees, this once again meant servicing our customers primarily through digital communication channels. They did an outstanding job here.

Even more severe, however, were the devastating floods that afflicted parts of Germany in summer 2021 and wrought existential havoc for many people. In this situation, the objective was to provide affected customers with help as quickly and with as little red tape as possible. I am very pleased that we lived up to that aspiration, particularly during those difficult weeks. Our teams on location in the affected areas did an outstanding job of handling claims settlement and, with their great commitment, showed that customers can rely on the W&W Group in such a crisis, that we are firmly on their side.

In financial terms, the losses which ultimately amounted to gross expenses in the mid-nine-figure range – were absorbed in full in the 2021 financial year without affecting the balance sheet or forcing us to cut our profit targets. For a considerable portion of the losses, reinsurance enabled us to cushion the adverse impact. Our conservative, selective risk strategy paid off here.

Another thing is clear, as well: We would not have been able to cope so well with 2021 and of its challenges had we not initiated the far-reaching transformation of the W&W Group five years ago and successfully implemented it since then. The past year impressively demonstrated that close personal service, agility and resiliency are now firmly embedded in our Group and that the idea of improving ourselves every day really works. Through our digitalisation offensive we are creating more customer benefits, greater efficiency, stronger performance and enhanced competitive and innovative power. At the same time, our consultants can have an even stronger focus on working for and with customers – which they are doing with great success.

In the Housing division we once again gained considerable ground, particularly in construction financing business, and outperformed the market. In the Insurance division, Württembergische Versicherung was able to exceed our ambition of doubling market growth in nearly all business lines, in some cases by a significant margin. The division’s persistently high earning power was also aided by the fact that the combined ratio in property and casualty insurance increased only moderately despite losses from storm and flooding damage.

Another positive aspect is that all companies contributed to this profitable growth. Our digital brand Adam Riese, whose customer growth in 2021 was more than solid, has developed into nothing short of a paradigm for successful innovation in online insurance business. It has now been integrated into the sales of Württembergische Versicherung AG and the Insurance division, which has further increased the visibility on the market.

As in prior years, it is important to us that you, dear shareholders, share appropriately in the good performance of our company. For this reason, the Executive Board and Supervisory Board will propose to the Annual General Meeting on 25 May 2022 that a stable dividend of EUR 0.65 per share be distributed again. Based on the price of W&W stock at the end of 2021, this means a dividend yield of 3.61%, which as in past years is higher than the expected average dividend yield on the MDAX and the SDAX.

The key strategic tasks for the current financial year and those thereafter are unchanged. We intend to further increase the number of new customers. We need to continue to work on our efficiency and reduce operating costs to the market level. And we need to develop further as a company, not only in financial and technological terms, but also with respect to our role in society.

Two aspects will present challenges to us in the coming years: recruiting and personnel development as well as sustainability. It is already clear today that we will not be able to cover the staffing needs that we anticipate for our Group in the coming years solely through trainees. Although staff turnover at W&W is gratifyingly low, underscoring the high level of job satisfaction felt by employees, we are witnessing a dramatic change in the requirements for qualification: The General shortage of skilled specialists, such as in the areas of product development or IT programming, is already apparent today and will only increase. All of this means that we will rapidly dedicate ourselves with greater intensity to the issue of the future of work. The attractiveness of our Group as an employer and the fostering of employee satisfaction are essential to our continued business success. With our new campus in Kornwestheim, which we are scheduled to move into in 2023, we are creating an attractive work atmosphere that readily facilitates hybrid working and promotes communication among staff. In this annual report, we provide you with a first impression of this new work world.

In addition, the quest for sustainability is defining our work to an ever stronger degree. In the W&W Group, acting responsibly and showing a commitment to society have long been firm elements of our corporate culture. With our recently enacted sustainability strategy, we are underscoring the great importance of this concern. However, many of the things that we define as targets in our sustainability strategy are not truly new for us but rather are derived from our foundation owner and from our proven business model.

It would not be prudent of us to venture an outlook at this time. The principle applies: We expect continued positive performance in 2022 with regard to all matters that we ourselves as the W&W Group can influence and determine. The further progress of the coronavirus pandemic, rising prices, above all in the energy sector, and particularly the global economic consequences of the war of aggression in Ukraine are however unknowns that are currently very difficult to estimate, and at a minimum, it can be expected that developments on the capital markets will be very volatile.

What gives me cause for optimism, despite all the challenges, is the robustness that we have worked so hard to achieve through the rigorous transformation of our Group. It enables us to take on even the challenges posed by difficult markets phases like this one and to surmount them. This achievement is due first and foremost to all of our employees and consultants, who embrace this change and drive it forward. I extend my heartfelt thanks to them for their commitment here. I would also like to thank our customers, as well as you, dear shareholders, for your trust in our company. It is a joy to witness how things at W&W continue to develop in the right direction. I am certain: That will also be the case in 2022.

And at the same time, I would like to emphasise once again at this juncture how deeply distressed we are by the dire consequences of the war in Ukraine for the many innocent people there, but also in Russia. It is simply a tragedy.

Sincerely yours,

Jürgen A. Junker, Chairman of the Executive Board

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
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
Personal
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
IT

Our Supervisory Board

Hans Dietmar Sauer

Chairman
Former Chairman of the Executive Board
Landesbank Baden-Württemberg and of
Landeskreditbank
Baden-Württemberg

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

Ute Hobinka[1]

Chairwoman of the Works Council
W&W Informatik GmbH

Jochen Höpken[1]

Task Group Chairman
Vereinte Dienstleistungsgewerkschaft ver.di

1 Employee representatives.

Corinna Linner

Linner Wirtschaftsprüfung

Marika Lulay

Managing Director & CEO and Member of the Supervisory Board of GFT Technologies SE

Bernd Mader[1]

Head of Customerservice and Operations
Württembergische Versicherung AG

Andreas Rothbauer[1]

Chairman of the Works Council
Wüstenrot Bausparkasse AG, Ludwigsburg site

Hans-Ulrich Schulz

Former Member of the Executive Board
Wüstenrot Bausparkasse AG

Christoph Seeger[1]

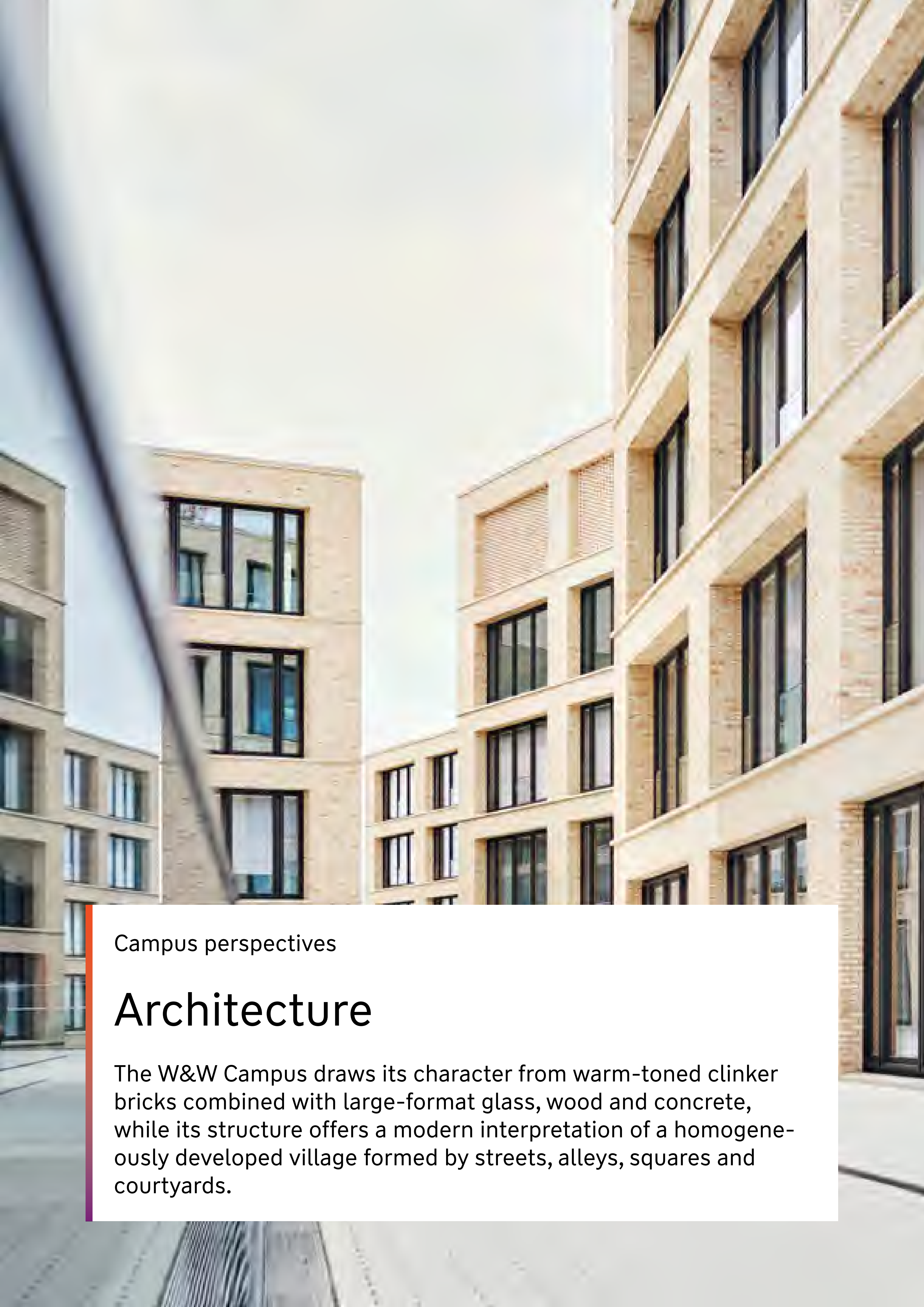
Chairman of the Group Works Council
Wüstenrot Bausparkasse AG

Jutta Stöcker

Former Member of the Executive Board
RheinLand-Versicherungsgruppe

Susanne Ulshöfer[1]

Member of the Works Council
Wüstenrot Bausparkasse AG, Ludwigsburg site



Campus perspectives

Architecture

The W&W Campus draws its character from warm-toned clinker bricks combined with large-format glass, wood and concrete, while its structure offers a modern interpretation of a homogeneously developed village formed by streets, alleys, squares and courtyards.

Combined Management Report
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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 the financial planning solution that meets their needs. 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. Today, approximately 13,000 people work for the Group as in-house employees or on the mobile sales staff. The W&W Group operates almost exclusively in Germany and is represented there by two key offices in Stuttgart and Ludwigsburg/Kornwestheim.

With regard to the new digital initiatives, a realignment took place in the W&W Group in September 2021. Following its successful development, Adam Riese, a digital standalone brand on the market, took on a more visible role in the sales of Württembergische Versicherung AG and was integrated into the Insurance division. The Group's other digital initiatives remained pooled at W&W brandpool GmbH.

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. Effective 1 June 2021, Falko Schöning was appointed to the Executive Board of Wüstenrot Bausparkasse AG, where he had been General Representative since mid-2020. The Executive Board of Wüstenrot Bausparkasse AG now once again consists of three members following a transition phase with a two-member Executive Board. In view of the growing importance of digitalisation issues, Schöning is responsible for IT, Operations and Portfolio Management.

In the **Insurance** division, the W&W Group offers 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. Effective 1 January 2021, Zeliha Hanning took over as Chair of the Executive Board of Württembergische Versicherung AG. At the same time, she became a member of the Executive Board of Württembergische Lebensversicherung AG. Effective 1 January 2021, Jacques Wasserfall took over as Chair of the Executive Board of Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG. Since mid-2020, he had been a member of the Executive Board of Württembergische Lebensversicherung 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 took over responsibility for this new remit, effective 1 January 2022. Jens Lison will continue to head corporate customer business, which is also growing strongly, as well as the property insurance business line.

The **Management Board** is the central steering body of the W&W Group. It concerns itself with, among other things, Group governance and with setting and developing the 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 2021. Operational and company-specific issues of the individual entities are handled at the divisional level.

Wüstenrot & Württembergische AG, headquartered in Stuttgart, Germany, is the Group's strategic 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. W&W AG is a publicly traded company (Prime Standard).

By building the new **W&W campus** at the Kornwestheim location, W&W AG, as builder-owner, is investing in the future of the corporate group. Employees moved into the first section of the building on schedule in late 2017, and work on the second section commenced in 2018. The entire project, located on an approximately six-hectare site, is scheduled to be completed by 2023. In all, the W&W campus will then have seven interconnected office buildings with some 4,000 modern work stations available to employees of the W&W Group for flexible use.

“W&W Besser!”

The W&W Group strives for a high degree of stability and sustainable growth of 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 2021 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!” is not considered a rigid programme. Rather, it is an attitude that guides all actions of employees. ESG aspects are integrated in “W&W Besser!” as part of the Group strategy.

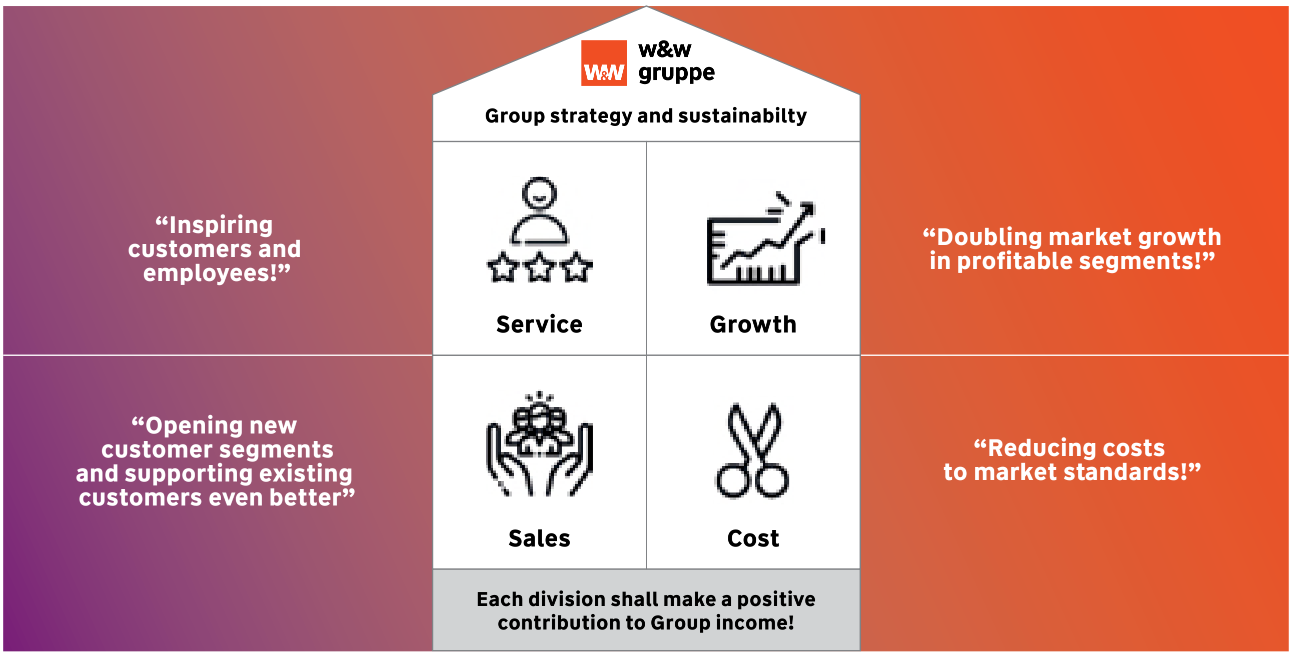
The digital transformation of the W&W Group continued apace in 2021, as did the process of change, which had accelerated as a result of the coronavirus pandemic. Our employees proved to be flexible in adapting to the new requirements. A study by ServiceValue in cooperation with FOCUS-MONEY looked at which companies have been most successful in balancing their traditional values with modern demands. In the FOCUS-MONEY public opinion poll of “Best Long-Standing Companies”, the W&W Group achieved an above-average score of “Top”.

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.

- With the large-scale bausparen@wüstenrot („b@w“) project, the ageing mainframe computer system is being replaced with a modern, SAP-based core banking system. An important milestone was reached when SAP modules went on line. This flexible IT basis enables us to respond quickly, including in the future, to continually changing customer needs and market requirements.

- The project #Wohnen 4.0 is addressing changed customer requirements. Its aim is to rigorously carry out end-to-end digitalisation so as to make processes and services even faster, simpler, more efficient and more sustainable than they are now. The technical basis for this is a flexible service and IT infrastructure (service@wüstenrot (s@w)).

“W&W Besser!”



- As part of the project “Ausbau Immobilien”, Wüstenrot Haus- und Städtebau GmbH (WHS) could sell all seven construction sites in the “Südcampus” residential neighbourhood of Bad Homburg, where some 550 apartments and a municipal daycare centre are set to be completed by early 2024.

- In 2021 Wüstenrot Immobilien GmbH (WI) posted record numbers in terms of the brokerage of residential properties. It was also successful in expanding the brokerage of financial products, such as home loan savings financing and home loan savings contracts.

- The magazines FOCUS and FOCUS-MONEY awarded Wüstenrot the seal “Utmost Confidence” in their Deutschlandtest. They analysed online mentions about Wüstenrot that suggested integrity, willingness to recommend, confidence and quality, with the underlying concept being that brands and companies largely derive their credibility from confidence on the part of customers that a company will keep its brand promises.

Despite the challenging year, the **Insurance division** also continued to post growth in its segments.

- In recognition of its digital presence and consistent brand management, Adam Riese was named Digital Brand of the Year in the category “Best of Best Excellent Brands”. The brand identity has consistently evolved over the past four years, helping to enable Adam Riese to reach more than 236,000 customers with six insurance products. In addition, Adam Riese was awarded Gold in the category “Excellent Brands – Insurance” for its excellent performance.

- Digital claims management was once again the focus in 2021. It is intended to relieve the pressure on processing and create freedom for customer service. More than 14,000 digital claim reports in the motor, property, liability and legal expenses lines were received this year on the website of Württembergische Versicherung AG. In connection with the storms in June, every fifth property claim was reported online. The efficiency measures have made a positive impact, not least with the management of storm-related losses.

- The new strategy “Kompass 25” in life and health insurance launched in 2021. The programme is embedded in the “W&W Besser!” map and is thus in line with the overarching objectives of the W&W Group. As an over-riding strategy, “Kompass 25” covers the four dimensions “Company”, “Customers”, “Sales” and “Employees”. The goal is to significantly increase gross premiums written in life and health insurance by 2025, while at the same time further lowering the acquisition and administrative cost ratio. The reliability should moreover be evident on an sustained basis in a stable solvency ratio and a solid profit as calculated in accordance with German commercial law rules.

- Owing to very positive reviews by customers, Württembergische Versicherung received multiple seals of approval in connection with the current KUBUS study. It was awarded five stars and the grade “Outstanding” for its service. In the areas of customer satisfaction and value for money, it received four stars and the assessment “Very good” in both cases. The survey respondents put Württembergische Versicherung in first place in terms of support.

Pooling the financial planning expertise of the two Wüstenrot and Württembergische brands, providing customers with comprehensive advice and exploiting sales potentials: These objectives have been pursued by the W&W Group’s tandem model since 2016. Through the activities and measures to boost cross-selling in the long term, the two great brands provide each other with mutual support. This collaboration model continued to make positive inroads for the fifth year in a row. Since the introduction of the tandem model, the number of tandem partner-ship has more than doubled from about 400 to over 1,000.

In 2021 FinanzGuide, the Group’s mobile customer portal, redesigned its appearance to make it clearer and expanded its features. For instance, various Württembergische Krankenversicherung AG calculator apps were replaced by FinanzGuide. Among other things, customers can now make use of all of the functions and services they are accustomed to there, such as invoice submission, travel emergency service and digital medical consultation. FinanzGuide now has more than 143,000 registered users.

The “W&W Besser!” initiative will also be continued in 2022 in order to rigorously ensure that products, services and processes remain aligned with customer benefits throughout the entire W&W Group.

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 rigorously fine-tune its range of products to match market developments and trends in the 2021 financial year, such as the persistently low level of interest rates and increasing digitalisation. It provides a broad spectrum of financing and home loan savings products for every need: from short-term construction, acquisition and renovation projects to long-range plans.

In 2021 home loan savings and new construction financing business benefited from various state aid instruments and a modification of legal norms. For instance, since 1 January 2021, more people have been eligible for the considerably enhanced home-building premium. In mid-2021, the German Home Loan and Savings Bank Regulation (Bausparkassen-Verordnung) was modified. The loan limit was increased from €30,000 to €50,000 without a recorded land charge, which is the logical response to rising modernisation costs.

Construction financing business was again spurred in 2021 in the areas of construction, purchase and modernisations through an expanded governmental subsidy in connection with the federal government's climate package. On the products side, this was accompanied by a particularly low-cost offer ("Wohndarlehen Klima") by Wüstenrot Bausparkasse AG for energy modernisations.

"Wüstenrot Wohnwelt", which can be found at www.wuestenrot.de, offers solutions for users with a wide range of housing needs. The benefits for visitors – getting access to information about topics relating to the home, conducting property searches in collaboration with ImmobilienScout24, looking for an advisor and browsing partner offers – create an added value for our customers in addition to the Wüstenrot products Wohnsparen and Wohndarlehen.

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 Wüstenrot Baufinanzierung received the rating "TOP SCORE".

Wüstenrot received other awards in 2021, serving once again to confirm the outstanding quality of its products and services. For example, in the national representative survey KUBUS Bausparen 2021 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.

In 2021 the share of premium car policies remained at a very high level in the motor business segment. Both car policy product lines – Premium and Compact – were enhanced and optimised in terms of their benefits in the financial year just ended.

Growth in the corporate customers business segment continued despite another challenging year with the coronavirus pandemic and was above the market average. The number of concluded contracts with the core commercial product "Firmen-Police" rose further. Commercial legal expenses insurance was revised and its benefits expanded. For instance, insurance coverage now includes the assertion of competition claims. In addition, the five target-group products in corporate customers commercial business with the highest revenue have been revised.

In the 2021 financial year, retail legal expenses insurance and accident insurance were revised and redesigned. Retail legal expenses insurance now includes the PremiumPlus policy. The PremiumSchutz policy in both retail legal expenses insurance and accident insurance was rated as "outstanding" (FFF) by Franke & Bornberg.

In the financial year just ended, the rating agency Franke & Bornberg gave Württembergische Versicherung AG the "German Insurance Award 2021" in the area of electric vehicle insurance. In addition, classic car insurance received top marks in the "Best Brand 2021" readers' poll conducted by the magazine Motor-Klassik.

For the sixth year in a row, FOCUS-MONEY awarded Württembergische Versicherung AG the title of “fairest insurer” for its residential housing insurance. As part of the KUBUS study conducted by MSR Consulting, Württembergische Versicherung AG took first place in 2021 as a full-service insurance provider in the category “service” and “very good” in the categories “customer satisfaction” and “value for money”. In addition, Württembergische Versicherung AG was rated “outstanding” in the category “service”.

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

In April 2021, our unit-linked personal annuity Genius, our classic annuity KlassikClever and our index annuity were rigorously oriented in terms of sustainability. For this purpose, the multi-asset strategy index was augmented with the inclusion of the climate care indexes.

In the area of occupational pension schemes, we began offering the balance-sheet-optimised direct commitment with fund investment in September 2021. Among other things, it enables employers and employees to make premium payments flexibly. It also reduces the adverse impact on the balance sheets of companies.

Our portal “Württembergische-bAV.net” makes it easier for employers to manage their occupational pension schemes by enabling contract amendments to be transmitted directly online.

In the second half of 2021, the enrolment policies were modified for our term life insurance and self-employed occupational disability insurance. For instance, the examination thresholds were raised in term life insurance, enabling a leaner application process. Moreover, through the verification commitment for certain diseases, we offer customers with pre-existing conditions full insurance coverage in self-employed occupational disability insurance after the waiting period ends.

At the end of 2021, Württembergische Lebensversicherung AG discontinued new “Riester” pension business due to the very low level of interest rates. This had no effect on the Riester savings contracts in our portfolio. In addition, the German concept of “Wohnriester” is still offered by the W&W Group.

Various rating agencies attest to the quality of our products. For instance, the rating agency Franke & Bornberg gave our private annuity insurance policies KlassikClever, IndexClever and Genius the highest mark of “outstanding” (FFF+) once again in 2021. In addition, Stiftung Warentest rated our self-employed occupational disability insurance as “very good”.

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 addition, through collaborations, we further expanded our services in the area of healthcare. For instance, disease management products for customers with serious or chronic illnesses were considerably expanded in cooperation with a collaboration partner.

The product range was further modernised in 2021 with the introduction of new, modular policies in full health insurance and new policies for daily sickness allowances. In full insurance, special emphasis was placed on a contemporary scope of services. For example, digital health applications (DiGA) were explicitly included in the catalogue of services. In addition, preventive care components were strengthened, such that preventive care expenses in certain budgets no longer affect the deductible and premium refunds.

The quality of our products is evident from numerous awards, particularly by rating agencies and trade magazines. Noteworthy here is, for example, the five stars (out of five) awarded by Morgen & Morgen to the premium policy for our full health insurance that was rolled out in April 2021, which was also rated “very good” by the magazine €uro. Our supplemental long-term care insurance policy took second place in the competition “Financial Planning Product of the Year, which was held by Finanzen Verlag and whose results were published in the magazine €uro.

Our in-patient supplemental insurance was again awarded the highest grade of “very good” by FOCUS-MONEY. In addition, Finanztest confirmed the positioning of our premium policy in supplemental dental insurance and once again awarded it the mark of “very good”. In addition, the Institut für Vorsorge und Finanzplanung (IVFP) again rated the range of products of Württembergische Krankenversicherung AG in occupational health insurance as “very good”.

In 2022 Württembergische Krankenversicherung AG will continue to align and enhance its range of products and services to meet current customer needs and the challenges of demographic change, with the aim of successfully staying on track for continued growth.

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 personal advice that is competent and reliable. 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 in-clude three large private banking groups – Commerzbank, HypoVereinsbank (Member of UniCredit) and Santander. In addition, exclusive sales agreements are in place with Allianz, Oldenburgische Landesbank, the ERGO Group, HUK COBURG, LVM and Gothaer. 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, BBBank, Frankfurter Volksbank and Heidelberger Volksbank.

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

Commitment to sustainability

Responsible action and social commitment have a long tradition in the W&W Group and are an integral part of our corporate culture. These were set down in the Group-wide W&W sustainability strategy and are aligned with ESG criteria. They cover the following fields of action:

- Customers and products,
- Capital investment and refinancing,
- Employees,
- Our company operations,
- Society and organisation.

We seek to conduct our business activities in a way that is environmentally sound, socially responsible and economically successful – for the present and future generations, to whom we feel we owe an obligation.

We have voluntarily joined initiatives, such as the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI), and we commit to implement sustainable principles more strongly in our business activities and to continually enhance them. By signing the "Charta der Vielfalt", the W&W Group has supplemented the measures it takes to promote diversity.

In order to take sustainability aspects into greater consideration also in our core business, the W&W Group has further honed its alignment in the area of capital investments. We work with an outside service provider (ISS ESG) to analyse our capital investment portfolios (specifically for companies and countries). The analysis also takes into account special ecological and social risks and those concerning corporate governance that are associated with capital investment, insofar as these ESG risks are related to the investment portfolio and its management. Based on this analysis, exclusion criteria have been developed for our portfolios. Excluded are

- Manufacturing companies that violate the UN conventions on the prohibition of controversial weapons, such as biological and chemical weapons, anti-personnel mines and cluster munitions,
- Companies that generate more than one per cent of their revenue from arms manufacturing or dealing,
- Companies where 10 per cent or more of their activity is related to coal,
- Companies that are proved to have used forced labour,
- Companies that are proved to have used child labour.

In 2021 the following new exclusion was defined with respect to investments in countries and then implemented in the direct portfolio and in most indirect investments (funds): The exclusion of countries that have an authoritarian regime or are considered not free (Freedom House classification).

In addition, no investments are made in agricultural commodities. For most indirect investments (funds), the fore-going investments are excluded systematically. Since the strategic asset allocation does not provide for investments in agricultural commodities, the W&W Group has not in-stalled a systematic process in the sense of an ESG screening for the direct portfolio.

In addition, for retirement planning, the W&W Group offers the unit-linked annuity insurance product Genius with a stronger ecological focus. The capital protection fund "Genius Strategie" pursues a sustainable investment strategy. In addition, the W&W Group has decided to set up two additional sustainability funds that focus on equities and bonds. It is planned to introduce these in early 2022 also for unit-linked products and likewise make them available for direct investments.

There are a variety of regulatory initiatives on the European level with respect to the transparency and disclosure of sustainability-related information. The initial requirements resulting from them have already been implemented in the W&W Group. The next steps are set down in sustainability projects.

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.

Pursuant to Sections 289c and 315c of the German Commercial Code (HGB), the combined separate non-financial report of Wüstenrot & Württembergische AG and of the W&W Group is prepared and made available to the public on the website of Wüstenrot & Württembergische AG www.ww-ag.com/de/gruppe/nachhaltigkeit.

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 a number of consultations and impact assessments. The changes being discussed are associated with far-reaching modifications with respect to both the qualitative and the quantitative requirements for insurance companies. Accordingly, in July 2021 EIOPA published a consultation paper on the change to the quantitative requirements. Initial application is expected as at 31 December 2023. In parallel to this, the European Commission published a legislative proposal concerning the amendment of the Solvency II Directive. The European Parliament and the Council will discuss these proposed amendments as a next step. In addition, the European Commission is working on a proposed amendment to the delegated regulation. Initial application of the resulting requirements has not yet been definitively clarified.

Furthermore, the consequences of the increasing digitalisation of the industry are manifesting themselves in additional supervisory requirements for IT.

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 on the basis of the internal reporting system. 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 in-cludes 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. The key performance indicators are derived on this basis.

We review our operational plan with two extrapolations during the financial year. Management activities are performed throughout the year using a "management cockpit" that tracks targets on a monthly basis. Counter-measures are taken where necessary if actual performance deviates from the target.

The following key performance indicators have been defined to properly guide the W&W Group:

For the 2021 and 2022 financial years, consolidated net profit (IFRS) and general administrative expenses in the Group are used as the key performance indicators. For segments, the management parameters are segment net income after taxes and general administrative expenses. 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 will henceforth report new and replacement business (by annual contribution to the portfolio), which replaces new business (by annual contribution to the portfolio). In this way, we are bringing our reporting in the management report into line with our internal reporting.

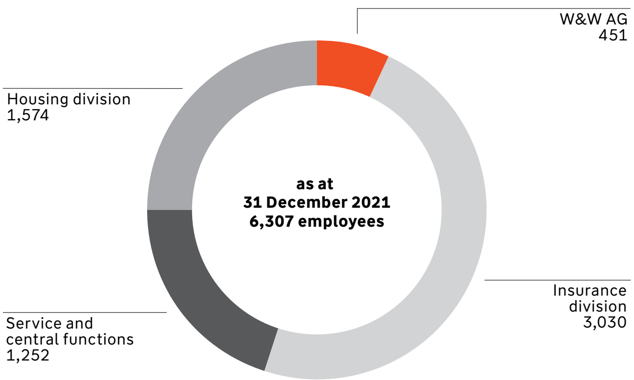
The risk management system occupies an important role within the management system of the W&W Group. The risk strategy requirements are to be complied with when pursuing the corporate objectives. This is addressed separately in the section "Risk reporting" in the opportunity and risk report.

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 2021, the W&W Group had 6,307 permanent employees (previous year: 6,473) in Germany and abroad, calculated based on full-time equivalents, excluding trainees and working students at the Cooperative State University (Duale Hochschule, DH). As at the end of the year, a total of 288 (Vj. 313) trainees and DH students were employed.

Employees in W&W Group including abroad



In 2021 personnel work was substantially influenced by the coronavirus pandemic. It was of special significance in this regard not only to continue to maintain business operations with the support of the employees but also to achieve the ambitious targets. In the same way, the goal was to ensure the health and satisfaction of employees and their ability to work. Therefore, the W&W Group again offered a variety of measures for meeting these challenges of the coronavirus pandemic:

For instance, nearly all in-house employees and mobile sales force staff were able to work remotely pursuant to the German coronavirus occupational safety regulation. In-office rate of up to 50% was possible, preferably in rotating teams. During the year, this rate was constantly adapted to the current situation, in line with regulatory requirements. In addition, regular teleconferences were held with managers and employee representatives to pass on information and answer questions.

The expanded daily working time window from 6 a.m. to 10 p.m. and improved technical equipment in the form of laptops, 27-inch monitors and headsets made it possible to work flexibly. About 3,600 employees made use of this investment. In the autumn, approximately 8,000 new notebooks began to be distributed to in-house employees. In addition, the W&W Group concluded a Group works agreement that enables up to 40% of weekly work Group-wide to be done remotely – irrespective of the pandemic – and thus offers employees a hybrid working model going forward as well.

The hygiene concept introduced by W&W remained in effect, ensuring that employees were largely protected against the risk of infection in the office and at the staff restaurants, as well as when attending required in-person events and training courses. In addition, the W&W Group offered vaccinations and, since December, boosters by the company medical service to all interested employees.

In our opinion, these measures decisively contributed to the rise in the degree of employee satisfaction once again in the 2021 employee survey.

The platform “Living and working in the coronavirus pandemic” was expanded in 2021 and updated to meet the current needs of the workforce. It is designed to provide employees and managers with helpful information, documents and contact persons in various areas in a way that is compact and clearly structured. One element of this are formats for qualification and for exchanging ideas and information, as well as specialised talks on such topics as hybrid working, leading at a distance and resilience. In addition to existing offers, like a virtual “active break”, W&W’s health management office developed tailored offers under the year’s motto “Strengthening the immune system”, such as on the topics of sleep, nutrition, stress, as well as the W&W step contest on the topic of movement.

By signing the “Charta der Vielfalt”, the W&W Group sent a clear signal in favour of diversity and tolerance at the workplace, with a commitment to promote diversity in the company. In that way, the W&W Group supplemented the measures that it has been undertaking for many years in this topic area. These include, by way of example, a voluntary proportion concerning the promotion of women in career programmes, career advice and coaching, as well as various working-time models and measures to promote the compatibility of work and family in all phases of life. Moreover, the creation of a work environment marked by equal opportunity and tolerance is set down in the W&W Group Code of Conduct. Today, the Group is already diverse, but it intends to expand this even further with the aim of remaining an attractive employer for top talents.

In 2021, the recruitment of new employees was also done digitally to a great extent. For instance, job interviews were largely conducted virtually by phone or video. The Group successfully recruited 234 new employees. In order to keep in contact with qualified students and demonstrate that it is an attractive employer, the W&W Group took part at four university career fairs. The recruiting fairs at the Freiburg, Heidelberg and Tübingen universities, as well as the career fairs at the Hohenheim and Ulm universities and at the Stuttgart University of Applied Sciences, took place digitally. The career fair visits were augmented by virtual recruiting speed dating at the University of Ulm.

An onboarding platform has been in place since this year to facilitate the entry of new employees into the W&W Group. Through the platform, all new employees receive relevant information having to do with their joining the W&W Group. At the same time, managers are supported in the process of making entry as optimal as possible. In this spirit, the introductory meeting for new W&W employees again took place digitally, with both the welcoming remarks by the Executive Board as well as specialist presentations and getting to know one another being held virtually. Training started in a hybrid manner: New trainees had the ability to get to know one another, the company and the trainers personally in small groups. Teaching videos, a virtual tour of the campus and the use of digital methods rounded out the opening programme.

The W&W Group received multiple awards again in 2021. Particularly for its personnel work, it received the title “Top Employer Germany 2021” 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. The W&W Group was also named a “Corporate Health Company” for a period of two years and even came out on top in its industry. The “Corporate Health Award” is a quality initiative on sustainable occupational health management in German-speaking countries. The requirement for the award is the existence of systematic, strategic and holistic health management that is among the best in the respective industry and serves as a model. In addition, the W&W Group was again awarded the seal “Germany’s Best Training Companies” and was named one of Germany’s most sought-after employers by the FAZ-Institut. For its measures and activities to create equal opportunity and diversity, the W&W Group was moreover awarded its fifth “Total-E-Quality” seal, this time also combined with the sustainability prize of the Total-E-Quality rating.

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 2021 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.

Ratings Standard & Poor‘s

	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 bond issued by Wüstenrot & Württembergische AG in September 2021 was, as expected, rated BBB-.

The subordinated bonds issued by Wüstenrot Bausparkasse AG and Württembergische Lebensversicherung AG continue to be rated BBB.

Stock

Stock price performance

W&W stock experienced a two-part year on the exchange. In the first half of 2021, it trended upward with very little fluctuation. Starting from €16.52 at the end of 2020, it exceeded the €18 mark in March. Then in mid-May, the company's solid quarterly report and positive analyst comments prompted a further price rise. After the company raised its forecast for the year's profit in June, the W&W stock price rose to its high for the year (on a closing price basis) of €19.66. In the second half of the year, however, despite the continued positive business performance, a somewhat weaker price trend set in. W&W stock ultimately stood at €17.66 at the end of the year, equating to a price rise of 6.9%. Taking into account the dividend distribution in the amount of €0.65, overall performance was 10.8% for the reporting period. Euro STOXX banks posted a price rise of 36.2% for the same period, and Euro STOXX insurance companies, 17.1%.

Key data of W&W shares

		2021	2020	2019
Number of shares	in pieces	93,749.720	93,749.720	93,749.720
of which are treasury shares	in pieces	79,966	15,252	53,886
Market cap as at 31.12.	in € mn	1,654.2	1,548.7	1,814.0
Dividend per share	in €	0.65[1]	0.65	0.65
Dividend yield	in %	3.61	3.93	3.36
High/Low	in €	19.66/ 16.52	19.84/ 11.52	19.78/ 15.74
Yearend share price	in €	17.99	16.52	19.36
Average daily XETRA-trading volume	in pieces	26,332	36,920	33,433

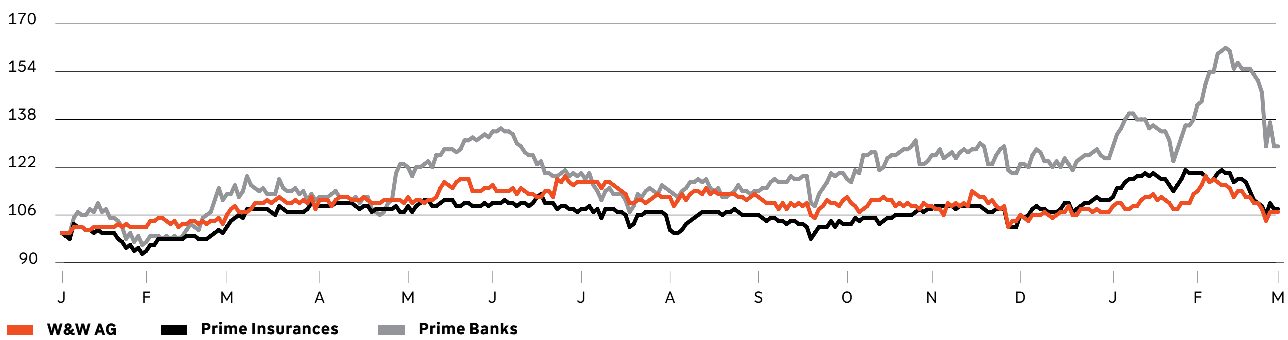
1 Dividend proposal.

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 W&W AG shareholder structure remained stable over the course of the reporting year. Our key shareholder is the non-profit Wüstenrot Foundation. It maintains an indirect participation of 66.31% through two holding companies. Of this, 26.40% 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 (renamed in 2021; previously: FS W&W Holding GmbH), with more than 10% of the shares. Approximately 9.2% (previous year: 9.2%) of all shares issued by W&W AG are held by foreign shareholders.

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

2021 indexed



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 2021, this corresponds to a dividend yield of 3.61%. Thus, W&W stock outperformed the expected average dividend yields of the MDAX (2.01%) and the SDAX (2.77%) for 2021.

The Annual General Meeting will take place virtually on 25 May 2022, at 10 a.m.

Employee shares

In April 2021 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 29 March 2021 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 per cent of eligible employees took advantage of the offer. More extensive information can be found in the notes. Employees are to be offered shares again in 2022.

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 latest target prices for W&W stock set by banks and securities firms is + 38.86%, based on the XETRA closing price of 28 February 2022.

Analyst recommendations

Institution	Date	Recommendation / target price
Bankhaus Metzler	03.02.2022	BUY / €25.00
LBBW	12.11.2021	BUY / €23.00
Montega	16.08.2021	BUY / €23.00

Investor Relations

In the reporting year, W&W AG continued its intensive dialogue with institutional investors, private investors and financial analysts despite the coronavirus pandemic. Because of the increased degree of digitalisation in IR work, we were especially able to intensify the communication with international investors through roadshows and capital market conferences, e.g. by participating in the virtual Deutsches Eigenkapitalforum, which is normally held in Frankfurt am Main, and in the virtual Berenberg and Goldman Sachs German Corporate Conference in Munich. Investor relations activities were supplemented by virtual roadshows with international investors. In addition, the investor relations team issues a regular newsletter with information about current topics.

W&W AG presented current business figures in the form of teleconferences and an online financial statements press conference. Similarly, the Annual General Meeting in 2021 was held virtually for now the second time.

Campus perspectives

Interior design concepts

Flexible space, open office layouts, multifunctional team offices, desk sharing and mobile working create an innovative, attractive and forward-looking working environment.

Business report

Business environment

Macroeconomic environment

According to preliminary calculations, the German economy posted growth of 2.7% in the 2021 calendar year. At the start of the year, economic activity was still depressed as a result of ongoing restrictions designed to contain the coronavirus pandemic. The economy then experienced a dynamic recovery in the spring when those restrictions were lifted. The key driver in this regard was private consumer demand. By contrast, the industrial sector suffered from persistent disruptions to global supply chains. This resulted in a shortage of numerous primary products. As the year drew to a close, another wave of infections put a damper on economic development. The German job market recovered over the course of 2021. For instance, the unemployment rate fell from 6.0% at the start of the year to 5.2% at the end of the year. Inflation rose sharply in 2021, from a low 1% in January to 5.3% in December, which was not only the high for the year but also the highest level since the early 1990s.

Capital markets

Bond markets

Yields for German government bonds on the bond markets changed moderately in the 2021 calendar year. In the short-term maturity area, for instance, yields on two-year German government bonds rose only slightly from – 0.70% at the end of 2020 to – 0.62% at the end of 2021. Short-term interest rates fluctuated only insignificantly over the course of the year as well. This calm development was due to the ECB's hands-off policy concerning benchmark interest rates and its announced intention to refrain from making any serious changes for the foreseeable future. Longer-term interest rates also changed only moderately over the year. The yield on 10-year German government bonds, for example, climbed from – 0.57% at the end of 2020 to – 0.18% at the end of 2021. In this regard, above-average economic growth, sharply rising inflation and initial signs that the USA would tighten its monetary policy in 2022 began to push interest rates upward. Extensive bond purchases by the ECB and renewed economic worries as a result of new waves of coronavirus infections tended to hold back interest rate rises.

Equity markets

European equity markets performed very well in the 2021 calendar year. For instance, the Euro STOXX 50 went up by 21.0%. The DAX rose by 15.8%, repeatedly posting new record highs. This trend in prices on the Euro zone benefited from above-average economic growth of about 5% – all despite the ongoing coronavirus pandemic. As a result, most companies succeeded in winning over equity investors with their reports on current business performance, many of which showed a considerable recovery in revenues and profits. Finally, the ECB adhered to its very expansive monetary policy, which continued to benefit the equity markets.

Industry trends

Low interest rates and regulatory requirements were once again the driving factors in the financial services industry in 2021. 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. 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 a number of consultations and impact assessments. The changes being discussed are associated with far-reaching modifications with respect to both the qualitative and the quantitative requirements for insurance companies. In addition, there exist a variety of regulatory initiatives on the European level with respect to the transparency and disclosure of sustainability-related information. Studying and implementing these regulatory requirements constituted a key challenge in both the banking and insurance areas in 2021. This trend will continue in 2022 as well.

According to industry estimates, home loan savings volume in terms of net new business fell by about 6% to approximately €73 billion in the sector. Wüstenrot's net new business outpaced the market, allowing us to assume that we gained market share. Wüstenrot Bausparkasse AG ranks second among home loan and savings banks, as measured by new business.

New business in private residential financing improved in 2021. According to the Deutsche Bundesbank, providers disbursed approximately €284 billion (previous year: approximately €273 billion) in residential construction loans to households. This equates to growth of 4%. Market volume was thus at a high level. Wüstenrot Bausparkasse AG participated in this above average and was thus able to boost its market share. These positive trends were aided by mortgage interest rates, which remained low on a long-term comparative basis. Due to the shortage of building materials as a result of supply bottlenecks, fewer homes were completed in 2021, and the demand for owner-occupied housing, primarily in large cities and conurbations, far exceeded supply. In the financial year just ended, residential housing construction was limited particularly due to a lack of building land and at many locations diminished building and trade capacities, as well due to bottle-necks in the supply of building materials. Property prices continued to rise, contributing to the high volume of construction financing. The good financing conditions also resulted in existing properties changing hands more frequently and thus in a high transaction value, as well as in upgrade and renovation work. The latter was additionally stimulated by improved governmental support measures, particular for energy renovations.

Based on provisional industry numbers for 2021 published by the German Insurance Association (GDV), the life insurance industry posted a rise in new regular premiums by 8.5% to €6.3 (previous year: €5.8) billion in 2021, while single-premium business fell by 7.3% to €34.4 (previous year: 37.1) billion. New premiums collected by life insurers fell in 2021 by 5.1% to €40.7 billion (previous year: €42.9 billion). Total premiums rose by 4.8% to €179.4 billion (previous year: €171.1 billion).

Gross premiums written by life insurers fell in the reporting period to €98.2 billion (previous year: €99.9 billion), mainly due to lower single-premium business,

Württembergische Lebensversicherung AG recently came in 12th among its peer group of German life insurers based on gross premiums written. In terms of premiums written, the market share of Württembergische Lebensversicherung AG rose to 2.2% (previous year: 2.1%).

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

According to provisional calculations by the GDV, premium income rose moderately by approximately 2.4% (previous year: 2.6%) as at the end of the year despite the coronavirus crisis pandemic, with income coming in at €76.7 billion (previous year: €74.9 billion). Claims expenses rose significantly by an expected 23.6% following a decline of 2.8% in the previous year, when the coronavirus pandemic had a major impact, above all in motor liability. The sharp rise was particularly due to the “Bernd” flooding catastrophe, which left its mark on claims developments in 2021. For the first time since 2013, this led to an underwriting loss of €2.9 billion (previous year: gain of €6.9 billion). The loss ratio for the financial year stood at 85 (previous year: 70) %, which was considerably higher than in previous years. The industry’s combined ratio (combined ratio of claims and expenses) worsened to approximately 104 (previous year: 91) %.

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

Development of business

The 2021 financial year was again marked by the coronavirus pandemic. The continuing restrictions initially caused the economic recovery to stall in 2021. The faster pace of vaccinations and the easing of restrictions then led to a brightening of economic prospects. Mid-year 2021 saw extraordinary loss events as a result of storms. On the capital markets, the improved economic outlook and expectations of higher inflation brought about a clear upward trend on equity indexes as well as moderately rising interest rates across the board.

Despite these challenging circumstances, the W&W Group posted record after-tax net profit of € 352.2 million (previous year: € 210.8 million), thus coming in ahead of our forecast for net income, which we had raised in June 2021 from €280 to 330 million.

Higher distributions as well as trends on the equity markets had a positive impact here, leading to increases in the net measurement gain. In Property/Casualty Insurance, the net loss ratio was once again low due in part to the lock-down, which resulted in a lower volume of traffic.

The accumulation of natural disaster losses in the summer months had an adverse effect on results, but the impact was able to be limited by our reinsurance programme, which we had put in place to hedge risks prudently.

Composition of consolidated net profit

in € million	1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020
Housing segment	52.1	44.9
Life and Health Insurance segment	40.4	22.6
Property/Casualty Insurance segment	207.0	142.0
All other segments	100.7	10.8
Cross-segment consolidation	-48.0	-9.5
Consolidated net profit	**352.2**	**210.8**

The trend in gross premiums written in Property/Casualty Insurance was again very gratifying, growing by nearly 7%. Also in Life and Health Insurance, the previous year's value was exceeded by 4%.

New lending business grew by more than 12%, also proving itself to be resilient to crisis despite new business having fallen off for a time in the course of the lockdowns that began in mid-March. By contrast, gross new home loan savings business declined by some 6%. These two key figures collectively constitute new business volume, which was higher than the level of the previous year.

Group Key figures

	1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020	Change
	in € million	in € million	in %
Gross premiums written (Property/Casualty Insurance)	2,192	2,055	6.7%
Gross premiums written (Life and Health Insurance)	2,543	2,446	4.0%
New business volume (Gross new home loan savings business & new lending business)	18,643	18,704	-0.3%

Financial performance

Total comprehensive income

Consolidated income statement

In 2021 consolidated after-tax net profit rose considerably, coming in at €352.2 million (previous year: €210.8 million) Earnings per share stood at €3.74 (previous year: €2.24).

Net financial income increased to €2,509.2 million (previous year: €1,812.5 million). It consists of the following components:

- Current net income stood at €1,153.3 million (previous year: €1,096.6 million). Notably, distributions from alternative investments rose significantly. This was able to more than offset the lower interest earned on new investments and reinvestments, as well as a voluntary, unscheduled subsidy of €40 million that was paid to Pensionskasse der Württembergischen.

- Net income from risk provision improved to €1.4 million (previous year: net expense of €54.7 million). The previous year's figure was strongly affected by the pandemic-related increase in the risk provision, particularly for construction loans, but also for securities. Because defaults were fewer than expected, the risk provision for construction loans was able to be released in part during the financial year.

- The net measurement gain rose significantly by €560.3 million to €505.1 million (previous year: net measurement loss of €55.2 million). This increase was also influenced by upheavals on the market as a result of the coronavirus pandemic in the previous year. The upward movement on the equity markets has continued in the current financial year. This has been accompanied by a positive trend in the net measurement gain for equities, alternative investments and unit-linked life insurance policies compared with the previous year.

- Net income from disposals came in at €849.4 million (previous year: €825.9 million) and thus slightly higher than the previous year's level.

Net premiums earned rose by €223.3 million to €4,638.4 million (previous year: €4,415.1 million). Both Property/Casualty Insurance and Life and Health Insurance saw significant increases.

Net insurance benefits rose to €5,149.7 million (previous year: €4,455.4 million). This increase was mainly the result of Life and Health Insurance, since policyholders share in the positive financial result through the strengthening of the technical provisions. In Property/Casualty Insurance, natural disasters in the summer months led to a significant amount of property damage. As a result of our reinsurance cover, we were able to significantly attenuate the adverse impact on results.

The net commission expense amounted to €534.9 million (previous year: €497.2 million). Having a particular impact were higher service and sales commissions as a result of the by and large gratifying increase in the property and life insurance portfolios.

General administrative expenses amounted to €1,036.7 million (previous year: €1,014.0 million), a rise of about 2% but less than the inflation rate in Germany, which was about 3%. Personnel expenses rose as a result of collectively bargained salary increases, as well as due to performance-related remuneration components, which enable our employees to share in the solid financial performance. Materials costs saw an increase, mainly through higher contributions for the bank levy and deposit guarantee, as well as through the expansion of our marketing activities.

Consolidated statement of comprehensive income

Total comprehensive income for the 2021 financial year stood at −€151.4 million (previous year: €322.8 million). It consists of consolidated net profit and other comprehensive income (OCI).

As at 31 December 2021, OCI stood at −€503.5 million (previous year: −€112.0 million). The rise in interest rates over the course of 2021 worked to lower the market values of fixed-income securities and registered securities. There-fore, after additions to the provision for deferred premium refunds and to deferred taxes, their unrealised losses amounted to €637.6 million (previous year: unrealised gains of €235.9 million). On the other hand, the rise in interest rates had a positive effect on pension provisions. The interest rate used for measuring pension commitments rose from 0.4% to 1.0% in the 2021 financial year. As a result, €134.1 million (previous year: −€104.9 million) was recognised in other comprehensive income.

As a complement to the consolidated income statement, OCI serves to depict profit and loss that is recognised directly in equity. It essentially reflects the sensitivity that the assets side of our balance sheet has to interest rates, but not, for example, the interest rate sensitivity that underwriting has on the liabilities side. Because comprehensive income is highly dependent on changes in interest rates, it therefore has only very limited suitability as a performance indicator for our Group.

Housing segment

New business

Total new business volume for residential purposes for immediate financing, upgrades and equity build-up (total of gross new business and new lending business volume, including brokering for third parties) came in at the level of the previous year despite the challenging environment, amounting to €18.6 billion (previous year: €18.6 billion).

Gross new business of €11,745 million (previous year: €12,561 million) and net new business of €9,968 million (previous year: €10,362 million), in both cases by contract volume, came in below the previous year's values. Nevertheless, market share increased again somewhat.

New business key figures

	1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020	Change
	in € million	in € million	in %
New business volume	**18,592**	**18,649**	**−0.3%**
New lending business volume (including brokering for third parties)	6,847	6,088	12.5%
Gross new business	11,745	12,561	−6.5%

Financial performance

In the 2021 financial year, net income for the Housing segment increased to €52.1 million (previous year: €44.9 million).

Net financial income rose to €387.5 million (previous year: €353.0 million). This was mainly due to the following aspects:

- Current net income amounted to €234.4 million (previous year: €273.9 million). The persistently low level of interest rates led to a further fall in interest on investments, which had a further adverse impact on net interest income. This was offset to some extent by lower interest expenses for deposits under home loan savings contracts due to continued portfolio management.

- Net income from risk provision rose to €4.0 million (previous year: net expense from risk provision of €44.2 million). This change was mainly due to the partial release of the special risk provision that was created as a precaution in the previous year for the knock-on effects of the coronavirus pandemic that were not able to be estimated at that time. Thus far, however, no appreciable increased counterparty default risks have materialised as a result of the coronavirus pandemic, such that the created special risk provision was able to be reduced, with recognition in the income statement. The remaining special risk provision sufficiently takes into consideration all higher counterparty default risks that, from today's perspective, may potentially materialise as a consequence of the ongoing coronavirus pandemic.

- The net measurement gain increased to €73.9 million (previous year: €21.0 million). In particular, the measurement of the provisions for home loan savings business had a positive effect, providing some relief as a result of the rise in interest rates over the course of the year. Trending in the opposite direction were the derivatives concluded to reduce interest rate risks and the lower net gains from the measurement of fixed-income securities.

- Net income from disposals fell to €75.3 million (previous year: €102.4 million).

Net commission income amounted to €5.8 million (previous year: net commission expense of €11.2 million). Higher commission income from the new "Wohnsparen" policy introduced in late 2020 was the main contribution to this development.

General administrative expenses amounted to €333.4 million (previous year: €316.3 million). Personnel costs rose as a result of collectively bargained salary increases, among other things. Materials costs saw an increase, mainly through higher contributions for the bank levy and deposit guarantee.

Net other operating income fell to €16.4 million (previous year: €33.7 million). In the prioryear period, this item included income from the recording of badwill of €25 million from the purchase of Aachener Bausparkasse AG as a result of the purchase price allocation to be performed in accordance with IFRS 3, as well as, working in the opposite direction, the expenses for the restructuring provision of €11.2 million created for this purpose.

Life and Health Insurance segment

New business

New premiums in the Life and Health Insurance segment rose by 16.1% to €946.2 million (previous year: €815.3 million). Single-premium income grew by €123.1 million to €831.7 million (previous year: €708.6 million). Also, regular premiums in life insurance in the amount of €105.9 million exceeded the previous year's value (€97.3 million).

New business key figures

	1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020	Change
	in € million	in € million	in %
New premiums (segment)	**946.2**	**815.3**	**16.1%**
Single premiums, life	831.7	708.6	17.4%
Regular premiums, life	105.9	97.3	8.8%
Annual new premiums, health	8.6	9.4	–8.5%

Total premiums for new life insurance business rose sharply to €3,997.9 million (previous year: €3,543.2 million).

Annual new premiums in health insurance came in at €8.6 million, which was below the level of the previous year (€9.4 million). New business increased for full-cost policies, whereas it came in below the previous year's figure for supplemental policies.

Gross premiums written

	1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020	Change
	in € million	in € million	in %
Segment total	**2,543.0**	**2,445.7**	**4.0%**
Life	2,258.5	2,172.6	4.0%
Health	284.5	273.1	4.2%

Gross premiums written increased to €2,543.0 million (previous year: €2,445.7 million), particularly as a result of higher single-premium income.

Financial performance

Segment net income increased to €40.4 million (previous year: €22.6 million).

Net financial income in the Life and Health Insurance segment rose to €1,941.3 million (previous year: €1,367.1 million). The following income components were responsible for this:

- Current net income increased to €815.7 million (previous year: €724.7 million). Distributions from alternative investments rose considerably. Interest income from new investments and reinvestments came in at the level of the previous year.
- Net income from risk provision stood at €0.2 million (previous year: net expense of €11.1 million). The improvement was mainly due to the easing of the coronavirus pandemic and the associated economic recovery.
- The net measurement gain rose by €405.2 million and stood at €358.4 million (previous year: net measurement loss of €46.8 million). Measurement gains were recorded, inter alia, on equities and alternative investments. This positive development was also evident in the case of investments for unit-linked life insurance policies.
- Net income from disposals stood at €767.0 million (previous year: €700.4 million). It was significantly marked by increased profit-taking on fixed-income investments that had previously been measured at fair value through other comprehensive income.

Net premiums earned rose to €2,615.1 million (previous year: €2,491.8 million), owing to increased single-premium insurance policies.

Net insurance benefits stood at €4,056.5 million (previous year: €3,410.3 million). This rise was related to movements in net financial income, which resulted in higher additions to the provision for unit-linked life insurance policies. Also having an impact were higher additions to the provision for premium refunds. Through the regular increase of the additional interest reserve (including interest rate reinforcement), we are already ensuring the fulfilment of future interest obligations and safeguarding benefits to our customers. The addition amounted to €329.6 million (previous year: €352.3 million). The additional interest reserve as a whole thus now totals €3,247.8 million (previous year: €2,918.2 million).

The net commission expense rose to €169.8 million (previous year: €147.6 million). This was due, inter alia, to higher commission expenses as a result of increased new business.

General administrative expenses fell to €250.3 million (previous year: €254.5 million). Higher personnel expenses were able to be more than offset by lower materials costs.

Property/Casualty Insurance segment

New business/premium development

New and replacement business developed positively in spite of the coronavirus pandemic, coming in at €352.3 million (previous year: €322.0 million). The area of corporate and retail customers grew significantly. Our digital brand Adam Riese was also successful in terms of sales and continued to outperform our expectations.

New business key figures

	1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020	Change
	in € million	in € million	in %
Annual contribution to the portfolio (new and replacement business)	**352.3**	**322.0**	**9.4%**
Motor	191.7	199.2	-3.8%
Corporate customers	78.6	68.2	15.2%
Retail customers	82.0	54.6	50.2%

The portfolio increased in all areas (motor, corporate customers, retail customers) due to very strong net sales in the 2021 financial year, which takes into account replacement business and cancellations in addition to new business. Despite the still challenging market environment, gross premiums written again increased by €137.3 million to €2,192.0 million (previous year: €2,054.7 million).

Gross premiums written

	1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020	Change
	in € million	in € million	in %
Segment total	**2,192.0**	**2,054.7**	**6.7%**
Motor	894.2	868.3	3.0%
Corporate customers	533.8	479.6	11.3%
Retail customers	764.0	706.8	8.1%

Financial performance

Segment net income increased to €207.0 million (previous year: €142.0 million).

Net financial income stood at €138.9 million (previous year: €65.4 million). It consists of the following components:

- Current net income came in at €69.3 million (previous year: €66.6 million), which was higher than the value for the previous year. In order to continue to secure our future obligations, a voluntary, unscheduled subsidy was paid to Pensionskasse der Württembergischen in the second quarter, of which €23.7 million was attributable to the Property/Casualty Insurance segment. By contrast, distributions increased, as did net income from financial assets accounted for using the equity method.

- The net measurement gain increased to €64.4 million (previous year: net measurement loss of €21.2 million). In the previous year, the result was adversely affected by the upheavals on the capital markets in the wake of the coronavirus pandemic. The recovery on the capital markets this year led to higher measurement gains, particularly in the area of alternative investments, equities and investment funds.

- We largely refrained from selling securities in the 2021 financial year, as a result of which net income from disposals fell to €4.7 million (previous year: €19.6 million).

Net premiums earned continued to perform very well. They rose by €90.0 million to €1,731.8 million (previous year: €1,641.8 million). All areascontributed to this. Net insurance benefits increased by €47.3 million to €928.0 million (previous year: €880.7 million), mainly due to the significantly larger insurance portfolio. This was primarily attributable to growth in the corporate customers and retail customers areas. Gross expenses for natural disaster claims rose to €522.8 million in the 2021 financial year (previous year: €63.6 million), mainly due to storm events in Germany in June and July. However, the impact on results was compensated for by our reinsurance programme. Therefore, net expenses for natural disaster claims for 2021 stood at €135.8 million (previous year: €52.1 million), which was also higher than in the previous year, although the rise here was much more moderate. The continued low volume of traffic due to the pandemic had a favourable effect on claims development. The net loss ratio was very good, coming in at 62.6% (previous year: 64.1%). The expense ratio (net) stood at 25.1% (previous year: 24.9%). The combined ratio (net) amounted to 87.7% (previous year: 89.0%).

The net commission expense stood at €288.4 million (previous year: €260.7 million). The growth of the insurance portfolio as well as an increase in service commissions led to higher commission expenses. These were offset by higher commission income from quota share reinsurance with W&W AG within the Group.

General administrative expenses amounted to €379.7 million (previous year: €371.0 million). Personnel expenses rose as a result of, inter alia, collectively bargained increases. In addition, the expansion of our marketing activities led to higher materials costs than in the previous year.

Net other operating income amounted to €11.2 million (previous year: €15.7 million). This was attributable in particular to this year's exchange rate losses in the area of underwriting, compared with the exchange rate gains recorded in the previous year.

All other segments

"All other segments" covers the divisions that cannot be allocated to any other segment. This includes, among others, 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 €100.7 million (previous year: €10.8 million).

Net financial income rose to €101.0 million (previous year: €34.8 million). The following income components contributed to the development:

- Current net income increased to €64.2 million (previous year: €31.5 million). This was mainly attributable to higher distributions, including payments by Wüstenrot Bausparkasse AG to the Group parent W&W AG in the amount of approximately €40 million. This is consolidated in the reconciliation of consolidated net income. Moreover, through the deconsolidation of the Czech subsidiaries as at 1 April 2020, the comparable value for the previous year contained the insurance surplus of these former subsidiaries for the first quarter.
- The net measurement gain stood at €37.5 million (previous year: net measurement loss of €0.5 million). In the case of equities, fund units and alternative investments, in particular, the recovery on the capital markets resulted in substantial measurement gains.

Earned premiums rose by €10.3 million to €306.6 million (previous year: €296.3 million). The volume ceded to W&W AG for reinsurance within the Group increased as a result of the positive business performance of Württembergische Versicherung AG. As this relates to quota share reinsurance, the insurance benefits increased as well. However, received insurance premiums worked to slow the increase in benefits, meaning that they rose by only €0.4 million to €182.1 million (previous year: €181.7 million).

General administrative expenses rose slightly to €79.5 million (previous year: €78.3 million). Whereas personnel expenses rose, materials costs were able to be reduced.

Segment income taxes declined, with revenue of €1.0 million (previous year: expense of €7.9 million). Despite the rise in net income before taxes, tax revenues from the settlement of prior-year taxes and the elimination of adverse effects from the prior-year period provided relief.

Net assets

Asset structure

The W&W Group's total assets amounted to €75.2 billion (previous year: €76.5 billion). Assets mainly consist of construction loans of €23.8 billion (previous year: €22.8 billion) and investments of €48.8 billion (previous year: €51.3 billion). The construction loans item rose primarily as a result of the continued growth of non-collective new lending business. By contrast, rising interest rates had an adverse effect on the measurement of fixed-income investments in the portfolio.

Valuation reserves

Valuation reserves are formed if the current fair value of an asset is higher than the value at which it is carried in the balance sheet (carrying amount).

The W&W Group maintained valuation reserves primarily for investment property in the amount of €684.5 million (previous year: €551.6 million). In addition, there were appreciable reserves for financial assets at amortised cost in the amount of €338.5 million (previous year: €623.8 million), mainly for construction loans. These reserves declined due to rising interest rates in 2021.

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 amounted to €38.4 billion (previous year: €39.4 billion). This included €31.7 billion (previous year: €30.6 billion) for the provision for future policy benefits, €3.4 billion (previous year: €5.9 billion) for the provision for premium refunds, and €3.1 billion (previous year: €2.7 billion) for the provision for outstanding insurance claims. The decline was mainly due to the lower market values of securities in the portfolio that were occasioned by interest rates, with their change in value being passed on to policy holders on a prorata basis through the provisions.

The liabilities are primarily liabilities to customers amounting to €22.6 billion (previous year: €22.5 billion). They largely consist of deposits from home loan savings business amounting to €19.3 billion (previous year: €19.4 billion) and savings and other deposits totalling €3.2 billion (previous year: €3.1 billion).

The item “Liabilities evidenced by certificates” increased to about €1.9 billion (previous year: €1.4 billion). In October 2021, following a first benchmark issue that took place in 2020, Wüstenrot Bausparkasse AG carried out another benchmark issue with a nominal value of €500 million.

Subordinated capital also increased to 0.6 billion (previous year: €0.3 billion). In September 2021, W&W AG issued subordinated bonds with a volume of €300 million. The purpose of the debt security is to raise Tier 2 capital. On the one hand, this serves to secure the further growth of the W&W Group. On the other, it provides additional latitude with respect to regulatory measures enacted by the legislators (e.g. with regard to Solvency II). The term is 20 years, provided that the subordinated bonds are redeemed on the envisaged final maturity date. Premature redemption is possible at the option of the issuer, but at the earliest after 10 years. The subordinated bonds bear an interest rate of 2.125% for the first ten years. Thereafter, they have a variable interest rate, which is based on the 3-month Euro Interbank Offered Rate, taking into account a premium of 3.25% per year.

Consolidated equity

As at 31 December 2021, the W&W Group's equity stood at €4,873.6 million, compared with €5,085.2 million as at 31 December 2020. This includes consolidated net profit, as well as results incorporated in equity totalling –€151.4 million. The dividend distribution reduced equity by €60.9 million. In addition, other effects increased equity by €0.7 million.

Liquidity

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

The cash flow statement shows cash outflows from operating activities amounting to €796.0 million (previous year: cash inflows of €435.0 million) and cash inflows for investing activities, including capital investments, amounting to €350.9 million (previous year: cash outflows of €266.6 million). Financing activities resulted in cash in-flows of €197.4 million (previous year: cash outflows of €21.0 million). Overall, cash and cash equivalents experienced a net change of –€221.2 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 "All other segments", investments were primarily made by the IT subsidiary to purchase hardware and software, for example, in connection with the introduction of a new core banking system at Wüstenrot Bausparkasse AG, as well as for the migration of the Group-wide accounting systems to SAP's S/4HANA platform.

In addition, investments were made for the continued construction of new office buildings in Kornwestheim (W&W Campus), more than €400 million of which has now been capitalised.

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

Customer development in the Group

New customers fell slightly to 420.6 thousand (previous year: 449.3 thousand). The number of customers amounted to 6,670 thousand (previous year: 6,753 thousand). In the Insurance division, the number of customers was only slightly lower than the previous year's value. A scaling back in the Housing division as a result of portfolio measures, which, as expected, was more pronounced, was offset by customer growth at the digital subsidiaries W&W Interaction Solutions (formerly treefin) and Adam Riese. The latter have now succeeded in gaining approximately 325,000 customers for the W&W Group, having expanded their portfolios by nearly 75,000 customers compared with the previous year.

Exercise of discretion

Because of the ongoing coronavirus pandemic, general uncertainty continues to exist in various areas. These in-clude areas relevant for the financial statements, such as discretionary judgments made by management and assumptions and estimates made with respect to the net assets, financial position and financial performance of the W&W Group. The estimates, assumptions and discretionary judgments that are relevant to the financial statements were made on the basis of management's best knowledge and currently available information. Despite the prevailing uncertainties, the W&W Group believes that the estimates, assumptions and discretionary judgments that were made appropriately reflect the current situation. Nevertheless, in light of the further course of the coronavirus pandemic, deviations from these estimates cannot be ruled out. More extensive information can be found in the notes.

Overall view

The W&W Group's net assets, financial position and financial performance are stable and orderly. Given the coronavirus pandemic and an environment marked by persistently low interest rates and increasing regulatory requirements, the net income we have achieved clearly exceeded our expectations.

Comparison of business performance with forecast

The following comparison of business performance in the year under review with the forecasts made in last year's annual report shows that the W&W Group has achieved sustainably solid performance despite the impact of the coronavirus pandemic. This was primarily attributable to the very positive trends on the capital markets. In addition, the very good net combined ratio in property insurance had a positive effect on results.

The performance of the W&W Group is also evident from solid new business development: In the financial year, we were able to considerably increase new construction financing business (approvals), total premiums in the Life and Health Insurance segment and new business (annual contribution to the portfolio) in the Property/Casualty Insurance segment.

Group

On two occasions in 2021, we made an upward adjustment to the forecast for consolidated net profit contained in the 2020 Annual Report. In the first step, the forecast was raised to a target range of €280 to 330 million. Most recently, the forecast was raised at the end of January to a target range of €350 to 360 million. The main reason for the renewed adjustment was that trends on the capital markets were even more positive. In addition, the net combined ratio in property insurance was very good in 2021 due to our prudent risk hedging. The original forecast for consolidated net profit of €220 to 250 million was thus exceeded to a significant extent.

General administrative expenses in 2021 were slightly higher than in the 2020 financial year. In the forecast, we had predicted that they would rise moderately.

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 €52 million in 2021. We met our forecast of a clear year-on-year increase.

In the Housing segment, general administrative expenses for the 2021 financial year were slightly above the level of the previous year, in line with the forecast.

Our forecast for new construction financing business (approvals) was that it would come in at the level of 2020. We exceeded this expectation with a significant increase in 2021. With regard to net new business by contract volume, we posted a slight year-on-year decline. In the forecast, we had predicted a significant rise. The restrictions in the course of the coronavirus pandemic, in particular, had an adverse impact.

Life and Health Insurance segment

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

General administrative expenses in the Life and Health Insurance segment came in at the level of the previous year. In the forecast, we had predicted that they would rise moderately.

We met our forecast of posting a significant increase in total premiums in 2021.

Property/Casualty Insurance segment

At approximately €207 million, segment net income came in clearly above the level of the previous year. The forecast had anticipated net income at the level of 2020. General administrative expenses came in slightly higher than in the previous year. In the forecast, we had predicted that they would rise moderately.

In the Property/Casualty Insurance segment, we had expected that new business (annual contribution to the portfolio) would rise slightly in 2021. We exceeded this fore-cast with a significant year-on-year increase.

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 2021 financial year successfully with net income pursuant to the German Commercial Code (HGB) of €111.7 million (previous year: €103.3 million). Net income was characterised by dividends and profit transfers from subsidiaries.

Financial performance

Net income

W&W AG's net income (HGB) for the 2021 financial year stood at €111.7 million (previous year: €103.3 million). The Executive Board and Supervisory Board have decided to allocate €35.0 million (previous year: €25.0) to retained earnings for the purpose of strengthening equity. After carrying forward €0.9 million in retained earnings from 2020, the unappropriated surplus amounted to €77.6 million (previous year: €80.8 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 2021 financial year and that €16.0 million (previous year: €9.0 million) be allocated to retained earnings and €0.7 million of retained earnings be carried forward.

Net investment income

In 2021 W&W AG's net investment income increased to €209.8 million (previous year: €237.7 million). In the year under review, profit transfers from our subsidiaries rose from €140.0 million to €157.3 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 provision, net underwriting income amounted to €10.2 million, which was €3.5 million more than the previous year's value.

Gross premiums written increased by 11.2% to €452.7 million (previous year: €407.0 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 in-creased 3.5% to €306.6 million (previous year: €296.3 million).

As a result of the extraordinary storm loss events, gross claims expenses rose from €258.6 million to €645.1 million. Owing to reinsurance, net claims expenses rose only slightly to €191.5 million (previous year: €187.1 million). The net loss ratio fell to 62.5% (previous year: 63.2%). Expenses for insurance business for own account increased from €107.4 million in the previous year to €112.9 million. Per the requirements, €7.9 million had to be released from the claims equalisation provision (previous year: addition of €4.3 million). The claims equalisation provision amounted to €98.4 million (previous year: €106.3 million). This corresponds to 32.1% (previous year: 35.9%) of net premiums earned. After additions to the claims equalisation provision, the net underwriting gain stood at €18.2 million (previous year: €2.5 million).

Lines

Gross premiums increased from €175.4 million to €210.2 million in the fire and other property insurance lines. After a release of €5.0 million (previous year: addition of €3.5 million) from the claims equalisation provision, a net underwriting loss of €8.1 million (previous year: €3.6 million) was recorded.

Gross premiums from the motor lines increased to €143.6 million (previous year: €133.9 million). After an addition to the claims equalisation provision of €3.5 million (previous year: €5.7 million), the net loss stood at €3.6 million (previous year: €4.1 million).

Gross premiums from the liability line increased to €41.2 million (previous year: €36.9 million). After the release of €6.7 million (previous year: €4.2 million) from the claims equalisation provision, a net gain of €15.3 million (previous year: €10.8 million) was recorded.

Gross premiums from the accident line grew slightly to €23.1 million (previous year: €22.3 million). After additions of the claims equalisation provision, a net gain of €7.8 million (previous year: €0.9 million) was recorded.

Transport and aviation hull insurance premiums rose slightly to €4.1 million (previous year: €3.9 million). After additions to the claims equalisation provision, a net underwriting gain of €1.0 million (previous year: €0.3 million) was posted.

Gross premiums from other insurance lines (mainly legal expenses insurance) increased to €32.8 million (previous year: €30.0 million). After additions to the claims equalisation provision, a net underwriting loss of €1.6 million (previous year: €2.4 million) was posted.

Gross premiums in life insurance fell to –€2.2 million (previous year: €4.5 million) as a result of the retroactive cancellation of a reinsurance contract. Net income amounted to €7.2 million (previous year: €0.6 million).

Taxes

Taxes on income showed expenses of €55.3 million (previous year: €66.9 million) as at 31 December 2021. Tax expenses fell by €11.6 million. With slightly lower income from normal business operations, the decline was the result of current account tax effects. These contrasted with revenues from prioryear taxes.

Net assets and capital structure

Asset structure

W&W AG's total assets increased by €378.3 million in the 2021 financial year to €4,277.7 million (previous year: €3,899.4 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 in the amount of €300 million that were newly issued in the financial year.

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.

As at 31 December 2021, W&W AG's equity amounted to €2,074.5 million (previous year: €2,025.3 million). On the one hand, equity increased as a result of net income of €111.7 million and the sale of treasury shares totalling €1.1 million in connection with the employee share ownership programme in 2021. On the other, the dividend distribution of €60.9 million that was made for the 2020 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 €49.2 million.

The retained earnings included in equity also increased. In accordance with the resolution adopted by the Annual General Meeting, €19.0 million from the unappropriated surplus and €35.0 million from net income were allocated to retained earnings.

Investments

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

The carrying amount of investments increased by €325.8 million to €3,911.2 million (previous year: €3,585.4 million). This figure mainly includes interests in affiliated companies and participations in the amount of €1,366.1 million (previous year: €1,418.4 million) and fixed-income securities in the amount of €657.4 million (previous year: €551.1 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 capital investments amounted to €2,121.5 million (previous year: €2,025.7 million). This includes €1,960.3 million (previous year: €1,836.9 million) for interests in affiliated companies, €103.9 million (previous year: €79.7 million) for funds and €13.3 million (previous year: €23.3 million) for registered bonds and promissory notes. As in previous years, W&W AG has elected not to exercise the option provided by Section 341b (2) of the German Commercial Code (HGB) to use the rules applicable to fixed assets when valuing securities classified as current assets.

Pension provisions

Pension provisions in the amount of €1,169.0 million (previous year: €1,098.0 million), together with technical provisions in the amount of €499.3 million (previous year:

€513.8 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

W&W AG's net assets, financial position and financial performance are stable and orderly. Given the coronavirus pandemic and an environment marked by persistently low interest rates and increasing regulatory requirements, we are pleased with the net income we have achieved.

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. In June 2021, the original forecast was raised from €100 million to the order of €110 million. This increased forecast was slightly exceeded with after-tax net income of €112 million.

Opportunity and risk report

Opportunity report

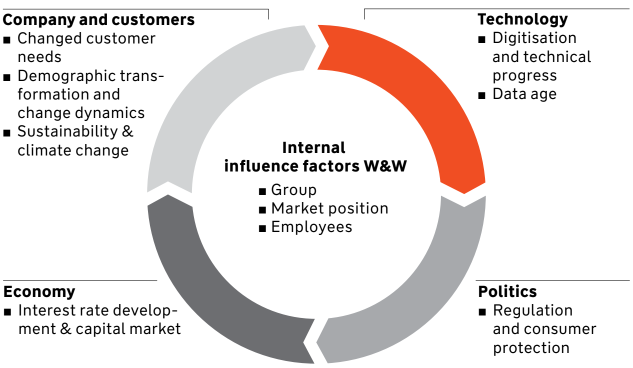
Recognising and exploiting opportunities is a fundamental requirement for the successful development of our Group. Consequently, we pursue the goal of systematically identifying, analysing and evaluating opportunities and initiating suitable measures to utilise them.

The starting point is our firmly established strategy, planning and control processes. For this purpose, we evaluate market and environment scenarios and examine the orientation of our product portfolio, cost drivers and other critical success factors. The opportunities derived from this are discussed in the management's strategy meetings and then incorporated into strategic planning.

We also have suitable governance and control structures in place in order to evaluate and pursue opportunities on the basis of their potential, the required investments and the risk profile.

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

External and internal influence factors for W&W



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

Company and customers

Opportunities through changed customer needs
As the W&W Group, our aim is to provide people with financial planning from a single source. For us, this also includes offering our customers simple, transparent, individualised and flexible products, as well as networking across all 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.

Digital advances and the coronavirus pandemic have materially changed the expectations of many existing and potential customers. The communication between customers, sales and companies is increasingly taking place on the basis of digital technology. In this regard, however, customers increasingly expect customised offers and approaches. The dissemination and use of digital media enables more intensive and targeted customer contact, along with the opportunity for corresponding sales potentials. In this regard, we combine our personalised advisory approach with new digital opportunities. 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 offers opportunities to improve efficiency through automation.

The coronavirus pandemic has changed customer behaviour and led to increased awareness of the quality of one‘s home. The desire to have one’s own home has become more fervent as a result of, among other things, the in-creasing need to work from home in times of the pandemic. In addition, the trend toward sustainable living is intensifying. 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.

Opportunities through dynamic transformation and demographic change
Demographic change and a changed 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. In our view, society is demanding more flexibility with regard to products, advice and communication due to a change in lifestyle habits.

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. This is aligned with ESG criteria (environment, social affairs, governance) and covers six fields of action: our company operations, customers and products, capital investment and refinancing, employees, society and organisation. Targets and measures have been defined for all fields of action, and they are planned to be implemented by 2025 at the latest.

We seek to operate our business in a way that is environmentally sound, socially responsible and economically successful. We also believe we owe a duty here to the current generation and those to follow. 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.

The stronger focus on sustainability creates economic, social and ecological benefits for the W&W Group as well as the entire insurance industry. Among other things, our unit-linked annuity product “Genius” as well as “Index-Clever” have a strong sustainability orientation, and this is enabling us to reach additional targets groups.

In view of the intensity and increasing number of natural disasters, the consequences of climate change are becoming more and more apparent from year to year. As a member of the German Insurance Association (GDV), the W&W Group also supports the GDV's overall concept for climate change adaptation. 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 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 will be to accelerate energy renovations and upgrades and thus to offer growth potential. With our climate-related residential loan product "Wohndarlehen Klima" and, starting in early 2022, the home loan savings contract with a climate bonus, the W&W Group is offering simple 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.

Economy

Opportunities through interest rate trends and capital markets

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

On the one hand, the importance of effective capital investment is rising. As a large investor with approximately €49 billion in available capital, we have long-standing capital market expertise and a comprehensive risk management system. Our capital investment is based on a strategic asset allocation that we align with opportunities and risks in the course of a consistent value- and risk-oriented investment strategy, while maintaining flexibility in order to make use of opportunities at short notice. We can also acquire new customers through products that are adapted to the current market environment (and in which sustainability aspects are being taken into account to a growing extent).

Politics

Opportunities through increasing regulation and consumer protection

Satisfying the growing regulatory requirements, such as for a consultation meeting, can be used to intensify the customer meeting and the customer relationship. Data protection regulations strengthen 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 MIFID II and IDD can strengthen the focus of 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 currently benefit in particular from government subsidies for energy-related upgrade work. After the individual measures were improved at the start of 2021, additional improvements for complete overhauls came into effect on July 1, which strengthen the value preservation of properties and offer us growth opportunities in the area of financing.

Technology

Opportunities through digitalisation and technical progress

Digital advances are enabling us to develop completely new, faster and more intensive customer interactions, meaning that we can approach customers' needs more directly and expand our ability to provide digital advice. Moreover, faster service and new kinds of products can be created.

Technical advances facilitate, among other things, the increasing automation of processes. The resultant productivity advances – and thus cost-cutting potentials – can be used to boost income but also to free up capital for investments in topics of relevance for the future.

The consequences of the coronavirus pandemic are giving even greater impetus to this trend. Mobile working, including working from home, is accelerating the digital transformation of how people work. It is expected that this new form of digital working will be relied on to an increasing degree even after the coronavirus pandemic ends.

New 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.

Opportunities in the data age
The responsible, targeted use of customer data enables us to create ever more personalised products. With additional information, we can better assess risks and avoid claims. Moreover, additional sales potentials arise through the 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

Through our various sales channels with their different strengths, and owing to our good brand awareness, we are able to address a large, broad customer pool of millions of people in our core market of Germany.

Approaching customers via multiple sales channels enables us to place our financial planning products in a targeted manner. Our strategic aim is to meet the needs of our customers. When designing our products, we always focus on what they want. Accordingly our products regularly receive the highest ratings.

We also have opportunities through 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.

Opportunities through our employees

For the W&W Group as a service company, recruiting and retaining employees is a key component for ensuring future viability and competitiveness. For that reason, the W&W Group has established the benefits package “Beruf+”, which offers a variety of programmes and services relating to health management, mobility, family, qualification, and agile, networked and flexible working, particularly digitally and at the new W&W campus. Similarly, the W&W Group offers various opportunities for retention and networking specifically for its trainees and working students from the Cooperative State University (Duale Hochschule).

Campus perspectives

Sustainability

The W&W Campus makes a major contribution to the sustainability of the W&W Group – for example, by featuring LED lighting throughout, green roofs, an energy-saving climate concept and an efficient use of space.

Risk report

Risk management system in the W&W Group

- As at the end of 2021, the W&W Group currently is well 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. 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 2022, please see the chapter "Enhancements and planned measures".

Core functions and objectives

Risk management at the W&W Group performs the following key functions:

- **Legal:** Compliance with the relevant risk-related 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 base 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 measures for risk hedging and preservation of value, promotion and assurance of sustainable 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 instruments appropriate for **risk governance,**
- Ensuring and monitoring of **capitalisation,**
- 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.

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 Work instructions	**Process level**

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 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 adopted by the Executive Board of W&W AG and is discussed by the Supervisory Board at least once a year.

Our **Group Risk Policy** defines the organisational framework for risk management and is a prerequisite for an effective risk management system in 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 persons and committees involved in risk management issues 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. In addition, it is regularly informed about 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 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 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.

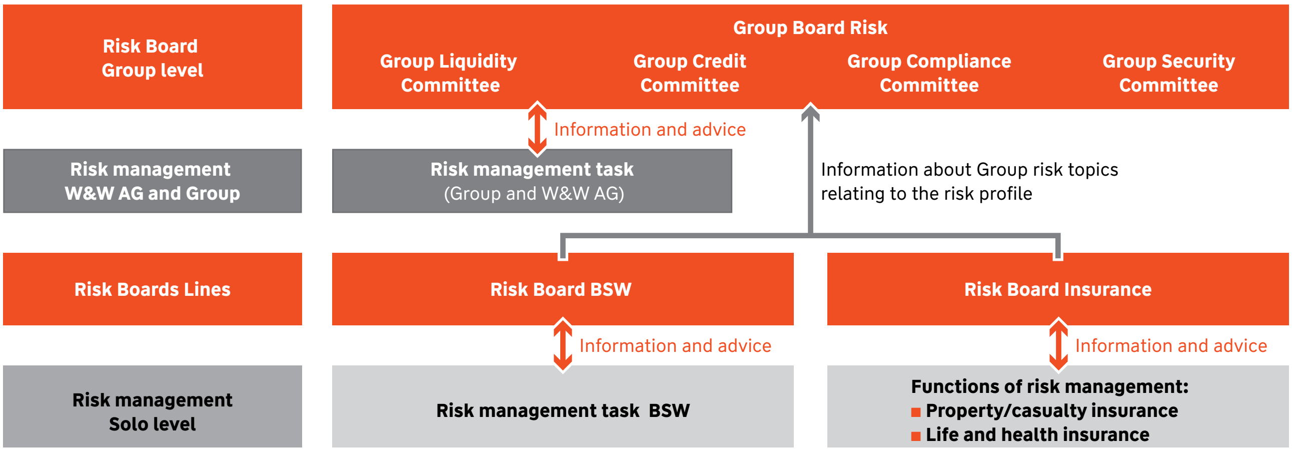
The **Insurance Risk Board** manages and monitors risks in the Insurance division (Württembergische). The **BSW Risk Board** handles this duty in the Housing division (Wüstenrot). The participation of the responsible Executive Board members and the departments concerned guarantees the integration of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

As part of the Group-wide risk-reporting processes, particular attention is also given to the risk situation of those W&W companies whose business models are specifically oriented toward digitalisation.

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. Compliance with these competencies and standards is monitored by means of internal controls.

  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.

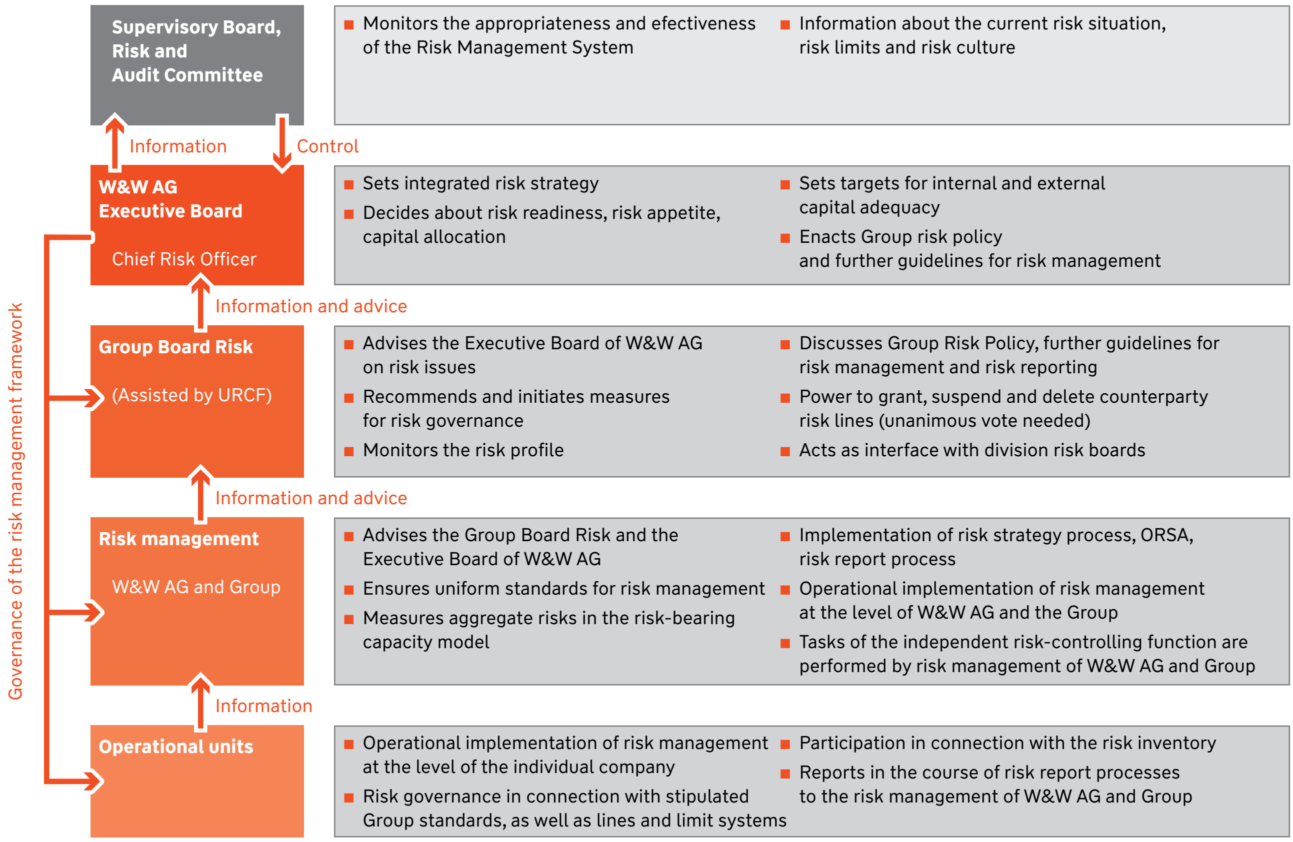
- The Internal Audit department represents the **third line of defence.** It independently audits the appropriateness and effectiveness of the internal control system as well as the effectiveness of corporate processes, including the first two lines of defence. The internal audit duties at the Group 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 already observed at the Executive Board level by means of stringent bylaws and assignment 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 effec-tiveness 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

In connection with the risk inventory process, the corporate and working environment is constantly monitored for potential risks, and identified risks must be reported without delay. This high penetration throughout the organisation makes a decisive contribution to promoting an appropriate risk culture.

Moreover, a uniform Group-wide new-product process has been implemented for the purposes of identifying risks associated with the introduction of new products and sales channels and with the cultivation of new markets. This process incorporates the risk controlling units at the level of the Group and the individual undertakings.

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. Here, assumed or potential risks are continually recorded, updated and documented. On the basis of an initial assessment for the respective individual company, defined threshold values are used to differentiate risks into material and immaterial risks. Also evaluated is the extent to which individual risks can take on a material character through interaction or accumulation (risk concentrations).

Risks that are classified as material are actively managed in the four steps of the risk management process described in more detail in the following. For risks that are classified as immaterial, the responsible business units monitor them during the year, using (early-warning) risk indicators in order to determine whether they have changed, and evaluate them in full at least once a year.

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 individual W&W companies, including W&W AG, that are subject to banking supervision law, 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. In performing this task, it decides about products and transactions. It must continuously check whether the assumed risks are in conformity with the risk profile specified by the risk strategy of the W&W Group or one of its companies and whether risk-bearing capacity as well as the risk limits and risk lines are observed. Risk-taking and risk-monitoring tasks are strictly separated in terms of function.

Key management parameters at the Group level are the IFRS result 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 and financial risk-bearing capacity concept has been 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. 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. Business is transacted solely within the scope of these limits and lines. 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 companies. Where material risks exist that affect more than just the individual undertaking, they are also 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

By means of the 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 overindebtedness 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 BaFin (German Federal Financial Supervisory Authority) recently enacted a package of macroprudential measures setting a capital buffer for the residential property sector, with plans to introduce a systemic risk buffer for the sector as well. These measures are taken into account in the capital planning of that year.

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 2021, the total capital ratio of Wüstenrot Bausparkasse AG was 18.5% (previous year: 17.7%).
- 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 2020 were reported to BaFin in the second quarter of 2021. They amounted to 404.7% for W&W AG, to 421.5% for Württembergische Lebensversicherung AG and to 201.4 % 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 232.8%, was reported to BaFin in the second quarter of 2021.
- 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 228.3% as at 31 December 2020.

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 2021 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.

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 2021, the W&W Group's total risk capital requirements amounted to €3,385.0 million (previous year: €3,456.7 million).

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.

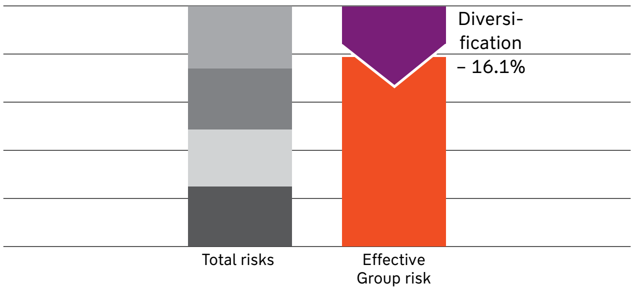
As part of the risk strategy, the W&W Group strives for an economic risk-bearing capacity ratio (ratio of risk capital to risk capital requirements) of greater than 145%. For W&W AG, the target ratio is greater than 125%. Our calculations show that risk-bearing capacity was above this target ratio as at 31 December 2021.

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 2021:

Diversification

schematic



Wüstenrot Bausparkasse AG
Württembergische Versicherung AG
Württembergische Lebensversicherung AG
Others [1]

[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

In order 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”).

All reportable segments are exposed to the risk areas described below. 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.

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 having rounding differences due to commercial rounding rules.

Risk landscape of W&W Group

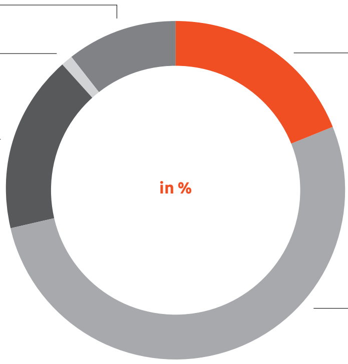
Overview of risk areas

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		

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”). As at 31 December 2021, the risk profile was distributed as follows:

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 52.7% (previous year: 51.6%). These include, as the key types of risk, credit spread risks, stock price risks, and interest rate risks. Due to the exposures in our investment portfolios and our customer lending activities, **counterparty credit risks** also constitute a significant risk area, accounting for 18.9% (previous year: 18.1%). **underwriting risks** account for 17.0% (previous year: 19.6%).

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.
- Coronavirus pandemic: market price risk factors continue to marked by a higher degree of volatility.
- The W&W Group continued to take risk-minimising measures in order to manage its interest rate risks (interest rate change risks and interest guarantee risks) in light of current interest rates coupled with uncertainty about future interest rate trends.
- It rigorously managed credit spread risks in conjunction with controlling for counterparty credit risks.
- It retained a high level of security in the equity portfolios in 2021 through hedging instruments.

Risk definition

We define market price risk as potential losses resulting from the uncertainty concerning future trends (size, volatility and structure) in 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

Interest rate trends. Long-term interest rates on the German bond market rose moderately in 2021 but are still at a low level. The yield on leading 10-year German government bonds increased from –0.57% at the end of 2020 to –0.18% at the end of 2021. It thus rose by 39 basis points.

The yield on two-year German government bonds increased only slightly, from –0.70% at the end of 2020 to –0.62% at the end of 2021.

Trends in equities. Equity markets trended upward in 2021. Overall, the DAX rose by 15.8% in 2021, the EURO STOXX 50 by 21.0% and the U.S. S&P 500 by 26.9%.

Credit spread trends. Credit spreads increased somewhat over the course of the year and remained at an elevated level compared with the time prior to the coronavirus pandemic.

Consumer prices in Germany rose by 3.1% in 2021 on annual average (previous year: 0.5%). This was primarily driven by strong global demand for fossil fuels.

We present additional details concerning trends in interest rates and equities, as well as about inflation, in the section “Business environment”.

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.

Current interest rates pose a risk to earnings, as new investments and reinvestments can be made only at lower interest rates, while previously assured interest rates and interest obligations (interest guarantee risk) still need to be fulfilled for customers. In this regard, persistently low interest rates are also having an increasingly negative impact on valuation reserves. When interest rates drop, long-term obligations experience more severe changes in value than do interest-bearing investments due to the mismatch of maturities on the assets side and the liabilities side. The result is an interest rate change risk, which manifests itself in a falling available capital.

A sustained rise in interest rates can also pose risks for the balance sheet and precipitate a decline in reserve and income components. The rise in short- and medium-term interest rates has an adverse impact on the market values of fixed-income investments and erodes economic reserves. From an accounting standpoint in this situation, valuation reserves evaporate, hidden liabilities can arise and write-downs may become necessary, affecting earnings. This limits the leeway for satisfying the corresponding yield requirements on the liabilities side. In addition, customers might make increased use of their option rights.

This trend poses fundamental challenges not only for our risk management but also for our asset/liability management. Declining income components and higher risk capital requirements must be managed in close interaction. Current interest rates place greater demands on our risk-minimising measures.

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:

- Duration extension for bond investments,
- Use of derivatives, forward purchases and forward sales in order to hedge interest rate risks,
- Examination and use of alternative investment strategies and instruments,
- Creation of reserves: additional interest reserve for the new portfolio and interest rate reinforcement for the old portfolio,
- Development of products with alternative guarantee forms.

With Section 5 of the German Regulation on Calculation of the Provision for Future Policy Benefits (DeckRV), the legislators expanded the framework, which is also recognised for tax purposes, for strengthening the provision for future policy benefits in the form of an additional interest reserve in the new portfolio. The amount of the additional interest reserve is determined by the reference interest rate, which is based on the average of Euro interest swap rates over 10 years. In 2021, the reference interest rate dropped to 1.57% (previous year: 1.73%).

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: 1.73%) for Württembergische Lebensversicherung AG and to 2.11% (previous year: 2.17%) for Allgemeine Rentenanstalt Pensionskasse AG. In the Group, the additional interest reserve and interest rate reinforcement were strengthened by €329.6 million (previous year: €352.3 million). In order to depict the build-up of the additional interest rate reserve and interest rate reinforcement as realistically as possible, capital disbursement probabilities were applied in this regard that are specific to each company. These were updated in 2021 for the sub-portfolio of endowment insurance policies, which led to a higher build-up of the additional interest rate reserve and interest rate reinforcement. For 2022, we expect a further decline in the interest rates relevant to valuation and thus a further increase in the additional -interest reserve and in interest rate reinforcement. Since 2010, we have gradually increased the security level of the computation basis “interest rate” for annuity insurance policies in the old portfolio by means of reserve reinforcements.

The persistent, relatively low level of interest rates also poses great challenges for pension funds, including Allgemeine Rentenanstalt Pensionskasse AG, in terms of financing the build-up of the additional interest reserve/interest rate reinforcement under the ancillary condition of regulatory solvency. In the current environment of low interest rates, the financing of this build-up by this company is considered challenging. If the phase of low interest rates becomes exacerbated or more prolonged, this will aggravate the situation. The interest rate calculation basis is appropriate only in the short to medium term. 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 suitable and also necessary far-reaching proposed solutions, some of which have already been implemented. Pursuant to Section 140 (1) of the German Insurance Supervision Act (ISA), Allgemeine Rentenanstalt Pensionskasse AG withdrew €7.0 million from the provision for premium refunds in 2021, which was recognised as income. The funds are being used to build up the additional interest rate reserve and for interest rate reinforcement. Because of the willingness of Württembergische Lebensversicherung AG to support Allgemeine Rentenanstalt Pensionskasse AG, the capital reserve was increased by €30.0 million in the 2021 financial year. Other measures are being reviewed and 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 management.

Inflation rates are currently rising, which brings with it an increase in interest rates.

In addition, a rise in inflation can entail an increase in liabilities, due in part to higher claims expenses in property/casualty insurance, e.g. on account of rising claim adjustment costs. Moreover, the macroeconomic consequences of inflation, such as in the form of falling purchasing power, loss of wealth with an impact on new business, and, possibly, a wage-price spiral, could have an adverse effect on the W&W Group's risk position and its net assets and financial performance. The effects of inflation are taken into consideration through an inflation trend when creating the IFRS pension provisions.

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 the risk premium in the form of higher interest on a security subject to credit risk in relation to a comparable security without risk. A clear distinction is made between credit spread risks, migration risks and default risks. Accordingly, for securities, 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 the most important of the market price risks. 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 €2,672.0 million (previous year: €2,015.6 million). Alternative investments are accounted for in the economic risk-bearing capacity model mainly together with equity price risks.

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 price risks are reduced with suitable hedging strategies using derivatives (e.g. put options, short futures).

For the holdings of the W&W Group companies with significant equity portfolios, whose market value totalled €901.5 million (previous year: €627.3 million), the market value changes in the case of an index fluctuation of the EURO STOXX 50 were as follows as at 31 December 2021:

Market value changes in key equity portfolios

	Market value	Change in market value			
in € million		Increase by 10%	Increase by 20%	Decrease by 10%	Decrease by 20%
WL[1]	552.6	37.9	73.7	−39.6	−79.2
WV[1]	225.4	19.3	38.6	−18.9	−37.1
W&W AG[1]	123.5	10.6	21.2	−10.6	−21.0
Total	**901.5**	**67.8**	**133.5**	**−69.1**	**−137.3**

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

The isolated equity scenario of the BaFin stress test (−41%) revealed under-coverage at Allgemeine Rentenanstalt Pensionskasse AG as at 31 December 2021. On the one hand, higher stress haircuts had to be applied in the equity scenario due to the high year-end closing price of the EURO STOXX 50 index. On the other, the expansion in the area of alternative investments led to a higher volume of investments that had to be allocated to the equity scenario.

Foreign currency risk. Foreign currency risks can result from open 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 krones and U.S. dollars. Within the scope of individual fund mandates, we also have minor exposure in other currencies.

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. Most of our foreign currency exposure is hedged against exchange rate fluctuations. As part of active foreign currency management, the insurance companies systematically make use of income opportunities through open foreign currency positions.

Real estate risk. Within the W&W Group, Württembergische Lebensversicherung AG, W&W AG and Württembergische Versicherung AG hold property portfolios 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, Württembergische Lebensversicherung AG has made investments 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.

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.

Coronavirus pandemic. In 2021, the development of the coronavirus pandemic continued to cause increased volatility on the capital markets.

Current interest rates are being shaped by continued expansive monetary policies, which are also being driven by the coronavirus, and the risk aversion of investors. Together with rising inflation, an increase in interest rates was recently to be observed. Credit spreads reflect the current uncertainties concerning imminent counterparty credit risks created by the economic downturn (defaults, downgrades). Accordingly, there remain considerable interest rate and credit spread risks.

Equity investments posted value growth in the 2021 calendar year. This trend in prices on the European equity markets benefited from above-average economic growth – and this despite the ongoing coronavirus pandemic. Nevertheless, there is also a risk here of new price corrections. With regard to holdings in alternative investments, the measurement declines occasioned by the coronavirus in 2020 were able to be offset in 2021, in some cases, to a significant extent. Particularly the asset class private equity showed very positive development in terms of value and income, in line with the trends on the equity markets.

In the property area, there was a significant rise in rent arrears once again in 2021, particularly with key commercial lessees in the retail, hotel and office sectors. However, the vast majority of rent payments were made on time. It cannot be ruled out that rent losses will increase if the coronavirus pandemic does not abate.

For more information about the impact of the coronavirus pandemic, please see the section "Coronavirus pandemic".

Despite the fact that the capital markets have recovered from the previous extreme distortions during the coronavirus pandemic, it is expected that the W&W Group will be exposed to increased risks in the area of market price risk in 2022 as well.

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

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

Market risks area	Company	Risk controlling (specific)
Interest rate risk	Wüstenrot Bausparkasse AG Württembergische Lebensversicherung AG Wüstenrot & Württembergische AG Württembergische Versicherung AG	■ Asset liability management ■ Duration control ■ Product and pricing policies
Credit spread risk	Wüstenrot Bausparkasse AG Württembergische Lebensversicherung AG Wüstenrot & Württembergische AG Württembergische Versicherung AG	■ Credit management ■ Risk lines
Share risk	Wüstenrot & Württembergische AG Württembergische Lebensversicherung AG Württembergische Versicherung AG	■ Hedging strategies (stop-loss) ■ Monitoring of hedging ratios
Foreign exchange risk	Wüstenrot & Württembergische AG Württembergische Lebensversicherung AG Württembergische Versicherung AG	■ Congruent coverage
Real estate risk	Württembergische Lebensversicherung AG Württembergische Versicherung AG Wüstenrot & Württembergische AG	■ Real estate portfolio management
Long-term equity investment risk	Wüstenrot & Württembergische AG Württembergische Lebensversicherung AG Württembergische Versicherung AG	■ Long-term equity investment controlling ■ Economic planning ■ Projections during the year ■ 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.

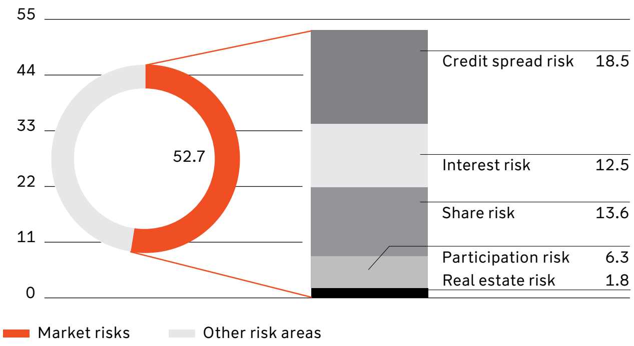
Foreign currency risks are taken into consideration in the asset classes in which they are incurred. In the case of bonds/cash flows, exchange rate fluctuations that are closely tied to trends in foreign currency interest rates are monitored simultaneously along with interest rate fluctuations and are 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”.

As at 31 December 2021, the **risk profile** for market price risk area was determined according to our methods for risk-bearing capacity measurement (see the section “Economic capital adequacy”). It was distributed as follows:

Risk profile for market risks

in %



Risk capital requirements. Credit spread risks, which accounted for 18.5% (previous year: 23.0%), are the most significant of the market price risks, followed by stock price risks at 13.6% (previous year: 12.2%) and interest rate risks at 12.5% (previous year: 8.8%).

In 2021, the market price risks that we accepted were in conformity with the risk strategy and the strategic asset allocation. The risk limit was consistently complied with at Group level.

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 2021. Stock price risks in particular are reduced with suitable hedging strategies using derivatives (e.g. put options, short futures).

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.

Congruent 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 systems.

Counterparty credit risks

- Bond portfolio: Focus on high credit rating and good collateral structure.
- Coronavirus pandemic: no payment defaults to date in the case of interest-bearing investments.
- Investment environment will continue to require stringent credit management.
- Risk profile with respect to customer loan exposure constant at a very good level.

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 credit 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 at an elevated level as a consequence of the coronavirus pandemic, compared with the time period to the coronavirus pandemic.

Description of rating trends follows. 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 92.2% (prior year: 94.5%) of investments in the investment grade range. Owing to our strategic asset allocation, we reduced the share of bonds, particularly government bonds with a very high rating, and invested in other types of investments. The share of non-investment-grade securities was expanded through targeted investments in the high-yield area.

Interest-bearing investments
Rating (Moody's scale)

	2021		2020	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	in € million	in %	in € million	in %
Aaa	12,968.9	33.6	15,146.7	35.8
Aa1	5,985.4	15.5	7,370.9	17.4
Aa2	3,821.4	9.9	4,809.9	11.4
Aa3	2,801.2	7.2	2,500.8	5.9
A1	1,049.3	2.7	1,491.7	3.5
A2	1,638.7	4.2	1,583.2	3.7
A3	2,550.4	6.6	2,045.6	4.8
Baa1	1,923.0	5.0	2,094.2	5.0
Baa2	1,565.9	4.1	1,362.8	3.2
Baa3	1,314.6	3.4	1,591.0	3.8
Non-investment grade / Not rated	3,031.2	7.8	2,306.8	5.5
Total	**38,650.0**	**100.0**	**42,303.6**	**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	31.12.2021	31.12.2021	31.12.2021	31.12.2021	31.12.2021
Housing	4,852.9	2,540.6	32.1	7,425.6	19.2
Life and Health Insurance	18,568.9	5,748.2	2,765.5	27,082.6	70.1
Property and Casualty Insurance	1,304.3	698.6	141.5	2,144.4	5.5
All other segments	850.9	1,054.4	92.1	1,997.4	5.2
Total	**25,577.0**	**10,041.8**	**3,031.2**	**38,650.0**	**100.0**
Share of rating cluster, in %	66.2	26.0	7.8	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.

Note 46 in the notes to the consolidated financial statements presents all of our assets by rating class and maturity structure 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

	2021		2020	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	in € million	in %	in € million	in %
Public	16,344.6	42.3	18,020.31	42.6
German covered bond	8,632.3	22.3	9,947.9	23.5
Deposit guarantee or government liability	4,065.4	10.5	5,876.6	13.9
Uncovered	9,607.7	24.9	8,458.8	20.0
Total	**38,650.0**	**100.0**	**42,303.6**	**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

	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:

Government bonds by regions 2021

	Portfolio carrying amount								Share in total exposure in %
in € million	Domestic	Europe	Central/ South America	North America	Asia	Africa	Other	Total	
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).

Government bonds by regions 2020

in € million	Domestic	Europe	Central/ South America	North America	Asia	Africa	Other	Portfolio carrying amount Total	Share in total exposure in %
Housing	660.1	2,049.0	–	–	–	–	–	2,709.1	15.0
Life and Health Insurance	5,461.6	7,130.7	224.6	543.5	68.4	253.4	653.9	14,336.1	79.6
Property and Casualty Insurance	174.0	221.0	24.8	21.3	5.2	29.9	110.3	586.5	3.3
All other segments	118.3	187.8	12.7	3.7	3.0	15.0	48.0	388.5	2.2
Total	**6,414.0**	**9,588.5**	**262.1**	**568.5**	**76.6**	**298.3**	**812.2**	**18,020.2**	**100.0**
Share in %	35.6	53.2	1.5	3.2	0.4	1.7	4.5	100.0	

This presentation of our counterparty credit 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 2021, we held bonds issued by peripheral EMU countries (Portugal, Italy, Ireland and Spain) totalling €1,092.2 million (previous year: €1,457.0 million). Of this amount, Spain accounted for €429.2 million (previous year: €590.6 million) and Italy for €162.9 million (previous year: €178.5 million).

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 €2,863.8 million at year-end (previous year: €2,768.7 million).

Subordinate exposure. Although our subordinate exposures (profit participation rights, silent partnerships and other subordinate receivables) increased to €1,787.3 million (previous year: €1,783.7 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 €1,200.3 million (previous year: €1,385.9 million).

Default status of customer loans (Wüstenrot Bausparkasse AG)

	Portfolio	Share	Portfolio	Share
		2021		2020
	in € million	in %	in € million	in %
Not in default	19,992.3	98.9	18,838.3	98.7
In default	228.7	1.1	247.9	1.3
Total	**20,221.0**	**100.0**	**19,086.2**	**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 −0.10% income (prior year: 0.14% expense), and the credit default ratio pursuant to the HGB (credit default in relation to the credit portfolio) amounted to −0.02% (prior year: −0.02%). As at the reporting date, the expected probability of default in the loan portfolio was 1.46% (previous year: 1.50%). The average loss given default (LGD) amounted to 9.00% (previous year: 9.06%).

Our receivables portfolio mainly consists of loans, most 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, 98.9% (previous year: 98.9%) of the recognised receivables of W&W AG from reinsurance business in the amount of €486.2 million (previous year: €250.3 million) were due from companies with a rating of A or better. All told, the sharp rise in receivables from reinsurance business compared with the previous year was attributable to the storm event in June and the flooding in July.

Receivables from reinsurance business[1]
Standard & Poor’s rating

	2021		2022	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	in € million	in %	in € million	in %
AAA	–	–	–	–
AA	277.8	57.1	207.5	82.9
A	203.2	41.8	40.0	16.0
BBB	–	–	–	–
BB	–	–	–	–
B	–	–	–	–
CCC and lower	–	–	–	–
No rating	5.2	1.1	2.8	1.1
Total	**486.2**	**100.0**	**250.3**	**100.0**

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

Coronavirus pandemic. The risk provision created for interest-bearing investments declined slightly in 2021. To date, there have been no payment defaults.

In customer lending business, most customers resumed making their agreed payments after the statutory and voluntarily offered moratoriums expired. The risk provision was able to be reduced accordingly.

Because of the coronavirus pandemic and the associated uncertainties about further developments, we expect that the W&W Group will be exposed to increased risks in the area of counterparty credit risk in 2022 as well.

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 areas. 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

Method depiction

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

Counterparty risk area	Company	Risk controlling (specific)
Counterparty credit risk – customer credit business	Wüstenrot Bausparkasse AG	■ Risk classification and scoring procedures ■ Application and behaviour scoring procedures
Counterparty credit risk – capital investments	Württembergische Lebensversicherung AG Württembergische Versicherung AG Wüstenrot & Württembergische AG Wüstenrot Bausparkasse AG	■ Investment lines and risks lines, for issuers and counterparties
Other counterparty credit risks	Württembergische Versicherung AG Wüstenrot & Württembergische AG	■ Monitoring of reinsurance portfolio ■ Reinsurance report

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").

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.

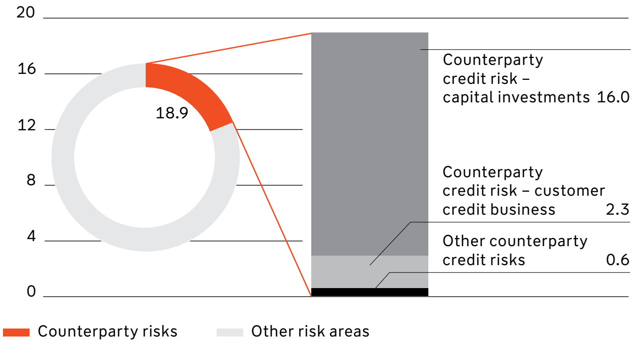
As a governance toolkit, our continually enhanced loan portfolio model enables us to dynamically adapt credit lines to rating changes.

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 2021 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 16.0% (previous year: 15.5%). In 2021, 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 2021, 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.

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.

Underwriting risks

- Focus on domestic business and low industrial risks.
- Coronavirus pandemic: expenses in connection with business closure insurance policies as part of the ex gratia arrangement.
- Sharp rise in expenses for natural disaster losses through storms and floods.

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).

Market environment

According to provisional calculations by the German Insurance Association (GDV), the premium income of property/casualty insurers rose by approximately 2.2% (previous year: 2.6%) as at the end of the year despite the coronavirus crisis, with income coming in at €76.6 billion (previous year: €74.9 billion). Expenses for financial year losses, particularly from the "Bernd" flooding catastrophe, rose significantly in the industry by an expected 20.3% (previous year: decline of 2.8%).

As at the end of 2021, gross premiums written by life insurers stood at €98.2 billion, which was slightly below the level of the previous year (€99.4 billion). For further information, please see the Business Report in the section "Industry trends".

Risk position

In property/casualty insurance, gross expenses in 2021 for natural disaster losses occasioned by the storm event in June and the floods in July rose to a total of €522.8 million (previous year: €63.6 million). Reinsurance cover eased the adverse impact considerably, such that net expenses for natural disaster losses rose more moderately to €135.8 million (previous year: €52.1 million). The net loss ratio fell to 62.6% in the financial year (previous year: 64.1%). This decline was attributable to reinsurance cover, as well as a lower volume of motor traffic due to the measures to stem the coronavirus pandemic. 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.

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 principle 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

	Loss ratios	Settlement ratios
in %		
2011	64.4	8.7
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

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 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.

Coronavirus pandemic. In 2020, the Covid-19 pandemic resulted in officially ordered business closures (first lockdown). At that time, Württembergische Versicherung AG had over 8,000 business closure insurance policies in its portfolio. In our view, an officially ordered business closure due to Covid-19 is not covered by insurance protection. Württembergische Versicherung AG had joined in the industry-wide ex gratia arrangement and had examined any ex gratia claims on a case-by-case basis until the end of 2021.

In a lawsuit brought against another insurance company, the German Federal Court of Justice (Fourth Civil Senate) ruled on 26 January 2022 that the Covid-19 virus was not among the insured risks and that the clause did not violate the German Act on General Terms and Conditions (Gesetz der Allgemeinen Geschäftsbedingungen). This judgment essentially confirms the legal position of Württembergische Versicherung AG. A definitive assessment can first be made on the basis of a conclusive legal evaluation of the written reasons for the judgment. It must also be taken into consideration that lawsuits pending against Württembergische Versicherung AG also relate to specific situations. To this extent, there is a residual uncertainty about the ultimate benefit volume. For further details about the impact of the coronavirus pandemic, please see the notes.

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 means of optimisation of cost and claims management. Incidental risks that cannot be influenced are limited with suitable and adequate protective instruments (e.g. reinsurance).

Low industrial risks. Industrial risks are underwritten only to a limited and clearly defined extent and are furthermore extensively reinsured, meaning 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 has begun underwriting 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 17.0% (previous year: 19.6%) 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 2021, 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. The limit utilisation is monitored continually.

Pricing and underwriting policy. The principles and objectives of the underwriting policy and the definition of permissible transactions and the associated responsibilities are documented in strategies and underwriting guidelines and are reviewed at least once a year. Our pricing and underwriting policy is risk- and income-oriented. It is supported with suitable incentive systems for the mobile sales force. Risks are underwritten according to defined guidelines and under consideration of 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.

Claims management. In addition to risk balancing through our sector and product mix, gross underwriting risk is limited by efficient 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 on a yearly basis under consideration of 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 QIC Global Services 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

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

- Legal risks associated with statutory amendments and current case-law concerning coronavirus-related and other circumstances.
- Compliance risk, due to the implementation and observance of legal standards.
- Continued targeted management of information risks in light of increased digitalisation.
- Process risk, arising from internal, legal and regulatory projects.
- Coronavirus pandemic: Avoidance of breakdowns of business-critical processes assured through strict business continuity management.

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

Legal risk. In terms of legal and supervisory requirements, we are seeing a growing thicket of regulations, including in supervisory law, in terms of creditor and consumer rights and with respect to disclosure obligations. Moreover, legal proceedings that are pending in the financial sector may lead to subsequent financial recovery claims. In particular, where authorities and courts reinterpret laws, this may entail material risks and significantly impair future financial performance. 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.

As at the reporting date, a total of 102 legal actions involving Württembergische Versicherung AG were pending regarding the question of coverage under business closure insurance policies. The judgments that had been pronounced as at the reporting date were overwhelmingly in favour of Württembergische Versicherung AG. Appeals were lodged in some of the actions. Further information about business closure insurance is presented under “Underwriting risks – Coronavirus pandemic”.

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 the threat to the availability, confidentiality and/or integrity of data. 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.

Coronavirus pandemic. So far, critical operational risks have been able to be avoided though timely action, particularly through rigorous emergency and IT management. During the coronavirus pandemic, the W&W Group established a crisis team to coordinate the necessary measures, which was headed by the Chief Risk Officer of W&W AG. Business continuity management for business-critical processes was activated in accordance with the organisational guidelines, and they are being strictly continued with respect to possible coronavirus restrictions. However, in the event of a new outbreak of the coronavirus pandemic in Germany, we cannot rule out the emergence of operational risks to business processes as a result of employee absences.

Because of the coronavirus pandemic and the associated uncertainties about further developments, we expect that the W&W Group will be exposed to increased risks in the area of operational risk in 2022 as well.

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 within the framework of a model risk inventory by the risk controlling units.

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 10.3% (previous year: 8.9%) of total risk capital requirements.

In 2021, operational risks were in line with the risk strategy. An exceeding of the limit for operational risks was cured by a limit increase.

Risk assessment. Operational risks are managed systematically at an aggregated level by a software application (Risk Assessment+). 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. The results are consolidated by the risk controlling units and made available to the risk committees.

Claims database. In the W&W Group, operational loss events are compiled and evaluated in claims databases. They are recorded and documented Group-wide using the software application Risk Assessment+.

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. 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. Cyber insurance has been obtained to further minimise the risk from cyber threats.

Project management. Requirements have been established through 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.
- Coronavirus pandemic: effects on new business cannot be ruled.
- Increased adjustment costs and rising equity requirements.
- Sustained pressure on income from investments due to historically low capital market interest rates.

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 particularly take the form of cost and income risks, including a delayed or limited impact on results or cost savings, as well as additional time and effort for achieving strategic measures.

In addition to cost risks due, e.g., to the 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.

Application of the accounting rules in IFRS 9 “Financial Instruments” results in significant volatility in results.

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). Particularly noteworthy in this regard is the Russian invasion of Ukraine of February 2022 which constitutes an important burden for the economic development, also leading to higher risks. Economic risks on the basis of negative growth figures are to be 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. At the same time, higher capital market risks are to be exected (e.g. interest, share, credit-spread, address and inflation risks als well as a higher volatility in capital markets). There may also be other effects, such as a rise in cyber risks.

Coronavirus pandemic. Because of the ongoing pandemic, there continue to be very high levels of uncertainty with respect to the forecast of further trends on the capital markets. Similarly, we cannot rule out that the coronavirus pandemic will have further effects on existing and new business and on the ultimate claim/benefit volume for insurance claims. Countermeasures by governments and central banks may in some cases afford relief. Economic effects may in particular result from supply chains, which continue to be disrupted. On the other hand, a rapid continued recovery of the world economy from the pandemic shock could lead to a further rise in inflation, with implications for trends in interest rates.

Accordingly, depending on how the coronavirus pandemic develops in future, it may also trigger a decline in results and put pressure on the financial position, net assets and risk position, particularly if the coronavirus pandemic persists for an extended period.

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),
- Specifications by BaFin concerning capitalisation in connection with the package of macroprudential measures, e.g. setting an anticyclical capital buffer and a systemic risk buffer for the residential property sector,
- Sustainability, including the EU Taxonomy Regulation (see “Sustainability aspects”),
- Potentially heightened regulatory requirements in the area of digitalisation.

It also cannot be ruled out 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. If the company's reputation or brand were to suffer damage, there is a risk of losing business volume immediately or in the future. 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.

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 1.1% (previous year: 1.8%) 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 (Risk Assessment+). 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. The results are consolidated by the risk controlling units and made available to the risk committees.

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.
- Coronavirus pandemic: market liquidity again sufficiently available.
- 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

The rate for main refinancing operations remained at 0.00% as at the end of 2021, and the rate for the marginal lending facility stood unchanged at 0.25%. The monetary policy of negative interest rates was maintained. The rate for the deposit facility remained unchanged at –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 planning shows that the threshold for liquidity balances is being met at the level of the W&W Group over the entire period of 12 months, meaning that 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. The sudden drying up of institutional refinancing sources constitutes a challenge for banks.

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. Based on a haircut of 20.4% on the funding potential, refinancing costs would be −€71.4 million (previous year: −€58.8 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 arise due to 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.

It does not appear from the current situation on the capital markets that there are any acute, material market liquidity risks for the investments of the W&W Group. Based on a haircut of 20.4 %, there would furthermore be a value loss of −€102.0 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).

Coronavirus pandemic. Market liquidity was again sufficiently available in the financial year. However, a re-emergence of the coronavirus pandemic could lead to a renewed increase in market liquidity risk.

Strategy and organisation

Liquidity premise. Our liquidity management is geared towards being able to meet our financial commitments at all times and on a sustained basis. Our investment policy focuses, among other things, on ensuring liquidity at all times. In the process, existing statutory, supervisory and internal provisions must be satisfied at all times and on a 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 form part of 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).

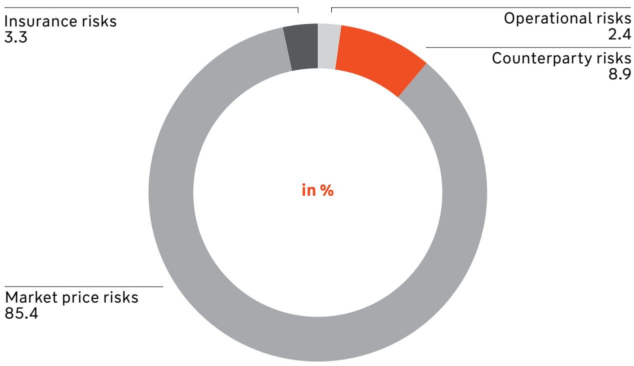
Contingency measures. Contingency plans and the monitoring of liquidity buffers are designed to ensure that we are able to handle even extraordinary situations. If a company is unable to cope with existing liquidity shortages on its own, internal Group refinancing options are available pursuant to contingency 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 congruent with respect to many processes, systems and methods (see the depictions in the section "Risk management system in the W&W Group"). The following 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 2021, the W&W Group's total risk capital requirements amounted to €1,785.2 million (previous year: €1,737.1 million). The risk profile of the quantified risk areas as at 31 December 2021, 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 85.4% (previous year: 85.3%).

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 2021, 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 €2,016.1 million (previous year: €1,855.7 million) experienced the following changes in market value:

Interest rate change

	Market value change	
in € million	31.12.2021	31.12.2020
Increase by 100 basis points	-116.4	-93.4
Increase by 200 basis points	-218.7	-179.4
Decrease by 100 basis points	133.2	101.9
Decrease by 200 basis points	289.0	217.1

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 2021, investments in affiliated companies and holdings as well as in equities, investment interests and other variable-yield securities had a total carrying amount of €2,703.3 million (previous year: €2,498.6 million). This also included alternative investments (private equity, private debt and infrastructure investments), which were additionally expanded. Interests in affiliated companies accounted for €1,345.6 million (previous year: €1,344.2 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 €123.5 million (previous year: €70.9 million), the market value changes in the case of an index fluctuation in the EURO STOXX 50 were as follows as at 31 December 2021:

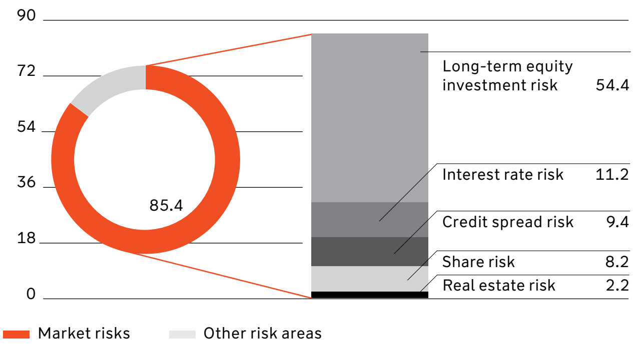
Index change

	Market value change	
in € million	31.12.2021	31.12.2020
Increase by 20%	21.2	11.5
Increase by 10%	10.6	5.8
Decrease by 10%	-10.6	-5.8
Decrease by 20%	-21.0	-11.4

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 54.4% (previous year: 57.4%).

Risk profile for market risks

in %



In 2021 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 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 2022 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 93.3% (prior year: 94.5%) of investments in the investment grade range.

Interest-bearing investments Rating (Moody's scale)

	2021		2020	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	in € million	in %	in € million	in %
Aaa	552.2	28.6	535.0	30.7
Aa1	81.9	4.2	76.3	4.4
Aa2	98.7	5.1	96.1	5.5
Aa3	103.4	5.4	107.4	6.2
A1	28.4	1.5	25.5	1.5
A2	70.5	3.6	64.9	3.7
A3	241.4	12.5	180.6	10.4
Baa1	480.5	24.9	450.5	25.8
Baa2	82.0	4.2	48.3	2.8
Baa3	63.0	3.3	63.1	3.6
Non-investment-grade/non-rated	130.4	6.7	95.5	5.5
Total	**1,932.4**	**100.0**	**1,743.2**	**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

	2021		2020	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	in € million	in %	in € million	in %
Public	502.7	26.0	403.9	23.2
German covered bond	426.3	22.1	420.7	24.1
Deposit guarantee or government liability	128.8	6.7	128.6	7.4
Uncovered	874.6	45.3	790.0	45.3
Total	**1,932.4**	**100.0**	**1,743.2**	**100.0**

Subordinate exposure. Our subordinate exposures (profit participation rights, silent partnerships and other subordinate receivables) amounted to €251.8 million (previous year: €248.0 million).

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

Credit ratings. As at the end of the reporting period, 98.8% (previous year: 98.3%) of the recognised receivables from reinsurance business in the amount of €422.7 million (previous year: €167.5 million) were due from companies with a rating of A or better. All told, the sharp rise in receivables from reinsurance business compared with the previous year was attributable to the storm event in June and the flooding in July.

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	214.3	50.7	124.7	74.4
A	203.2	48.1	40.0	23.9
BBB	–	–	–	–
BB	–	–	–	–
B	–	–	–	–
CCC and lower	–	–	–	–
No rating	5.2	1.2	2.8	1.7
Total	**422.7**	**100.0**	**167.5**	**100.0**

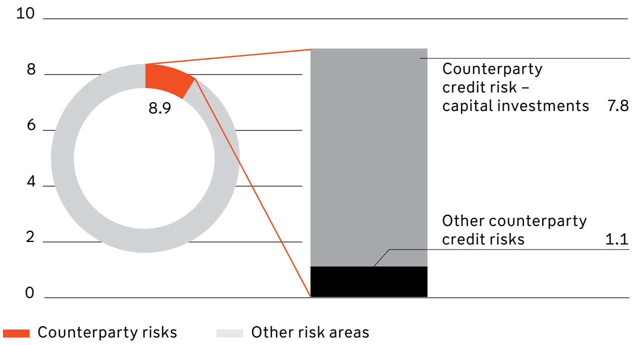
1 Amounts receivable + funds withheld by ceding companies + shares of technical provisions, less collateral.

As at the reporting date, €30.3 million (previous year: €1.1 million) of the recognised receivables due from reinsurers had been outstanding for more than 90 days. The rise was attributable to the higher adverse impact from natural disaster losses. It is expected that they will be settled in 2022.

Risk capital requirements. At 8.9% (previous year: 9.1%), 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 7.8% (previous year: 8.4%).

Risk profile for counterparty risks

in %



In 2021, counterparty credit 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 counterparty credit risk in 2022 as well (see the remarks in the section "Counterparty credit risks" for the W&W Group).

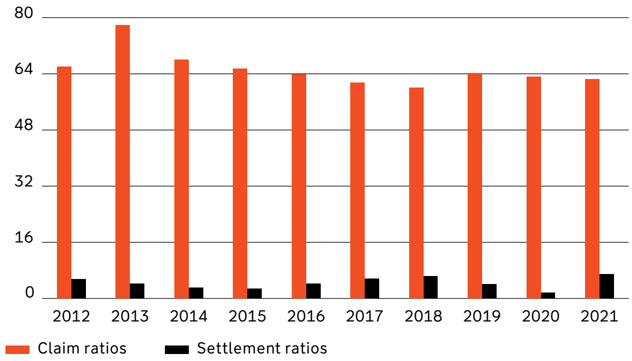
Underwriting risks

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 3.3% (previous year: 4.1%) of the total risk capital requirements of W&W AG.

In 2021, underwriting risks were 2021 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 2.4% (previous year: 1.5%) of total risk capital requirements.

In 2021, the assumed operational risks were 2021 consistently in line with the risk strategy. An exceeding of the limit for operational risks was cured by a limit increase.

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 2022 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

In June 2021, the rating agency Standard & Poor's (S&P) confirmed the ratings for the core W&W companies, notwithstanding the current environment marked by the coronavirus. The confirmation also reflects, inter alia, the positive assessment of the risk management system of the W&W Group, particularly with respect to the implemented risk controls and strategic risk management. Accordingly, enterprise risk management made a positive contribution to the rating "strong" for the business risk profile and to the rating "A-/stable" for financial strength for the W&W Group.

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). The risks concentrations here intentionally form 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.

For the purpose of cross-divisional coordination, a sustainability board has been established as an internal body. Consisting of Executive Board members and managers, it 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 Group-wide 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. This includes, in particular, the risk strategy framework, risk identification and assessment within the risk inventory, risk taking and monitoring within the established strategic framework and risk reporting. Sustainability risks are thus also an element of the monitoring of the risk profile by the Group Board Risk.

Of special importance in this regard are reputation risks, sustainability risks in investments and physical risks in the area of underwriting risks. In order to limit, in particular, reputation risks that arise from sustainability aspects, the sustainability policy of the W&W Group specifies the principles for sustainable and responsible actions. Sustainability risks in the area of investments are limited by defining corresponding exclusion criteria.

Sustainability risks also include climate risks. Climate risks take the form, in particular, of physical risks (natural disaster risks). In the area of underwriting risks, these are are limited, inter alia, through underwriting policies and reinsurance agreements.

In order to advance the issue of sustainability even further in the risk management system, the W&W Group initiated an internal specialist project in 2021 along the established risk management process. The aim of the project is to develop and enhance ideally uniform solutions for dealing with sustainability risks in the risk management system of Württembergische Versicherung AG and the W&W Group.

Further information about 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 (available in German only).

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

In 2021, the W&W Group and W&W AG at all times had sufficient economic and supervisory risk-bearing capacity. Pursuant to our economic risk-bearing capacity model, we had sufficient financial resources in order to be able to cover the assumed risks with high certainty. The indicators are described in the section "Capital management in the W&W Group".

As a result of increasing economic uncertainties associated with geopolitical crises (particularly the war in Ukraine) and economic developments (including the further course of the coronavirus pandemic, uncertainty with respect to the sustainability of an economic recovery, global trade disputes, the threat of a further economic downturn or an economic slump, the risk of a resurgence of the sovereign debt crisis, current interest rates and uncertainty about how interest rates and credit spreads will develop), the entire financial industry and thus also the W&W Group are exposed to risks that could lead to significant economic risks of loss in our scenario calculations and, in extreme scenarios, threaten us 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. The investments made in the Russian Federation and Belarus as well as Ukraine are not of significance in relation to the investment portfolio as a whole. The direct effects on underwriting are immaterial.

Indirect effects on the risk position may arise, in particular, from economic and capital market risks (including trends in interest rates, equities, inflation and credit spreads a and higher volatility of capital markets).

In light of the hostilities, measures to manage risks have been stepped up. In the course of rigorous management of investment risks, decisions – as part of existing trade sanctions - were made to prohibit new investments and reinvestments, and a portfolio reduction for government bonds of the Russian Federation, Belarus and Ukraine was initiated. The reduction of these investments and the resulting valuation loss will result in a net profit reduction in the lower double-digit millions in financial year 2022. To strengthen information security, further measures have already been launched to proactively manage the potential rise in threats from cyber attacks. Taking into consideration these measures, financial burdens may arise which cannot be estimated reliably due to the uncertainty of the further development of the conflict. 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.

In addition, the interest rate risk remains very significant in the W&W Group. The focus continues to be on risk-minimising measures to manage the W&W Group's interest rate change risks and interest rate guarantee risks. A prolonged period of relatively low 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. On the other hand, a sustained rise in interest rates can have a negative impact on investment reserves. From an accounting standpoint in this situation, valuation reserves evaporate, hidden liabilities can arise and write-downs may become necessary, affecting earnings.

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 current interest rates and heightened regulatory requirements, the W&W Group has worked hard to achieve basic economic robustness, which has proved its worth during the coronavirus pandemic. 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 development of the Coronavirus pandemic with regard to its scope and duration is hardly foreseeable. Also, the further development of the Ukraine war and its financial implications cannot be estimated. 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. In the 2022 financial year, we intend to continually and rigorously expand the standards achieved in our risk management system. 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:

- Regulatory issues: adjustment to conform to new and changing regulatory requirements,
- Sustainability: development and enhancement in order to manage sustainability risks in the risk management system of the W&W Group,
- Risk-bearing capacity: continuation of measures to ensure risk-bearing capacity, enhancement of risk-bearing-capacity concepts and models
- Management of non-financial risks (operational risks, etc.), e.g. implementation of an integrated software solution for process and risk management, 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 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 also engage in their own audit activities in the W&W Group and W&W AG. Furthermore, the Group auditor reviews the consolidated financial statements, the annual financial statements and the combined management report independent of company processes.

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 SimCorp Dimension 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 a system solution and subjected to a validation process.

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

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

Outlook

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

Macroeconomic outlook

The outlook for the German economy in 2022 is shaped to an appreciable extent by exogenous factors. In addition, the further course of the coronavirus pandemic will influence the development of the German economy. For instance, the ongoing restrictions on social and economic life that have been necessary to combat the wave of coronavirus infections in the 2021/22 winter half-year will continue to put a strain on economic growth at the start of the year. Similar to the case in the previous year, a broad lifting of these restrictions starting in the spring could spur a dynamic rise in economic output in the summer half-year, which will be supported in particular by very brisk consumer demand. In addition, the war in Ukraine constitutes an important adverse factor. Factors detrimental to growth can be expected, such as higher energy and commodity prices, economic sanctions, resulting disruptions to global supply chains and a downturn in sentiment among economic operators. The extent of these depends decisively on the duration of the conflict and its escalation level, which cannot yet be reliably estimated at this time. Ultimately, the economic outlook for the German economy in 2022 is currently very uncertain.

Short-term interest rates are likely to remain very low for the foreseeable future. The main reason for this is the stated intention of the European Central Bank to first raise benchmark interest rates when it feels that its inflation target of 2% has been sustainably reached. In view of the above-average inflation rates at this time, it is conceivable that the ECB will consider its inflation target as reached in the course of the year and announce initial increases to the deposit interest rate. It would however proceed in a deliberate, measured fashion, meaning that short-term interest rates will continue to remain at a low level. In our estimation, yields on longer-term bonds also will not yet rise above the historically very level this year. Although from a fundamental standpoint, currently elevated inflation rates, as well as promising economic growth for calendar year 2022 that can be expected in the positive scenario of a prompt deescalation of the war in Ukraine, suggest that interest rates should rise, long-term interest rates will probably not change considerably, since the ECB would likely respond to this conservatively in terms of monetary policy and, according to forecasts, inflation rates could fall again over the course of the year. In addition, the Russian invasion of Ukraine is, at least temporarily, generating higher demand for German government bonds, which are considered a very safe investment, and is thus tending to put pressure on yields. Ultimately, we expect interest rates in German to change only moderately by the end of 2022, meaning that the environment of low interest rates will persist.

The annual outlook for the European equity markets is varied. On the one hand, prices are at a historically high level. Market valuations are relatively high in this respect. This limits the potential for further price appreciation and makes profit-taking enticing. A variety of adverse factors could play an important role in this regard. For instance, the Russian invasion of Ukraine is lowering the risk tolerance of investors and at the same time putting a damper on equity prices as fundamental economic prospects come under strain. A second potential negative factor remains the ongoing coronavirus pandemic, which could again lead to restrictions on economic activity. This would adversely impact the revenue and profit performance of companies, and thus also their stock prices. A third potential negative factor is the prospect that leading central banks will adopt more restrictive monetary policies. In the US, for instance, the Fed is planning to discontinue its bond purchases in 2022 and, according to expectations, raise benchmark interest rates. The ECB will likely at least reduce the volume of its bond purchases. This will make the monetary environment somewhat less favourable for the equity markets than in previous years. However, there are also positive aspects with respect to the outlook for the equity markets. For instance, economic growth in the EMU and Germany could be disproportionately high in 2022 if the Ukraine conflict were to deescalate quickly and no further economic restrictions as a result of the coronavirus pandemic were to be required starting in the spring. In this more favourable economic environment, corporate profits would be likely to rise further. This would, in turn, buttress equity prices. Since a dramatic rise in capital market yields is not expected, there are moreover few attractive investment alternatives to equities. Ultimately, the outlook for the equity markets for 2022 remains uncertain, and scenarios with further price gains appear just as conceivable as an exchange year with appreciably falling equity prices.

Industry outlook

As a general rule, the fundamental conditions for residential construction activity and construction financing business remain favourable, since the high demand for properties in the growth regions and the desire for residential property ownership tended to increase even more during the coronavirus crisis. At the same time, employment and income situations and perspectives have worsened for some households. The market is being buttressed to a significant degree by the persistently low interest rates, as a result of which property prices will rise again, and by high governmental subsidies for energy renovations. However, because of the sharp rise in the volume of applications in January 2022, the new Federal government stopped the Federal subsidy for efficient buildings and announced that it would be adjusted.
We expect that in 2022 the housing and construction financing market will continue to move on the high level reached in the previous year, whereby, depending on the course of the pandemic and economic developments, setbacks cannot be ruled out. Because of higher equity requirements imposed by the German Federal Financial Supervisory Authority (BaFin) on construction-financing institutions, and because it cannot be ruled out that the European Central Bank (ECB) will raise benchmark interest rates, the conditions for construction financing could get more expensive. Moreover, following an initial stimulative effect, a rise in benchmark interest rates could work to depress the construction financing market.

In the base scenario for life insurers, the German Insurance Association (GDV) expects a slight increase in 2022 in new regular premium business, as well as in new single-premium business. Overall, it forecasts a slight rise in premium income. In this regard, the view of the coming financial year remains cautiously optimistic, despite the aggravated pandemic events in the winter months. Stable premium development is expected for the pension funds.

Due the inflation-related coverage adjustments in property insurance, coupled with weak growth in motor insurance, the GDV expects that premium volume in property and personal accident insurance will rise by 3.0%. However, the trend forecast continues to be associated with significant uncertainties.

Company forecasts

Overall, the 2021 financial year was marked by the coronavirus pandemic. The W&W Group's net income was affected above all, by the very positive trends on the capital markets, as well as a rather good net combined ratio despite extraordinary loss events due to storms, and by a very successful new business. Despite the extraordinary loss events a good net combined ratio.

The following forecasts are based on the results of our Group-wide planning process (see the section "Business management system"). In deriving our planned results and general administrative expenses for 2022, we assumed a moderate development of basic macroeconomic conditions, accompanied by moderately rising interest rates and equity prices through the end of the year, as well as no significant counterparty defaults. In addition to macroeconomic factors, we are planning for normalised claims development compared with 2021. If the basic conditions should darken, this will also have an effect on the following forecasts.

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

In light of the described basic conditions, we expect that **consolidated net profit** after taxes will come in at approx-imately €250 million for the 2022 financial year.

We will also continue the digital transformation in 2022. Because of the associated investments, we expect **general administrative expenses** in the Group for the 2022 financial year to come in moderately above the level of the reporting year.

The W&W Besser! initiative will be continued in 2022. 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 2022.

We manage our liquidity in such a way as to enable us to meet our financial obligations at all times and on a sustained basis. Liquidity planning shows that in 2022 we will have sufficient liquidity available at all times. For further information about the liquidity position, please see the opportunity and risk report in the section "Liquidity risks".

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, as well as from the further development of the coronavirus pandemic. In addition the Ukraine war represents an important element of uncertainty. For further information about opportunities and risks in the W&W Group, please see the opportunity and risk report.

At the beginning of 2023, IFRS 17 will enter into force, which completely redefines the accounting and valuation of insurance contracts. In connection with IFRS 9 regulating the accounting of financial instruments effective since 2018, this may also result in higher volatility in IFRS results depending on external market developments. Further information are published in the notes, in chapter "IFRS issued but not yet subject to mandatory adoption".

Housing segment

For the 2022 financial year, we are planning for the Housing segment to post **net income after taxes** that is considerably higher than the level of the reporting year.

General administrative expense for the 2022 financial year are expected to come in slightly lower than the level of the reporting year.

We are planning for significant growth in **net new home loan savings business** in 2022 compared with 2021. For **new construction financing business** (approvals), we expect 2022 to come in at a level slightly higher than that of the previous year. In this regard, we are continuing to pay attention to profitability and risk.

Life and Health Insurance segment

In the Life and Health Insurance, the 2021 financial year was marked by higher measurement gains due to the positive trends on the capital markets. For 2022 we expect **net income after taxes** of €10 to 40 million.

In 2022 we are planning for **general administrative expenses** that are moderately higher than the level of 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 2022 financial year, we are planning for **total premiums** to come in slightly higher than the level of the previous year.

Property/Casualty Insurance segment

In 2021, despite the extraordinary loss events, the Property/Casualty Insurance segment posted a positive development in segment net income, particularly as a result of prudent risk hedging. In addition, the positive trends on the capital markets over the course of the year contributed to segment net income. In the 2022 financial year, we expect net income to fall as a result of normalised claims development and moderate trends on the capital markets. Accordingly, we are planning for **net income after taxes** that is significantly lower than in 2021.

General administrative expenses are expected to come in 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 2022 we expect **new and replacement business** (annual contribution to the portfolio) to come in slightly below the high 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 2022 we are planning for **net income after taxes** to come in at the level of the previous year.

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 the coronavirus pandemic and the Ukraine war.

Proviso concerning forward-looking statements

This Annual Report and, in particular, the outlook contain 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 can be associated with known and unknown risks and uncertainties, but also with opportunities. Because of the variety of factors that influence our business operations, actual results may differ from those currently anticipated.

Therefore we can assume no liability for the forward-looking statements.

Other disclosures

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 2021, 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 540 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 79,966 treasury shares.Pursuant to Section 71b AktG, W&W AG is not entitled to any rights in connection with treasury shares. A total of 223,513 employee shares are subject to a restriction on sale. Of these, 72,039 employee shares may not be sold until April/May 2022, 72,840 employee shares until April/May 2023 and 78,634 employee shares until April/May 2024. 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.

Wüstenrot Holding AG with registered office in Ludwigsburg hold 39.91% and WS Holding AG with registered office in Stuttgart holds 26.40% of the shares in W&W AG. The other major shareholder with more than 10% of the shares is FS BW Holding GmbH, which has its registered office in Munich. Treasury shares account for 0.09% of the company's stock.

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 2018

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 12 June 2023, 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 2018). Shareholders are entitled to a statutory subscription right. Shareholders may also be accorded the statutory subscription right by having one or more credit institutions or companies equivalent thereto pursuant to Section 186 (5) of the German Stock Corporation Act (AktG) subscribe to the new shares under an obligation to offer them to shareholders for subscription (indirect subscription right). Subject to approval by the Supervisory Board, the Executive Board is 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 (in-cluding 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, con-

vertible 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 2018 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 2018 to conform to the respective increase of the share capital, as well as after expiry of the term of the authorisation.

Contingent Capital 2018/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 13 June 2018, 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 12 June 2023. 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 2018). 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 13 June 2018, are issued by the company or a subordinate Group company or guaranteed by the company on or before 12 June 2023 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 13 June 2018, are issued by the company or a subordinate Group company or guaranteed by the company on or before 12 June 2023 are obligated to exercise the warrant or to convert and satisfy such obligation, or

- the company exercises a right to deliver to holders or creditors of warrant bonds, convertible bonds or profit participation rights that, on the basis of the authorisation granted to the Executive Board by the Annual General Meeting on 13 June 2018, are issued by the company or a subordinate Group company or guaranteed by the company on or before 12 June 2023 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 13 June 2018. 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 13 June 2018 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 13 June 2018 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 June 2020, the Executive Board was authorised pursuant to Section 71 (1), no. 8 of the German Stock Corporation Act (AktG) until 24 June 2025 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 holds 39.91% of the shares, and WS Holding AG holds 26.40% of the shares. Both holding companies are wholly owned by Wüstenrot Stiftung.

Close relationships exist with various Group companies as a result of contracts for the outsourcing of services and functions. They govern services that have been transferred in whole or in part, including appropriate compensation. The compensation paid to W&W Asset Management GmbH is volume-dependent.

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 re-sponsibility 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. In this regard, the Supervisory Board has resolved to have women make up at least 15% of the Executive Board and set a target deadline of 30 June 2022 for doing so. As a result, the Supervisory Board is seeking to place at least one woman on the Executive Board. In addition, attention must be paid to compliance with the age limit of 65 provided for as a target requirement in Section 1 (4) of 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 of W&W AG has stipulated that women are to make up 25% of the first senior management level below the Executive Board and 30% of the second senior management level and has set a target deadline of 30 June 2022 for doing so.

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 in the W&W Group are: the Management Board, the division boards and the Group boards. The Management Board of W&W AG is composed of the members of the Executive Board, along with the 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 and capital investments.

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

Shareholder representatives	**Entry date (Month/Year)**
Hans Dietmar Sauer (Chair)	7/2004
Peter Buschbeck († 13.3.2021)	5/2014
Dr. Frank Ellenbürger (as of 20.5.2021)	5/2021
Prof. Dr. Nadine Gatzert	6/2018
Dr. Reiner Hagemann	6/2006
Corinna Linner	6/2015
Marika Lulay	6/2016
Hans-Ulrich Schulz	6/2016
Jutta Stöcker	6/2016
Employee representatives	
Frank Weber (Deputy Chair)	6/2006
Petra Aicholz (until 30.4.2021)	6/2019
Jutta Eberle (as of 1.5.2021)	5/2021
Ute Hobinka	6/2011
Jochen Höpken	6/2011
Bernd Mader	6/2016
Andreas Rothbauer	6/2011
Christoph Seeger	6/2011
Susanne Ulshöfer	6/2019

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 2021 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.

Independent shareholder representatives
Hans Dietmar Sauer (Chair)
Peter Buschbeck († 13.3.2021)
Dr. Frank Ellenbürger
Prof. Dr. Nadine Gatzert
Dr. Reiner Hagemann
Corinna Linner
Marika Lulay
Hans-Ulrich Schulz
Jutta Stöcker

For instance, Hans Dietmar Sauer and Dr Reiner Hagemann have been members of the Supervisory Board of W&W AG for more than 12 years. This means that they exhibit 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. How-ever, the shareholder representatives on the Supervisory Board nevertheless consider Mr Sauer and Dr 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 main-tained. This is not the case here. Because of their long length of service on the Supervisory Board, both of the Supervisory Board members are thoroughly familiar with the company's circumstances and it executives. As is shown by the collaborative work on the Supervisory Board, however, this familiarity does not compromise their independence. On the contrary, they employ this familiarity acquired over many years, as well as their 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, Mr Sauer and Dr Hagemann are to be considered independent, notwithstanding that they have served on the Supervisory Board for many years.

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 four independent members to be appropriate.

On account of the company-specific situation, the Supervisory Board does not consider it necessary to strive for a certain minimum number of members who represent, in particular, the quality of "internationality", since the main focus of the W&W Group's business operations 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: insurance industry, banking/home loan savings industry, supervisory law/regulatory requirements relating to banks and insurance companies, strategy, corporate planning/control, accounting, risk management, risk-bearing capacity, controlling and performance indicators, capital investment, IT/digitalisation and corporate governance/management.

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 and accounting by means of a self-assessment. This forms the basis for a development plan that the Supervisory Board prepares each year. The plan identifies areas where the Supervisory Board as a whole or its individual members wish to acquire more in-depth knowledge. The self-assessment and the development plan are forwarded to the supervisory authority.

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 consist of four women and four men, meaning that full gender parity is achieved in this case. Pursuant to Section 2 (2) of 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 reelected 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 2022. 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 2021 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 2021 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, including the remuneration report, 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 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 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. One member is appointed as a financial expert. Dr Reiner Hagemann, who sits on the Risk and Audit Committee and the Supervisory Board, is a financial expert who possesses the expertise necessary for this purpose.

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 fields of accounting, annual audits and internal controlling procedures 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
Corinna Linner (Chair; until 14.6.2021)
Dr. Frank Ellenbürger (Chair; as of 15.6.2021)
Prof. Dr. Nadine Gatzert
Dr. Reiner Hagemann
Ute Hobinka
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 2021 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)
Peter Buschbeck († 13.3.2021)
Corinna Linner (as of 23.3.2021)
Dr. Reiner Hagemann
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 2021 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. 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. This does not apply to the setting of remuneration or to decisions pursuant to Section 87 (2) sentences 1 and 2 of the German Stock Corporation Act (AktG). The Supervisory Board makes these decisions following preparation by the Personnel Committee.

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)
Christoph Seeger
Hans-Ulrich Schulz
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 2021 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)
Ute Hobinka
Marika Lulay
Frank Weber

Remuneration report/remuneration system

On 23 March 2021, the Supervisory Board adopted the remuneration systems for the Executive Board and the Supervisory Board in accordance with Section 87a of the German Stock Corporation Act (AktG) and G. I of the German Corporate Governance Code (DCGK). They were approved by the Annual General Meeting on 20 May 2021. These remuneration systems are published on the company's website at https://www.ww-ag.com/de/ueber-uns/vorstand-und-aufsichtsrat/verguetung.

The remuneration report required by Section 162 AktG will be published after approval by the Annual Shareholder Meeting on 25 May 2022 at https://www.ww-ag.com/de/ueber-uns/vorstand-und-aufsichtsrat/verguetung/Verguetungsbericht.

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 2020

Since the submission of the last statement of compliance on 4 December 2020, which was updated in March 2021, Wüstenrot & Württembergische AG has complied with, and in future will continue to comply with, the recommendations of the Government Commission for the German Corporate Governance Code, in the version of 16 December 2019 (the "Code"), which were made public by the German Federal Ministry of Justice and Consumer Protection in the official part of the German Federal Gazette, other than 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 en-trusted 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 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 letter of 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 W&W 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 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, long-term 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 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 between the submission of the last statement of compliance on 4 December 2020 and 23 March 2021, Wüstenrot & Württembergische AG moreover departed from the following two recommendations in the Code:

- According to Recommendation G.11 sentence 1 of the Code, the Supervisory Board is to have the ability to account for extraordinary developments to an appropriate extent. The Supervisory Board accounts for extraordinary developments through caps for individual elements of remuneration. The caps ensure that variable remuneration can be adjusted "downward" in the event of extraordinary developments. On the other hand, in departure from Recommendation G.11 sentence 1 of the Code, the Supervisory Board did not have the ability to adjust remuneration "upward" if it is unreasonably low due to extraordinary developments. At its meeting on 23 March 2021, the Supervisory Board adopted a new system for remunerating Executive Board members. The Annual General Meeting approved this remuneration system on 20 May 2021. The new remuneration system provides that the Supervisory Board also has the ability to adjust remuneration "upward" if it is unreasonably low due to extraordinary developments. Accordingly, Recommendation G.11 sentence 1 of the Code will be complied with when concluding new Executive Board contracts and renewing existing ones. Previously, the regulatory framework for the ability to make such an adjustment "upward" had appeared unclear, and pressing attention had not been deemed warranted.
- According to Recommendation G.11 sentence 2 of the Code, the Supervisory Board is to have the ability to retain or reclaim variable remuneration, if justified. At its meeting on 23 March 2021, the Supervisory Board adopted a new system for remunerating Executive Board members. The Annual General Meeting approved this remuneration system on 20 May 2021. The new remuneration systems provides that pursuant to Recommendation G.11 sentence 2 of the Code, the Supervisory Board has the ability to retain or reclaim variable remuneration, if justified. Accordingly, also Recommendation G.11 sentence 2 of the Code will be complied with when concluding new Executive Board contracts and renewing existing ones. Previously, it had been decided to dispense with such an ability in light of the legal uncer-tainties that existed in the past.

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 the sustainability policy of W&W AG. This policy covers such areas as resource use and procurement, employees, products and services and compliance with legal requirements as elements of the concept of sustainability.

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. In the course of this, a Sustainability Board was established, which is composed of the head of the W&W Group Development department (Chair of the Sustainability Board), members of the Executive Board of W&W AG and persons 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, it signed the “Charta der Vielfalt” in 2021. 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 back-ground.

Campus perspectives

Open spaces

Drinking coffee together in a coffee shop, eating together in the restaurant, spending the lunch break outdoors together with the team: The W&W Campus facilitates communication and exchange in many areas.


Bistro

Wüstenrot & Württembergische AG
Report on equality and equal remuneration pursuant to the German Transparency in Remuneration Act (EntgTransG)

In our 2017 Annual Report, we published a report on equality and equal remuneration pursuant to the German Transparency in Wage Structures Act (EntgTransG).

In accordance with the five-year rule in Section 22 (1) EntgTransG, we did not prepare a new report for 2021.

Consolidates financial statements
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Wüstenrot & Württembergische AG Consolidated financial statements

Consolidated balance sheet

Assets

in € thousands	see Note no.[1]	31/12/2021	31/12/2020
Cash reserves	1	**72,136**	**75,120**
Non-current assets held for sale and discontinued operations	2	**8,258**	**–**
Financial assets at fair value through profit or loss	3	**10,721,688**	**8,800,316**
Financial assets at fair value through other comprehensive income	4	**34,492,518**	**38,862,768**
thereof sold under repurchase agreements or lent under securities lending transactions		767,810	796,850
Financial assets at amortised cost	5	**26,171,128**	**25,173,973**
Subordinated securities and receivables		180,764	165,834
Senior debenture bonds and registered bonds		42,429	34,808
Senior fixed-income securities		9	–
Construction loans		23,819,744	22,830,677
Other receivables		2,098,555	2,074,187
Asset-side portfolio hedge adjustment		29,627	68,467
Positive market values from hedges	6	**6,099**	**16,071**
Financial assets accounted for using the equity method	7	**90,638**	**88,710**
Investment property	8	**1,909,393**	**1,873,561**
Reinsurers' portion of technical provisions	9	**416,448**	**278,047**
Other assets		**1,324,620**	**1,319,076**
Intangible assets	10	114,398	104,764
Property, plant and equipment	11	511,739	488,440
Inventories	12	192,560	178,204
Current tax assets	13	36,208	41,202
Deferred tax assets	14	409,458	454,673
Other assets	15	60,257	51,793
Total assets		**75,212,926**	**76,487,642**

1 See numbered notes to the consolidated financial statements.

Liabilities

in € thousands	see Note No.	31/12/2021	31/12/2020
Financial liabilities at fair value through profit or loss	16	**218,201**	**44,188**
Liabilities	17	**27,963,791**	**27,825,524**
Liabilities evidenced by certificates		1,866,084	1,412,976
Liabilities to credit institutions		2,145,894	2,193,839
Liabilities to customers		22,587,984	22,481,152
Lease liabilities		66,663	83,215
Miscellaneous liabilities		1,327,310	1,322,509
Liability-side portfolio hedge adjustment		-30,144	331,833
Negative market values from hedges	18	**–**	**15,688**
Technical provisions	19	**38,423,335**	**39,402,291**
Other provisions	20	**2,720,053**	**3,134,620**
Other liabilities		**372,874**	**637,018**
Current tax liabilities	21	212,403	178,776
Deferred tax liabilities	22	147,401	447,567
Other liabilities	23	13,070	10,675
Subordinated capital	24	**641,098**	**343,162**
Equity	25	**4,873,574**	**5,085,151**
Interests of W&W shareholders in paid-in capital		1,485,588	1,486,463
Interests of W&W shareholders in earned capital		3,359,259	3,556,194
Retained earnings		3,441,733	3,158,949
Other reserves (other comprehensive income)		-82,474	397,245
Non-controlling interests in equity		28,727	42,494
Total liabilities		**75,212,926**	**76,487,642**

Further information that concerns several balance sheet items has been summarised under

- “Notes concerning financial instruments and fair value” (Notes 38 to 43),
- “Disclosures concerning risks under financial instruments and insurance contracts” (Notes 44 to 48) and
- “Other disclosures” (Notes 52 et seq.).

Consolidated income statement

in € thousands	see Note No.	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Current net income	26	**1,153,285**	**1,096,550**
Net interest income		791,234	862,441
Interest income		1,221,791	1,334,441
thereof calculated using the effective interest method		1,084,930	1,181,102
Interest expenses		−430,557	−472,000
Dividend income		309,886	185,570
Other current net income		52,165	48,539
Net income/expense from risk provision	27	**1,394**	**−54,678**
Income from risk provision		92,906	98,393
Expenses from risk provision		−91,512	−153,071
Net measurement gain/loss	28	**505,088**	**−55,246**
Measurement gains		2,865,955	2,272,656
Measurement losses		−2,360,867	−2,327,902
Net income from disposals	29	**849,392**	**825,912**
Income from disposals		868,304	899,935
Expenses from disposals		−18,912	−74,023
thereof gains/losses from the disposal of financial assets at amortised cost	43	341	−18
Net financial income		**2,509,159**	**1,812,538**
thereof net income/expense from financial assets accounted for using the equity method		7,459	−6,082
Earned premiums (net)	30	**4,638,412**	**4,415,144**
Earned premiums (gross)		4,797,554	4,561,357
Premiums ceded to reinsurers		−159,142	−146,213
Insurance benefits (net)	31	**−5,149,702**	**−4,455,443**
Insurance benefits (gross)		−5,591,518	−4,544,719
Received reinsurance premiums		441,816	89,276
Net commission expense	32	**−534,897**	**−497,205**
Commission income		284,567	257,689
Commission expenses		−819,464	−754,894
Carryover		**1,462,972**	**1,275,034**

in € thousands	see Note No.	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Carryover		**1,462,972**	**1,275,034**
General administrative expenses	33	**−1,036,664**	**−1,013,997**
Personnel expenses		−612,495	−598,919
Materials costs		−348,682	−337,659
Depreciation/amortisation		−75,487	−77,419
Net other operating income/expense	34	**54,351**	**45,836**
Other operating income		322,019	243,688
Other operating expenses		−267,668	−197,852
Consolidated earnings before income taxes from continued operations		**480,659**	**306,873**
thereof from revenue[1]		6,779,110	6,412,721
Income taxes	35	−128,506	−96,122
Consolidated net profit		**352,153**	**210,751**
Result attributable to shareholders of W&W AG		350,525	209,907
Result attributable to non-controlling interests		1,628	844
Basic (= diluted) earnings per share, in €	36	**3.74**	**2.24**
Thereof from continued operations, in €		3.74	2.24

1 Interest, dividend, commission, and rental income, as well as income from property development business and gross premiums written.

Consolidated statement of comprehensive income

in € thousands	see Note No.	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Consolidated net profit		**352,153**	**210,751**
Other comprehensive income			
Components not reclassified to the consolidated income statement:			
Actuarial gains/losses (–) from pension commitments (gross)	20	216,405	–162,009
Provision for deferred premium refunds	19	–14,063	12,744
Deferred taxes		–68,216	44,371
Actuarial gains/losses (–) from pension commitments (gross)		**134,126**	**–104,894**
Components subsequently reclassified to the consolidated income statement:			
Unrealised gains/losses (–) from financial assets at fair value through other comprehensive income (gross)		–3,685,698	1,516,550
Provision for deferred premium refunds		2,760,363	–1,180,267
Deferred taxes		287,780	–100,415
Unrealised gains/losses (–) from financial assets at fair value through other comprehensive income (net)		**–637,555**	**235,868**
Unrealised gains/losses (–) from financial assets accounted for using the equity method (gross)	7, 37	–106	24
Provision for deferred premium refunds		–	–
Deferred taxes		3	–
Unrealised gains/losses (–) from financial assets accounted for using the equity method (net)		**–103**	**24**
Unrealised gains/losses (–) from cash flow hedges (gross)	37	–	68
Provision for deferred premium refunds		–	–
Deferred taxes		–	–21
Unrealised gains/losses (–) from cash flow hedges (net)		**–**	**47**
Currency translation differences of economically independent foreign units		**–**	**–19,003**
Total other comprehensive income, gross		–3,469,399	1,335,630
Total provision for deferred premium refunds		2,746,300	–1,167,523
Total deferred taxes		219,567	–56,065
Total other comprehensive income, net		**–503,532**	**112,042**
Total net income/expense for the period		**–151,379**	**322,793**
Result attributable to shareholders of W&W AG		–137,612	315,414
Result attributable to non-controlling interests		–13,767	7,379

Consolidated statement of changes in equity

	see Note No.	Interests of W&W shareholders in paid-in capital	
		Subscribed capital	Capital reserve
in € thousands			
Equity as at 1 January 2020		**490,029**	**996,485**
Changes to the scope of consolidation		–	–
Total net income/expense for the period			
Consolidated net profit		–	–
Other comprehensive income		–	–
Total net income/expense for the period		**–**	**–**
Dividends to shareholders	25	–	–
Own shares		202	–253
Other		–	–
Equity as at 31 December 2020		**490,231**	**996,232**
Equity as at 1 January 2021		**490,231**	**996,232**
Changes to the scope of consolidation		–	–
Total net income/expense for the period			
Consolidated net profit		–	–
Other comprehensive income		–	–
Total net income/expense for the period		**–**	**–**
Dividends to shareholders	25	–	–
Own shares		–338	–537
Other		–	–
Equity as at 31 December 2021		**489,893**	**995,695**

Interests of W&W shareholders in earned capital						Equity attributable to W&W shareholders	Non-controlling interests in equity	Total equity
Retained earnings	Other reserves (other comprehensive income)							
	Reserve for pension commitments	Reserve for financial assets at fair value through other comprehensive income	Reserve for financial assets accounted for using the equity method	Reserve for cash flow hedges	Reserve for currency translation			
-	-	-	-	-	-	-	-	-
3,026,543	**–716,675**	**984,559**	**82**	**–47**	**19,003**	**4,799,979**	**35,103**	**4,835,082**
–4,816	–	4,816	–	–	–	–	–	–
209,907	–	–	–	–	–	209,907	844	210,751
–	–104,823	229,262	24	47	–19,003	105,507	6,535	112,042
209,907	**–104,823**	**229,262**	**24**	**47**	**–19,003**	**315,414**	**7,379**	**322,793**
–60,927	–	–	–	–	–	–60,927	–	–60,927
193	–	–	–	–	–	142	–	142
–11,951	–	–	–	–	–	–11,951	12	–11,939
3,158,949	**–821,498**	**1,218,637**	**106**	**–**	**–**	**5,042,657**	**42,494**	**5,085,151**
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**

Consolidated cash flow statement

in € thousands	see Note No.	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Consolidated net profit		**352,153**	**210,751**
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	-7,459	6,082
Write-downs (+)/write-ups (–) on intangible assets and property, plant and equipment	33	75,487	77,466
Write-downs (+)/write-ups (–) on financial assets	27, 28	58,179	57,836
Increase (+)/decrease (–) in technical provisions	19	1,759,970	805,628
Increase (+)/decrease (–) in other provisions	20	–128,186	84,232
Changes in deferred tax assets and liabilities	35	–39,094	–1,057
Gain (–)/loss (+) from the disposal of intangible assets and property, plant and equipment	34	205	-7
Gain (–)/loss (+) from the disposal of financial investments (excluding participations)	29	–867,268	–635,986
Other expenses(+)/income (–) with no effect on cash	26-29	–591,046	–216,141
Other adjustments		–1,548	5,259
Subtotal		**611,393**	**394,063**

Changes in assets and liabilities from operating activities			
Increase (–)/decrease (+) in construction loans	5	–1,174,644	–702,392
Increase (–)/decrease (+) in other assets	5, 6, 9, 12, 13, 15	683,567	931,279
Increase (–)/decrease (+) in derivative financial instruments with positive and negative market values	3, 16	13,020	491,306
Increase (+)/decrease (–) in liabilities evidenced by certificates	17	453,107	465,411
Increase (+)/decrease (–) in liabilities to credit institutions	17	-47,945	–47,351
Increase (+)/decrease (–) in liabilities from reinsurance business	17	–78,030	–4,241
Increase (+)/decrease (–) in liabilities to customers	17	106,831	–560,916
Increase (+)/decrease (–) in other liabilities	17, 18, 20, 21, 23	–1,363,287	–532,205
Subtotal		**–1,407,381**	**40,891**
I. Cash flow from operating activities		**–795,988**	**434,954**

Consolidated cash flow statement (continued)

in € thousands	see Note No.	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Cash receipts from the disposal of intangible assets and property, plant and equipment	10, 11	3,513	1,652
Cash payments for investments in intangible assets and property, plant and equipment	10, 11	-116,955	-159,823
Cash receipts from the disposal of financial assets	3, 4, 5, 8	12,981,252	11,874,127
Cash payments for investments in financial assets	3, 4, 5, 8	-12,516,880	-12,365,223
Cash receipts from the loss of control over subsidiaries		–	175,000
Cash and cash equivalents of subsidiaries or other business units over which control was lost		–	-35,108
Cash and cash equivalents of subsidiaries or other business units over which control was gained		–	242,836
Cash payments for investments in financial assets accounted for using the equity method	7	–	-93
II. Cash flow from investing activities		**350,930**	**-266,632**
Dividend payments to shareholders	25	-60,885	-60,927
Transactions between shareholders		-1,613	-252
Change in funds resulting from subordinated capital	24	295,881	79,895
Interest payments on subordinated capital	26	-17,107	-18,545
Cash payments towards lease liabilities	17	-18,903	-21,127
III. Cash flow from financing activities		**197,373**	**-20,956**
Cash and cash equivalents as at 1 January		**1,202,263**	**1,053,947**
Net change in cash and cash equivalents (I. + II. + III.)		-247,685	147,366
Change in cash and cash equivalents attributable to the effects of exchange rates and the scope of consolidation		26,489	950
Cash and cash equivalents as at 31 December		**981,067**	**1,202,263**
Composition of cash and cash equivalents			
Cash reserves	1	72,136	75,120
Bank account balances that are available at all times without termination notice period	5	908,931	1,127,143
Cash and cash equivalents at the end of the financial year		**981,067**	**1,202,263**

In the 2021 financial year, cash flow from interest received amounted €1,246.9 million (previous year: €906.0 million), cash flow from interest paid amounted to -€245.8 million (previous year: -€192.9 million), cash flow from dividends received amounted to €312.8 million (previous year: €176.9 million) and cash flow from income taxes paid/received amounted to -€116.6 million (previous year: -€79.6 million). These amounts are included in cash flow from operating activities.

The W&W Group can freely dispose of its cash and cash equivalents.

Reconciliation of changes in liabilities with cash flow from financing activities

	Subordinated capital		Lease liabilities	
in € thousands	2021	2020	2021	2020
As at 1 January	**343,163**	**424,850**	**83,215**	**77,268**
Coupons	–17,107	–18,545	–	–
Issue/redemption	295,881	–79,895	–18,903	–21,127
Net change with an effect on cash	**278,774**	**–98,440**	**–18,903**	**–21,127**
Acquisitions/disposals of lease liabilities	–	–	1,633	22,513
Changes in the scope of consolidation	–	–	–	3,384
Change in accrued interest	19,086	16,781	–	–
Amortisation	75	–29	718	1,177
Net change with no effect on cash	**19,161**	**16,752**	**2,351**	**27,074**
As at 31 December	**641,098**	**343,162**	**66,663**	**83,215**

Notes to the consolidated financial statements

General accounting principles and application of IFRS

General information

Wüstenrot & Württembergische AG is a publicly traded company with registered office in Stuttgart, Germany (Gutenbergstraße 30, 70176 Stuttgart, Germany) and is the parent company of the W&W Group. The company is entered in the commercial register of maintained by the Local Court of Stuttgart under HRB 20203. The business of Wüstenrot & Württembergische AG as an individual company consists of reinsurance business for the insurance companies of the W&W Group, as well as management of 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

1 March 2022. They were presented to the Supervisory Board for approval on 30 March 2022.

The consolidated financial statements will be presented to the shareholders (virtually) at the Annual General Meeting on 25 May 2022.

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 2020 to 31 December 2020, whereas comparative information about items in the consolidated balance sheet relates to 31 December 2020.

Coronavirus pandemic

In the 2021 reporting year, the pandemic spread of the coronavirus also continued to have an impact on the basic business and economic conditions of the W&W Group. The business model of the W&W Group proved to be very stable during the coronavirus pandemic. The impact of the coronavirus pandemic on the W&W Group are presented below.

At the start of the coronavirus pandemic, the crisis team of the W&W Group initiated a variety of measures to stop the spread of the virus in the W&W Group and curb its impact on business operations and continuously updated the measures to meet the prevailing conditions. In the process, our availability to our customers, as well as the ability of our employees to work, was assured at all times.

With the amendments to the German Infection Protection Act (Infektionsschutzgesetz), known as the “Nationwide Emergency Brake”, that went into effect on 23 April 2021, workers were required to work from home until 30 June 2021 as far as possible. In order to protect employees of the W&W Group against infection as best as possible, the option to voluntarily work from home also remained available after this time. The requirement to work from home was reintroduced when the Infection Protection Act went back into effect on 24 November 2021 for a limited period until 19 March 2022. In addition, employees of the W&W Group were offered voluntary coronavirus self-tests, as well as voluntary vaccinations against the coronavirus.

The consolidated financial statements of the W&W Group are affected by the impact of the coronavirus pandemic to varying degrees of intensity, particularly in customer lending business, in the area of capital investments and real estate, and in insurance business. In some cases, there were positive developments compared with the start of the coronavirus pandemic.

Overall, a variety of supportive measures by central banks and countries mitigated the effects on national economies. For instance, in the 2021 reporting year, the German government enacted “Interim Assistance III” and the restart aid facility and then expanded them, constituting further temporary aid programmes as a result of the dynamic infection numbers. In addition, with the German Act to Protect Employment as a Consequence of the COVID-19 Pandemic (Gesetz zur Beschäftigungssicherung infolge der COVID-19-Pandemie) of 3 December 2020, the legislators decided to extend the special arrangements concerning short-time working benefits essentially until the end of 2021. This measure was extended until 31 March 2022 by the German Short-Time Allowance Extension Regulation (Kurzarbeitergeldverlängerungsverordnung, KugverlV). These and other measures thus had a stabilising effect going forward. On the other hand, it can still be anticipated that insolvency figures will rise significantly when these statutory measures expire.

Because of the duration and extent of the coronavirus pandemic, it continues to be difficult to estimate the spread of the virus and the associated future financial effects, as well as its impact on the net assets, financial position and financial performance of the W&W Group. The estimates, assumptions and discretionary judgements that are relevant to the financial statements were made on the basis of management's best knowledge and currently available information. Despite continued increased uncertainties, the W&W Group believes that the assumptions and estimates utilised were properly made on the basis of the current state of knowledge. Nevertheless, particularly in light of the further development of the coronavirus pandemic, there may be deviations from these estimates.

Customer lending business primarily relates to customer lending by Wüstenrot Bausparkasse AG and, to a lesser extent, to the mortgage portfolios of Württembergische Lebensversicherung AG and Württembergische Versicherung AG.

In 2020, statutory and voluntary moratoriums were offered to customers of the W&W Group to mitigate the effects of the coronavirus pandemic. More than 90% of the up to 4,100 affected customers have since resumed making the agreed payments. As at 31 December 2021, loans with a total volume of about €36.7 million (previous year: €70.3 million) were still subject to intensive management and monitoring of the payment agreement. From today's standpoint, these risks are covered by liens and sufficient risk provision.

Based on empirical values and external data, the management decided in 2020 that it needed to be assumed that the entire construction financing loan portfolio had a higher default risk that was reflected in the risk provision models. Therefore, it retroactively increased the probabilities of default calculated by the model and, in addition, assumed a higher probability of complete default for loans with lower creditworthiness.

In the year under review, the management lowered its risk expectation with respect to default probabilities in customer lending business, particularly with regard to a complete default for loans with lower creditworthiness. As a certain time delay can be expected until the occurrence of default, the pandemic risks will not, however, continue to be completely reflected in the counterparty default risks that have occurred so far. In particular, the counterparty default risk could change when the fiscal support measures by the public authorities expire. Therefore, a risk provision outside of the model is also considered necessary as at the reporting date, even though to a small extent than in the previous year. An amount of €15.9 million (previous year: €34.0 million) will be set aside for this purpose.

In the area of **capital investments**, the coronavirus pandemic brought about considerably greater volatility in the markets. In terms of equity investments, prices again rose substantially in 2021, thus continuing the upturn that commenced in the second half of 2020. As a result, measurement and disposal losses incurred at the start of the coronavirus pandemic were able to be recouped through recoveries in value.

In the area of interest-bearing securities, creditworthiness did not appear to deteriorate in 2021. Rather, the created risk provision dropped slightly by €0.8 million to €37.2 million (previous year: €38.0 million). In this regard, the high proportion of solvent loans with investment-grade securities helped to cushion the increase in the risk provision. There were no major changes in rating classifications. In addition, the balanced diversification of the portfolio and the general recovery on the market had a positive effect. To date, there have been no defaults in interest payments or repayments. Interest rates remained low as a consequence of the very expansive monetary policy, which has been continued in response to the coronavirus pandemic. In the case of new investments and reinvestments, this led to correspondingly lower interest income.

The remarks concerning the sensitivity analyses for market price risks can be found in the risk report.

In 2021, the coronavirus pandemic also continued to have an impact on the **property area** of the W&W Group in the form of a significant rise in coronavirus-related rent arrears, although the vast majority of rent payments were made on time. On the one hand, the statutory moratorium in 2020 enabled lessees to defer their rent payments for up to three months, starting in April. In addition, the legislators amended Section 313 of the German Civil Code (BGB) and thus created more latitude for rent reductions. New arrears from July 2021 will no longer be classified as coronavirus-related, as they are no longer close in time to the government-imposed lockdown measures. Most of the coronavirus-related rent arrears involved a few large commercial lessees in the retail, hotel and catering sectors. However, the total amount of rent arrears could be reduced in 2021, in some cases through negotiations with contracting partners and timely repayments. As at 31 December 2021, they totalled €4.9 million (previous year: €6.3 million). The coronavirus-related arrears did not result in any modifications in the area of lease accounting under IFRS 16 (as lessor).

As a result of the coronavirus pandemic, we recorded expenses of approximately €5.0 million in the property area in 2021 (previous year: €7.1 million). In connection with the risk provision, these consist specifically of impairment provisions of €3.3 million (previous year: €5.3 million), as well as additions to the provisions for reclaimed rent payments of €1.7 million (previous year: €1.8 million). In the 2021 financial year, the pandemic led to a reduction in market values of properties in the main affected sectors. This did not result in any impairments recognised as an expense. Only 24.5% of lessees (share of total rent volume) were affected by the coronavirus-related governmental restrictions (thereof, 12.8% in the retail sector, 10.4% in the hotel sector and 1.3% in the catering sector). The selective choice of commercial lessees with appropriate business models had a positive impact. At the same time, the existing properties, which are mostly in very good locations, are normally used by these lessees in a variety of ways.

In the **insurance business**, the W&W Group incurred expenses of €42.0 million in 2020, before accounting for a billed reinsurance policy, in connection with business closure insurance policies. In 2021, they amounted to €2.0 million (previous year: €42.0 million). As at 31 December 2021, after making payments to policyholders in 2021 totalling €4.3 million (previous year: €15.3 million), provisions in connection with business closure insurance policies still amounted to €24.5 million (previous year: €26.7 million). In the area of life and health insurance, there were again no material effects.

For further information on the coronavirus-related effects, please refer to the business report 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 creating risk provisions, 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 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.

Similarly, underwriting risks may arise in this regard, i.e. potential losses that arise in connection with previously calculated premiums from the uncertainty concerning future trends in claims and costs from concluded insurance contracts. 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. Adequate reinsurance cover for individual risks and for accumulation risks across business lines reduces underwriting risks in property and casualty insurance. 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 addition, in connection with our capital investments, we counter adverse sustainability effects by investing in green bonds, renewable energies (mainly wind and solar) and properties with ecological features. In terms of products, the W&W Group is promoting the “Wohndarlehen Klima”, a significantly discounted residential loan product for Wüstenrot, “Genius”, a unit-linked annuity product more strongly aligned with sustainability, and “IndexClever”.

Accounting policies

Changes in accounting policies

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

Except for the standards to be applied for the first time described below, the same accounting policies were applied as in the consolidated financial statements as at 31 December 2020:

- Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9 with initial application for financial years beginning on or after 1 January 2021. The amendment formalises the postponement of the mandatory initial application of IFRS 9 to 1 January 2023. This amendment does not affect the W&W Group, since it already applies IFRS 9.

- Amendments to IFRS 16: Covid-19-related rent concessions, with application on or after 1 April 2021. The amendment gives lessees the option to account in a simplified manner for rent concessions that were granted during the coronavirus pandemic, such a deferral of rent instalments or rent abatements. The relief offered by IFRS 16 was not used in the W&W Group.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform – Phase 2 with initial application for financial years beginning on or after 1 January 2021. The amendments relate to the accounting of circumstances that arise in the course of the IBOR reform, such as through the switching of benchmark interest rates. The W&W Group is affected by the IBOR reform to only an immaterial extent. Where necessary, benchmark interest rates were converted by settling the old instrument and acquiring the new one. The risk management strategy was not adjusted.

The foregoing amendments had no material impact on the presentation of the net assets, financial position and financial performance of the W&W Group.

Amendments to IAS 8

Changes in the presentation of the financial statements

List of ownership interests
In the separate financial statements prepared in accordance with the German Commercial Code (HGB), investments in alternative investment funds were reclassified at the start of the financial year from the balance sheet item “Participations” to “Shares, interests or shares in investment assets and other variable-yield securities”. This change of recognition serves to improve the presentation and make it more accurate. This reclassification has no effect in the IFRS consolidated balance sheet and consolidated income statement. Normally, the definition of “interest” is no longer fulfilled with the change, and the affected investments in alternative investments are thus no longer listed in the “List of ownership interests”.

Changes in estimates

Additional interest reserve and interest rate reinforcement
In the case of the creation of the additional interest reserve and interest rate reinforcement for endowment life insurance contracts with flexible expiration, an adjustment was made to the calculation of the provision shown in the provision for future policy benefits. In this regard, the calculation was based on a longer term that better corresponds to the actual behaviour of policyholders as a result of data history. The effect in the amount of €31.3 million was recognised in the consolidated income statement as an expense under “Insurance benefits (gross)”.

Shortening of the remaining useful life of L-Areal
As a consequence of the construction of the new W&W campus in Ludwigsburg/Kornwestheim, the remaining useful life was shortened for a building in Ludwigsburg that is for own use. The carrying amount of the building concerned amounted to nearly €18.6 million at the start of the financial year. It is being depreciated on a straight-line basis over its remaining useful life until mid-2023.The shortened useful life had an impact on the consolidated income statement in the financial year as an additional expense of €5.8 million. The expenses were recognised in “General administrative expenses”. In subsequent years, the annual deprecation expense will amount to €7.5 million.

Recalibration of fair value measurement

In the area of the fair value measurement of private placements and registered securities with mark-to-model measurement pursuant to IFRS 13, the estimate was changed by adding additional parameters to the measurement model. These parameters are essentially additional measurement curves and an improved inclusion of illiquidity. The change in the estimate had a negative impact on results of €2.4 million in the year under review.

Issued accounting rules whose application is not yet mandatory

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was published by the IASB in May 2017. Due to criticism, the IASB published Amendments to IFRS 17 in June 2020, which provides, inter alia, for postponement of the initial date of application of IFRS 17 to financial years beginning on or after 1 January 2023. In July 2021, as part of adoption into EU law (known as EU endorsement), the draft regulation was supplemented compared with the IASB version. As relief, insurance companies have the option not to apply the annual cohort arrangement for certain contracts. With publication in the Official Journal of the EU on 23 November 2021, EU endorsement is completed, and the rules in IFRS 17 will enter into force on 1 January 2023. Against the backdrop of increasing the meaningfulness of the comparative information required under IFRS 17, the IASB published narrow scope amendments to IFRS 17 on 9 December 2021. The amendments provide for a derogating classification pursuant to IFRS 9 Financial Instruments (known as the classification overlay approach) if certain requirements are met. The classification overlay approach is not relevant for the W&W Group, because it has been applying IFRS 9 since the 2018 financial year.

IFRS 17 replaces IFRS 4 "Insurance Contracts", which had been in effect since 1 January 2005. With regard to the recognition of insurance contracts, it for the first time introduces uniform requirements for the recognition, measurement and presentation of, as well as disclosures concerning, insurance contracts and reinsurance contracts. Under the general measurement model in IFRS 17 (GMM, also called the building block approach, or BBA), groups of insurance contracts are measured on the basis of probability-weighted discounted cash flows with an explicit risk adjustment for non-financial risk, as well as a contractual service margin, representing the income that the company will recognise as it provides services under the insurance contracts in the Group. For loss-making business, the standard requires that expenses be recognised immediately.

Instead of premium income for each period, the company will now be required to present the "insurance service result", i.e. insurance revenue, which depicts the changes in the obligation for the provision of coverage for which the insurance company receives compensation and the share of the premiums that covers the acquisition costs. Cash inflows and outflows from investment components are not to be presented in the result, i.e. as income or expenses in the income statement. Insurance financial income and expenses result from discounting effects and financial risks. Depending on the portfolio, effects from changes to financial assumptions are recognised either in the income statement or in other comprehensive income. Changes in assumptions that are unrelated to interest rates or financial risk are not taken into account directly in the income statement but instead are booked against the contractual service margin and thus allocated over the duration of the services still to be provided. The changes in estimates are recognised directly in the income statement only for those groups of insurance contracts for which losses are expected.

For short-term contracts, IFRS 17 provides for an approximation method (known as the premium allocation approach, or PAA), which, as in the past, depicts the obligation to provide insurance coverage through excess premium. Under IFRS 17, liabilities resulting from insured events that have occurred, but for which claims have not been settled, are to be discounted using current interest rates. For large parts of life insurance business with surplus participation, IFRS 17 provides for a modification of the general measurement model. Here, for recognition purposes, the new standard takes into account the circumstance that for these insurance contracts, the economic focus is on the provision of capital investments services that are integrated into the insurance benefit (known as the variable fee approach, or VFA). In this regard, the VFA is designed to reflect the changes in the value of the assets underlying the insurance contracts (known as underlying items). It ultimately results in the recognition of an obligation in the fair value of the underlying items, less a variable fee. Changes to the shareholder portion of the development of the income sources underlying the surplus participation re recorded in the contractual service margin and spread over the remaining duration of service provision.

Because of the special significance of the new requirements, the W&W Group has launched a multi-year implementation project that ensures application of the new standard in the W&W Group as at 1 January 2023. According to the current project status, all measurement models under IFRS 17 will be taken into account in the W&W Group. For business in the area of life and health insurance with surplus participation, the variable fee approach will be used. In addition, for short-term contracts, the premium allocation approach will be used in health insurance. In the area of property and casualty insurance, both the general measurement model and the premium allocation approach will be used. The W&W Group will not make use of the option in IFRS 17.53(a), whereby in application of the premium allocation approach, results are achieved that do not materially differ from the results produced applying the general measurement method.

For passive reinsurance business, the W&W Group will apply the general measurement model or the premium allocation model, taking into consideration the respective terms.

The project involves the implementation of an IT solution for the IFRS 17-specific actuarial calculations and processes, the performance of test calculations for the purpose of analysing effects, and the establishment of new cross-departmental processes and controls. In addition, an IFRS 17 opening balance sheet will be prepared in 2022 as at 1 January 2022, as well as the quarterly values building on it.

The W&W Group plans to make use of the optional exemption with respect to the creation of annual cohorts in accordance with IFRS 17.22, which was taken up as part of the adoption procedure into EU law. Moreover, IFRS 17 gives the W&W Group the option to modify the IFRS 9 business model allocations with initial application of IFRS 17. In all likelihood, the W&W Group will not make use of the option. With respect to insurance business measured using VFA, however, it is currently be examined whether investment property will in future be measured at fair value instead of, as has so far been the case, at amortised cost in order to avoid an accounting mismatch.

Application of IFRS 17 will tend to lead to higher volatility in consolidated net income and equity. With respect to equity, conversion will result in both increasing and decreasing effects, which will mainly be influenced by the amount of technical provisions. In the process, technical provisions will tend to be lower in the area of property and casualty insurance and higher in life insurance. In order to limit volatility in the income statement, the W&W Group will exercise the OCI option under IFRS 17.88(b)/89(b) for the purpose of disaggregating insurance finance income and expenses across all business lines and measurement approaches. Short-term contracts in health insurance have a special feature. As the discounting of the provision for incurred loses will be dispensed with and no financing components exist, no effects will arise in net financial income. Accordingly, the OCI option is not relevant here.

The W&W Group is currently evaluating the effects of IFRS 17. The final figures will be influenced by the precise implementation, the final determination of transition approaches and the final form of various measurement parameters, as well as by interpretations of IFRS 17. Therefore, it is not yet possible at this time to definitively quantify the effects on the consolidated financial statements. In addition to the further analyses, the required prior-year figures are planned to be calculated in 2022. The W&W Group will apply IFRS 18 on scheduled as at 1 January 2023.

Other amendments

In addition, the following amendments have been published by IASB:

Amendments with initial application for financial years beginning on or after 1 January 2022

- Amendments to IFRS 3, IAS 16, IAS 37 and the Annual Improvements to IFRS Standards 2018. The amendment provide for minor adjustments to the individual standards.

The amendments were adopted into EU law on 28 June 2021. In the W&W Group, only few matters are affected by the amendments, which have no material influence on the presentation of the net assets, financial position and financial performance of the W&W Group.

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 give specificity to the materiality of accounting policy information and their disclosure. The requirement that “significant” accounting policy information be disclosed is replaced by “material” accounting policy information based on a flow chart. Practice Statement 2 adds guidelines and explanatory examples in order to support the application of the materiality concept in evaluating disclosures concerning accounting policy information.

- Amendments to IAS 8: (Definition of Accounting Estimates) give specificity to the difference between accounting policies and accounting estimates in order to make it easier for companies to distinguish between them. The distinction is important because, as a general rule, changes to accounting policies are retrospective, where as those to estimates are prospective.

The amendments were adopted into EU law on 2 March 2022. Amendments will have no material influence on the presentation of the net assets, financial position and financial performance of the W&W Group.

- Amendments to IAS 1: (Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date). The amendment makes clear that the classification of a liability as current depends on whether the company has the right to defer settlement of the liability for at least twelve months after the reporting period. If it has such right, this liability will be classified as non-current; if not, it is classified as current. The date of initial application was deferred until 1 January 2023.

- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. Under certain circumstances, companies are exempt from having to recognise deferred taxes if they are recognised assets or liabilities for the first time (initial recognition exemption). The amendment makes clear that the initial recognition exemption does not apply to certain transactions, such that deferred taxes are to be recognised.

Although earlier application is generally permitted, the W&W Group does not plan to do so. The EU has not yet given its endorsement to the described amendments. The amendments are not expected to have a material impact on the presentation of the net assets, financial position and financial performance of the W&W Group.

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 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 2021.

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.

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).

Joint ventures and associates

In a joint venture is based on an agreement under which the parties share management of the venture and have rights to its net assets. 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).

The translation differences for debt instruments in the category “Financial assets at fair value through other comprehensive income” that are held in foreign currency are recognised as in the consolidated income statement as income or expense.

Accounting policies

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):

Classes of financial instruments

Risk category	Cash reserves	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Financial assets			
Cash reserves	Amortised cost		
Participations other than in alternative investments		Fair value	
Participations in alternative investments		Fair value	
Equities		Fair value	
Investment funds 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			
Capital investments for the account and risk of holders of life insurance policies		Fair value	
Construction loans			
Senior debenture bonds and registered bonds			Fair value
Other loans and advances			
Miscellaneous receivables[1]			
Reinsurers' portion of technical provisions			
Financial liabilities			
Liabilities evidenced by certificates			
Liabilities to credit institutions			
Liabilities to customers			
Lease liabilities			
Other liabilities			
Sundry liabilities[1]			
Negative market values from hedges			
Subordinated capital			
Off-balance-sheet business			
Financial guarantees[2]			
Irrevocable loan commitments[2]			

1 Financial instruments that constitute a class pursuant to IFRS 7 but are not covered by the scope of IFRS 7 and essentially contain receivables/liabilities from insurance business with disclosure requirements pursuant to IFRS 4.
2 Off-balance-sheet business figures are generally provided at nominal value. Provisions are created where necessary

						Balance sheet 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
	Amortised cost					
	Amortised cost					
			Fair value			
		Fair value				
	Amortised cost					
	Amortised cost					
	Amortised cost					
				Amortised cost		
				Amortised cost		
				Amortised cost		
				Amortised cost		
				Amortised cost		
					Fair value	
						Amortised cost

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 time of contract conclusion. Interest income and expenses are recognised on an accrual basis. Accrued interest is 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 judgment 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 judgment 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 be assessed on the basis of contractual agreements. This assessment is also called the SPPI test (Solely Payments of Principal and Interest). In this regard, it is examined whether the 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. It is also assessed whether criteria are present that are detrimental to the SPPI and have a material impact on cash flows during the reporting periods and the residual term to maturity.

In the case of minor changes in cash flows that the financial instrument would have had absent this contractual component, we have specified that these are to be deemed de minimis. In addition, we exercise discretionary judgment in assessing whether the impact on the contractual cash flows is to be classified extremely rare, highly abnormal and very unlikely to occur ("not genuine"). Consequently, these contracts meet the SPPI criterion. Contracts with termination options under which, at the time of repayment, payments of an amount are made that is equal to the outstanding contractual cash flows meet the SPPI criterion in the W&W Group.

Cash reserves

Recognised in this item are cash on hand, deposits with central banks, deposits with foreign postal giro offices and debt instruments issued by public authorities with a term 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. Financial instruments are assigned to individual risk categories based on their characteristics.

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”. 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 procedure described in the following is used to determine the fair value of financial instruments, irrespective of the category or class to which the financial instrument is assigned and regardless of whether the fair value so determined is used for measurement purposes or for information in the notes. As a rule, classification for the measurement of fair value pursuant to IFRS 13 corresponds to the classification that is made for the purpose of the extended disclosures for financial instruments pursuant to 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, in order to cover the relevant assets and liabilities.

The fair value of a financial instrument means the price that the W&W Group would receive if it were to sell an asset or pay if it were to transfer a liability in an orderly transaction between market participants on the measurement date. 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. Recognised in this regard is the change in the hedged item as relates to the hedged risk. 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.

For portfolio fair value hedges, the prospective measurement of a hedge's effectiveness, which is performed at the time the contracts are drawn up for the hedged item and the hedging instrument, is 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.

Risk provision – Financial assets

The risk provision is calculated under IFRS 9 using the expected credit loss model. This model requires estimates to be made with respect to the question of the degree to which trends in economic and macroeconomic factors may have an impact on expected credit losses. This assessment is made on the basis of weighted probabilities.

The arrangements in IFRS 9 concerning risk provision are applied to financial assets at amortised cost and to debt instruments 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 income, 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. The risk provision model under IFRS 9 does not apply to financial assets at fair value through profit or loss or to debt instruments that are not subject to any credit risk.

Under IFRS 9, the risk provision is calculated using a three-level approach. In Level 1, impairments are determined upon initial recognition on the basis of 12-month credit losses. Expected credit losses are those that result from potential default events within the 12 months following the reporting date. If the credit risk (excluding collateral) has increased significantly as at the measurement date, the financial asset is transferred from Level 1 to Level 2, to the extent that a default event has not yet occurred. Owing to the possibility of default, the financial asset is measured in Level 2 over the residual term to maturity (lifetime view). If as time progresses, disruptions in performance occur, meaning that there is objective evidence of impaired creditworthiness, the financial asset is assigned to Level 3. In Level 3, impairment is generally measured on the basis of the lifetime view, analogous to Level 2, taking into account the certain occurrence of a default event. In Levels 1 and 2, interest income is calculated on the basis of the gross carrying amount of the financial asset, whereas in Level 3, it is calculated on the basis of the gross carrying amount less the risk provision. The effects of the coronavirus pandemic on risk provision are explained in the section on the coronavirus pandemic.

As a rule, contracts in customer lending business for which payments have been past due for 30 days or longer are considered to have a significantly increased credit risk and are assigned to Level 2. This assumption was refuted for only a small part of the overall portfolio, and despite being past due for more then 30 days, the contracts continue to be assigned to Level 1.

Significant credit deterioration

In lending business, a quantitative assessment is made as to whether a material credit deterioration has occurred since initial recognition using the change in the probability of default. Serving as the quantitative criterion for evaluating a credit deterioration is an actual reduction of the internal credit rating for the affected contract of the borrower, which is used for the internal evaluation of the default risk. Quantitative criteria also include past experience and credit ratings, as well as forward-looking macroeconomic factors. In general, the macroeconomic factors are used on the basis of qualitative considerations in risk management on professional considerations in order to ascertain point-in-time components. There is a demonstrated interdependence between the relevant forward-looking information and the relevant risk parameters in the sense of a true and fair view, which is considered within the calculation of the risk provision under IFRS 9. For further remarks, please see the section “Modelling of point-in-time components”.

In the area of construction loans, the portfolios are assigned to an internal rating class using a scoring procedure, with each rating class being associated with a probability of default. At the time of acquisition, assignment to a rating class is accomplished through application scoring. As time progresses, credit quality is reviewed for changes by means of behavioural scoring, and the portfolio is assigned to the relevant rating class. The assessment of whether a significant credit deterioration has occurred is made on the basis of the relative change in the probability of default. In addition, in the case of the determination of a significant credit deterioration, a qualitative criterion is also used, namely, the need for forbearance measures. For further remarks, please see the section “Concessions and renegotiations (forbearance measures)”.

In the area of securities, we look at the external issuer rating and other criteria, such as price changes (average price over the past six months is consistently 20% below the book price, average price over the past 12 months is at least 10% below the book price). Securities with an investment grade rating are assigned to Level 1. If the rating changes from investment grade to non-investment grade, they are always shifted to Level 2. If in addition to significantly increased credit risk, there is objective evidence that a security is impaired, or if the occurrence of a default event with the issuer is certain, the security is assigned to Level 3.

An assignment to Level 3 takes place if the impairment trigger and the supervisory definition in Article 178 CRR is met. As a rule, the following criteria are used for this purpose:

- the Group considers the obligor unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising the security, and/or
- the receivable is past due by more than 90 days.

If a financial asset is impaired, its gross carrying amount is written down by the amount that is expected to be uncollectable. The asset will be written off (in part). Normally, an asset is first written off when, following successful realisation of the collateral, the remaining claim is classified as uncollectable. As a rule, a release is made from the previously created risk provision to cover this loss.

The W&W Group does not have any material financial assets that were already at risk of default at the time of initial recognition.

Measurement of expected credit risk (expected credit loss)

In connection with the calculation of the expected credit loss or the expected credit risk, the Group uses a model based on parameters for the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). In calculating the expected credit risk, we essentially draw on existing (one-year) parameters that are used for calculating the minimum capital requirements for credit institutions in connection with the internal ratings-based approach, as adjusted to meet the concerns in IFRS 9 (e.g. horizon of several years in the sense of a consideration of residual term to maturity, including macroeconomic factors). In doing so, we use existing one-year models and approximate the maturity-dependent probability of default with the aid of a series of one-year PDs. The key attribute used to determine multi-year, conditional PD profiles is the 12-month or one-year default indicator.

In lending business, the probability of default is determined on the basis of an internal rating system. In this regard, each loan in the W&W Group is assigned a probability of default on the basis of a master scale. The assignment of the rating is based on the customer's specific behaviour, taking into account such factors as general customer behaviour (e.g. income from employment, marital status), external data (e.g. credit rating by Schufa) and payment behaviour.

In connection with establishing the parameters for determining the exposure at default, we model contractually agreed interest and principal payments and optional unscheduled principal payments for all products.

In determining the loss given default, we model multiyear parameters on the basis of features that vary over time. In addition to the aforementioned exposure at default, these features that vary over time consist of, for instance, collateral or loan-to-value ratios. Here as well, we model a point-in-time component in order to capture the macroeconomic effects on the loss ratio. In the case of in rem collateral, the price index for existing residential properties is relevant, whereas in the case of non-in rem collateral, the long-term 10-year yield for German government bonds is referenced. For further remarks, please see the section "Modelling of point-in-time components".

In the course of calculating a risk provision under IFRS 9, it is also necessary to discount cash flows. The pertinent effective interest rate is used for discounting purposes.

Modelling of point-in-time components (forward-looking information) The modelling of point-in-time components is intended to cover not only past and current information but also forecasts about future changes in the economy. Because these components are viewed over a horizon of several years, information about economic trends that are expected in the future has to be taken into consideration when measuring the risk of default associated with a credit agreement. By means of the considered macroeconomic factors, the forecasts extend into the future for at most three years.

Implementation of such a forward-looking correction corresponds to a modification of the probabilities of default. A forward-looking perspective requires the inclusion of forecasts about economic factors that are relevant for the default rate. In this regard, a determination is first made as to the impact that the relevant macroeconomic factors have on the default rate. The point-in-time correction of the probabilities of default is then based on the forecast of this default rate. Accordingly, a contract-specific settlement LGD with a point-in-time correction is also modelled.

In terms of macroeconomic factors, the change in the probability of default in customer lending business depends, in particular, on changes in the unemployment rate and nominal GDP growth. The probability of default, and thus the risk provision, tends to increase when the unemployment rate rises or nominal GDP growth falls. In terms of macroeconomic factors, the amount of the expected percentage loss in the event of default in customer lending business depends on trends in the price index for existing residential properties, as well as trends in the long-term 10-year yield for German government bonds. The expected percentage loss at the time of default, and thus the risk provision, tends to rise when the price index for residential properties falls or the long-term 10-year yield for German government bonds rises.

The model for calculating the risk provision requires estimates to be made with respect to the question of the degree to which trends in macroeconomic factors may have an impact on expected credit losses. In this regard, the derivation of the relevant macroeconomic factors under each scenario for the forecast for the IFRS 9 risk provision calculation was as a rule in line with internal company planning, as well as with the availability of the data bases for the forecasts.

In order to determine the sensitivity of the risk provision in accordance with IFRS 9, the following scenarios were considered in customer lending business as at 31 December 2021. In addition, in light of the coronavirus pandemic, macroeconomic factors were used that are more stable. This discretionary judgment is in line with the requirements of ESMA.

Forecast of the relevant macroeconomic factors in ...

	Base scenario	Alternative scenario – optimistic	Alternative scenario – pessimistic
Price index for existing residential properties[1]	204.2	219.2	189.2
Unemployment rate, in %[2]	3.2	2.5	4.5
Nominal GDP growth, in %[3]	5.6	10.7	1.5
Long-term 10-year interest rate for German government bonds, in %[4]	–0.4	1.0	–0.8

1 Base year = 2010, data base of the German Federal Statistical Office at the quarterly level, forecast as a general rule over three years
2 Data base of the OECD at the quarterly level, forecast over one year
3 Data base of the OECD at the quarterly level, forecast over one year
4 Data base of the OECD at the quarterly level, forecast over two years
The foregoing macroeconomic factors relate to Germany.

In the course of calculating an IFRS 9 risk provision for accounting purposes in customer lending business, the focus is exclusively on the base scenario. The modelled risk parameters in the base scenario already take into account various model scenarios (inter alia, default, no default, recovery and settlement) within the meaning of IFRS 9. Furthermore, the model database that is used already contains various economic cycles. In addition, for the so-called point-in-time correction, macroeconomic factors are used that result, inter alia, from the weighting of various future economic trends.

A scenario-weighted derivation of the risk provision that also takes into account alternative macroeconomic scenarios and the probability of default under each scenario would not result in any substantive effects on the IFRS 9 risk provision accounted for.

In connection with the derivation of risk parameters in the area of capital investments, we make use of information provided by rating agencies and by the capital market, particularly in the case of the derivation of multiyear default parameters, taking into account internal valuation interest rate curves and empirically observed (multiyear) default rates for bonds that are published on a regular basis by the rating agencies. We also use information provided by rating agencies when modelling multiyear parameters relating to the loss given default (LGD). The probabilities of default take into account forward-looking macroeconomic information in the form of a correction factor on the basis of market-implicit probabilities of default. This is because the macroeconomic factors listed above are implicitly included in the risk provision calculation through the expectations of market participants. This correction factor describes the relationship between the current and long-term credit-spread-based expectations of investors on the capital market concerning credit ratings. If this relationship is greater than 1 (less than 1) in the pessimistic (optimistic) scenario, the capital market assumes a higher (lower) probability of default for an issuer, which, in accordance with the correction factor, then has an effect on the calculation of the risk provision.

In the W&W Group as a whole as at 31 December 2021, the risk provision in accordance with IFRS 9 would, in the pessimistic scenario, increase by €71.8 million for customer lending business and in the area of capital investments and, in the optimistic scenario, fall by €15.4 million for both areas.

Concessions and renegotiations (forbearance measures)

In justified exceptional cases, we enter into reorganisation/restructuring agreements with customers. These agreements generally call for a temporary or permanent reduction in the amount of loan repayment instalments in exchange for an extension of the total term of the loan, which ultimately is intended to lead to complete repayment. In addition, they include modification of interest terms to conform to the new repayment terms and normally call for deferment of existing interest claims.

Such concessions may be granted to the borrower on account of existing or expected financial difficulties, and they normally contain terms that are more advantageous to the borrower as compared with the original contract. In order to be able to identify these commitments early on, all loan commitments in the W&W Group are regularly reviewed for whether there is evidence that the borrower is experiencing financial difficulties. In particular, arrears that trigger collection warnings constitute objective evidence that the borrower is experiencing financial difficulties.

In advance of such restructuring, reorganisation and deferment measures, the customer's creditworthiness is once again verified on the basis of current economic circumstances. Measures taken in the past always form part of the decision-making process.

Forbearance measures essentially also have an impact on the level assignment in accordance with IFRS 9. In the spirit of a forward-looking concept for risk provision under IFRS 9, we augment the quantitative criteria for a change of level with a qualitative transfer criterion with respect to the forbearance measures that have been taken. This ensures that, as a rule, all forbearance measures trigger a change of level under IFRS 9 from Level 1 to Level 2. For further remarks, please see the section "Exercise of discretionary judgment in the application of IFRS 9 'Financial instruments'".

Loan commitments for which the evaluation of creditworthiness, taking into account an annuity reduction, is positive and that were not previously in default are converted directly to the new repayment terms. The effects from the undertaken modifications were not material in the W&W Group in the current financial year (unsubstantial modifications).

However, despite careful review of creditworthiness and the targeted measures taken, it cannot be ruled out that repayment problems will arise in the future. Should that occur, the customer's creditworthiness is once again critically reviewed on the basis of its current economic circumstances.

If the assessment of creditworthiness is negative, or if the loan is in default, it is first decided whether it appears reasonable under the given circumstances to restructure the existing loan or refinance the debt through a new loan. In all other cases, the settlement process is initiated for loans in default.

The loan claim is derecognised if no further payments are expected from liquidation of existing collateral or from the debtor.

The current developments in the 2021 financial year with respect to the coronavirus pandemic can be found in the section of the same name.

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 267 basis points (previous year: 285 basis points) for, for example, residential properties in top locations to 639 basis points (previous year: 705 basis points) for, for example, retail locations and sites without any discernible advantages/strengths. This resulted in an adjusted capitalisation interest rate of between 2.49% (previous year: 2.30%) and 6.21% (previous year: 6.50%), although the range may vary in some cases due to special aspects of the property or location.
- An inflation rate of 1.50% (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 was the basis used to make a property-specific, contractually conforming forecast of rent trends independent of location, site, building age and type of use. For residential properties, the basis used 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% to 2.% 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". Income for property for own use related to the pro rata temporis release of disposal gains in connection with sale-leaseback transactions is recognised as other operating income.

Inventories

Inventories are recognised at acquisition or production cost or at net realisable value, whichever is lower.

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 being 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. The classification is made at the start of the lease and is reevaluated only if the lease is amended.

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 recognised in the item “Other current net income/expense”, generally 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

In general
Technical provisions are recognised on the liabilities side in gross amounts, i.e. before deduction of the reinsurers' portion of technical provisions. The reinsurance portion is determined in accordance with contractual reinsurance agreements and recognised separately on the assets side. For further remarks about the reinsurers' share of technical provisions, please see Note 9.

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 1.5% (previous year: 1.7%), 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: 1.73%) 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: 1.73%) was used for the insurance policies of Württembergische Lebensversicherung AG, and a measurement interest rate of 2.11% (previous year: 2.17%) 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. These were updated in the financial year for a sub-portfolio, which resulted in a slightly higher addition in the low eight-figure range. 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 2021 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 3/20) and DAV 2004 R-B20 (at the rate of 17/20), 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.

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 2.11% (previous year: 2.14%). 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

In the W&W Group, only genuine repurchase agreements (repos) are entered into. Genuine 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 income/expense

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 and
- Net income/expense 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.
- Impairments/reversals of impairment losses taken on investment property taken on 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 paid reinsurance premiums from gross premiums written and from the change in the provision for unearned premiums.

Insurance benefits (net)

Recognised under "Insurance benefits (gross)" are payments for insurance claims as well as changes in the provision for outstanding insurance claims, the provision for future policy benefits, the provision for future policy benefits for unit-linked insurance contracts and other technical provisions. Also recognised under "Insurance benefits" are additions to the provision for premium refunds required by the German Commercial Code (HGB) and direct credits. Claim adjustment expenses are recognised under "General administrative expenses".

Changes in the provision for deferred premium refunds that are attributable to changes based on 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/expense

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 home loan savings business, banking 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).

Utilisation of discretionary judgements and estimates

Exercise of discretionary judgment 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. If they are, the sale 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, and these adjustments continue to be necessary. 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 judgment 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 from collective business and to deposits in home loans savings business due to the special features of home loan savings products and the variety of rate constructions. 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 of 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	Foreign	Total
Subsidiaries			
Included as at 31 December 2021	20	3	23
Included as at 31 December 2020	22	3	25
Structured entities (public and special funds)			
Included as at 31 December 2021	21	14	35
Included as at 31 December 2020	17	5	22
Associated companies accounted for using the equity method			
Included as at 31 December 2021	2	–	2
Included as at 31 December 2020	2	–	2

The individual companies are presented in the “List of ownership interests”.

Changes to the scope of consolidation

Additions to the scope of consolidation

The funds LBBW AM WWAG Corporate Bond Fonds, Stuttgart, and LBBW AM-US Municipals 2, Stuttgart, which were previously not consolidated, were consolidated for the first time as at 1 January 2021. Similarly, the funds The W&W Global Income Fund ICAV – The W&W Infrastructure Fund, Dublin, and The W&W Global Income Fund ICAV – The W&W AG Alternative Investment Fund, Dublin, which were previously not consolidated, were consolidated for the first time as at 1 January 2021.

In addition, LBBW AM-Wüstenrot Aktienfonds, Stuttgart, was set up by Wüstenrot Bausparkasse AG, Ludwigsburg, in the first half of 2021 and included in the scope of consolidation.

Seven funds – WL Alternative Investment Fund I, WV Alternative Investment Fund I, WV Alternative Investment Fund II, WK Alternative Investment Fund I, WK Alternative Investment Fund II, ARP Alternative Investment Fund I and ARP Alternative Investment Fund II, all based in Dublin – were launched in the second half of 2021 and included in the scope of consolidation.

In addition, LBBW AM-Wüstenrot Aktienfonds, Stuttgart, was set up by Wüstenrot Bausparkasse AG, Ludwigsburg, in the fourth quarter and included in the scope of consolidation.

Disposals from the scope of consolidation

Wohnimmobilien GmbH & Co. KG der Württembergischen, Stuttgart, and City Immobilien II GmbH & Co. KG der Württembergischen, Stuttgart, were eliminated from the scope of consolidation as at 1 January 2021 due to their merger into Württembergische Lebensversicherung AG, Stuttgart.

The changes to the scope of consolidation had no material effect on the comparability of the 2021 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).

As a credit institution, the subsidiary Wüstenrot Bausparkasse AG must comply with extensive regulatory requirements. For example, the minimum liquidity standard (Liquidity Coverage Ratio, LCR) is intended to promote the short-term resilience of a credit institution's liquidity risk profile over a 30-day horizon in a stress scenario. The LCR is the ratio of the volume of High-Quality Liquid Assets (HQLA) that could be used to raise liquidity over a period of 30 days to the total volume of net stressed outflows in the same period arising from both actual and contingent exposures. As at 31 December 2021, the LCR was 207.41% (previous year: 229.03%) for the subsidiary Wüstenrot Bausparkasse AG. The company has been obligated since the fourth quarter of 2015 to maintain its LCR, pursuant to further specifications.

The Group is subject to the following restrictions with respect to the use to which assets may be put:

- Assets used in collateralised financing, e.g. repurchase agreements, securities lending transactions and other forms of collateralised lending.
- Assets used in collateral or margin agreements, e.g. to hedge derivative transactions.
- Assets used in the cover pool for German covered bonds.
- The assets of consolidated investment funds are subject to a variety of restrictions with respect to transferability.
- 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 2021, the carrying amounts, the investment strategy, the maximum loss risk and the scope vis-à-vis unconsolidated investment funds were as follows:

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.

2020

	Equity funds	Pension funds	Real estate funds	Other funds	Funds of unit-linked life insurance policies[3]	Total
in € thousands	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Recognised assets (fund units held)						
Financial assets at fair value through profit or loss	160,872	882,167	2,043	347,814	2,079,699	3,472,595
Total	**160,872**	**882,167**	**2,043**	**347,814**	**2,079,699**	**3,472,595**
Maximum loss risk[1]	160,872	882,167	2,043	347,814	2,079,699	3,472,595
Total scope of fund assets as at the reporting date[2]	122,487,696	3,879,509	18,549,050	44,707,126	12,727,063	202,350,444

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 €2,550.2 million (previous year: €1,750.4 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

In conformity with IFRS 8 "Operating Segments", segment information is generated on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance (so-called "management approach"). In the W&W Group, the chief operating decision maker is the Management Board.

The reportable segments are identified on the basis of both products and services and according to regulatory requirements. In this context, some business segments are combined within the Life and Health Insurance segment. The following section lists the products and services through which revenue is generated by the reportable segments. There is no dependence on individual major accounts.

Housing

The reportable segment Housing consists of one business segment and includes home loan savings and banking products primarily for retail customers in Germany, e.g. home loan savings contracts, bridging loans and mortgage loans.

Life and Health Insurance

The reportable segment Life and Health Insurance consists of various business segments, all of which have similar economic characteristics and are comparable in terms of the aggregation criteria in IFRS 8. The group of persons, the sales channels, regulations, the underlying actuarial mathematics and the product type have comparable characteristics under IFRS 8.

The reportable segment Life and Health Insurance offers a variety of life and health insurance products for individuals and groups, including classic and unit-linked life and annuity insurance, term insurance, classic and unit-linked "Riester" and basic pensions, and occupational disability insurance, as well as full and supplementary private health insurance and nursing care insurance.

Property/Casualty Insurance

The reportable segment Property/Casualty Insurance offers a comprehensive range of insurance products for customers in the retail and corporate area, including general liability, casualty, motor, household, residential building, legal expenses, transport and technical insurance.

All other segments

All other business activities of the W&W Group, such as central Group functions, asset management activities and property development, as well as in the previous year the marketing of home loan savings and banking products outside of Germany, are subsumed under "All other segments", since they are not directly related to the other reportable segments. It also includes interests in subsidiaries of W&W AG that are not consolidated in “All other segments” because they are allocated to another segment.

Consolidation/reconciliation

The column "Consolidation/reconciliation" includes consolidation adjustments required to reconcile segment figures to Group figures.

As in previous years, the performance of each segment was measured based on the segment earnings under IFRS. Transactions between the segments were carried out on an arm's length basis.

Measurement principles

The measurement principles for segment reporting correspond to the accounting policies applied to the IFRS consolidated financial statements, with the following exceptions. In conformity with internal Group reporting and control, we do not apply IFRS 16 to leases within the Group. The 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 and not reclassified to the consolidated income statement.

Segment income statement

in € thousands	Housing 1/1/2021 to 31/12/2021	Housing 1/1/2020 to 31/12/2020	Life and Health Insurance 1/1/2021 to 31/12/2021	Life and Health Insurance 1/1/2020 to 31/12/2020
Current net income	234,383	273,872	815,749	724,669
Net income/expense from risk provision	3,999	–44,248	178	–11,141
Net measurement gain/loss	73,858	21,007	358,383	–46,830
Net income from disposals	75,258	102,393	767,016	700,388
Net financial income	**387,498**	**353,024**	**1,941,326**	**1,367,086**
thereof net income/expense from financial assets accounted for using the equity method	–	–	3,217	–3,449
Earned premiums (net)	–	–	2,615,074	2,491,775
Insurance benefits (net)	–	–	–4,056,481	–3,410,309
Net commission income/expense	5,844	–11,185	–169,781	–147,631
General administrative expenses[2]	–333,448	–316,262	–250,270	–254,462
Net other operating income/expense	16,436	33,719	–13,200	–18,950
Segment net income from continued operations before income taxes	**76,330**	**59,296**	**66,668**	**27,509**
Income taxes	–24,232	–14,350	–26,273	–4,910
Segment net income after taxes	**52,098**	**44,946**	**40,395**	**22,599**
Other disclosures				
Total revenue[3]	842,099	912,527	3,492,692	3,299,083
thereof with other segments	27,524	25,939	18,458	17,892
thereof with external customers	814,575	886,588	3,474,234	3,281,191
Interest income	596,454	690,164	559,935	566,433
Interest expenses	–362,073	–416,296	–41,846	–40,444
Scheduled depreciation	–12,297	–11,661	–44,840	–45,780
Impairment losses[4]	–	–	–4,133	–966
Reversals of impairment losses[4]	–	–	354	1,028
Material non-cash items	–85,529	11,354	989,611	1,083,554
Segment assets[5]	30,179,551	30,496,057	38,536,559	40,208,202
Segment liabilities[5]	28,351,538	28,511,221	37,798,665	39,197,328
Financial assets accounted for using the equity method[5]	–	–	40,122	39,617

1 The column "Consolidation/reconciliation" includes the effects of consolidation between segments as well as the reconciliation of the internal segment measurements with the consolidated measurement.
2 Includes rental and other service income with other segments.
3 Interest, dividend, commission, and rental income, as well as income from property development business and gross premiums written.
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 2021 and 31 December 2020, respectively.

Property/Casualty Insurance		Total for reportable segments		All other segments		Consolidation/reconciliation[1]		Group	
1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
69,305	66,560	1,119,437	1,065,101	64,180	31,479	−30,332	−30	1,153,285	1,096,550
509	468	4,686	−54,921	−3,130	271	−162	−28	1,394	−54,678
64,372	−21,224	496,613	−47,047	37,482	−536	−29,007	−7,663	505,088	−55,246
4,667	19,572	846,941	822,353	2,456	3,559	−5	–	849,392	825,912
138,853	**65,376**	**2,467,677**	**1,785,486**	**100,988**	**34,773**	**−59,506**	**−7,721**	**2,509,159**	**1,812,538**
7,923	2,478	11,140	−971	1,024	816	−4,705	−5,927	7,459	−6,082
1,731,766	1,641,765	4,346,840	4,133,540	306,614	296,261	−15,042	−14,657	4,638,412	4,415,144
−927,965	−880,661	−4,984,446	−4,290,970	−182,097	−181,715	16,841	17,242	−5,149,702	−4,455,443
−288,380	−260,712	−452,317	−419,528	−72,429	−68,300	−10,151	−9,377	−534,897	−497,205
−379,686	−371,019	−963,404	−941,743	−79,453	−78,345	6,193	6,091	−1,036,664	−1,013,997
11,176	15,663	14,412	30,432	26,119	16,008	13,820	−604	54,351	45,836
285,764	**210,412**	**428,762**	**297,217**	**99,742**	**18,682**	**−47,845**	**−9,026**	**480,659**	**306,873**
−78,727	−68,389	−129,232	−87,649	993	−7,865	−267	−608	−128,506	−96,122
207,037	**142,023**	**299,530**	**209,568**	**100,735**	**10,817**	**−48,112**	**−9,634**	**352,153**	**210,751**
2,455,638	2,290,933	6,790,429	6,502,543	741,807	568,602	−753,126	−658,424	6,779,110	6,412,721
166,446	158,978	212,428	202,809	550,251	455,615	−762,679	−658,424	–	–
2,289,192	2,131,955	6,578,001	6,299,734	191,556	112,987	9,553	–	6,779,110	6,412,721
48,895	49,887	1,205,284	1,306,484	34,755	57,279	−18,248	−29,322	1,221,791	1,334,441
−29,708	−9,840	−433,627	−466,580	−24,155	−33,678	27,225	28,258	−430,557	−472,000
−9,060	−9,509	−66,197	−66,950	−52,055	−53,032	1,480	1,424	−116,772	−118,558
–	–	−4,133	−966	−2,183	–	–	–	−6,316	−966
–	–	354	1,028	–	–	–	–	354	1,028
302,278	157,240	1,206,360	1,252,148	188,909	−11,213	−272,357	−11,622	1,122,912	1,229,313
5,345,205	4,907,492	74,061,315	75,611,751	6,358,807	5,784,320	−5,207,196	−4,908,429	75,212,926	76,487,642
3,623,536	3,390,641	69,773,739	71,099,190	2,582,597	2,086,415	−2,016,984	−1,783,114	70,339,352	71,402,491
59,926	54,716	100,048	94,333	10,393	9,475	−19,803	−15,098	90,638	88,710

Information by region (Group)

	Revenue from external customers[1]		Non-current assets[2]	
in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020	31/12/2021	31/12/2020
Germany	6,777,878	6,386,686	2,534,848	2,465,978
Czech Republic	–	25,125	–	–
Other countries	1,232	910	681	787
Total	**6,779,110**	**6,412,721**	**2,535,529**	**2,466,765**

1 Revenue was allocated in accordance with the country in which the operational units are based. This involves interest, dividend, commission, and rental income, as well as income from property development business and gross premiums written.
2 Non-current assets include investment property, intangible assets and property, plant and equipment.

Notes concerning the consolidated balance sheet

(1) Cash reserves

in € thousands	31/12/2021	31/12/2020
Cash on hand	67	64
Deposits with central banks	71,665	74,779
Deposits with foreign postal giro offices	404	277
Cash reserves	**72,136**	**75,120**

The fair value of cash reserves corresponds to the carrying amount.

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

in € thousands	31/12/2021	31/12/2020
Other assets	8,258	–
Non-current assets held for sale and discontinued operations	**8,258**	**–**

The other assets held for sale as at 31 December 2021 have to do with properties in own use in the Property/Casualty Insurance and Housing segments. The sale of the property in the Property/Casualty Insurance segment was made for reasons of diversification, with closing scheduled to take place in 2022.

The property in the Housing segment was used as a headquarters building by the former Aachener Bausparkasse AG until it was merged into Wüstenrot Bausparkasse AG. The sale was made for strategic reasons. Beneficial transfer of ownership took place on 1 January 2022.

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

in € thousands	31/12/2021	31/12/2020
Participations other than in alternative investments	235,839	217,009
Participations in alternative investments	2,550,173	1,750,431
Equities	793,190	609,067
Investment funds units	1,420,652	1,392,896
Fixed-income financial instruments that do not pass the SPPI test	2,809,535	2,406,974
Derivative financial instruments	86,710	268,078
Senior fixed-income securities	66,935	76,162
Capital investments for the account and risk of life insurance policyholders	2,758,654	2,079,699
Financial assets at fair value through profit or loss	**10,721,688**	**8,800,316**

Capital investments for the account and risk of life insurance policyholders predominantly include fund units as well as, to a minor extent, derivatives attributable to them, such as index options.

(4) Financial assets at fair value through other comprehensive income

in € thousands	31/12/2021	31/12/2020
Subordinated securities and receivables	776,031	801,514
Senior debenture bonds and registered bonds	8,933,114	12,315,455
Senior fixed-income securities	24,783,373	25,745,799
Financial assets at fair value through other comprehensive income	**34,492,518**	**38,862,768**

Risk provision by class for debt instruments required to be measured at fair value through other comprehensive income

in € thousands	31/12/2021	31/12/2020
Subordinated securities and receivables	–1,260	–1,090
Senior debenture bonds and registered bonds	–3,951	–6,051
Senior fixed-income securities	–31,769	–30,631
Risk provision	**–36,980**	**–37,772**

(5) Financial assets at amortised cost

To enable a better understanding of the information, the following table provides a detailed breakdown of the carrying amounts of assets at amortised cost by risk provision:

in € thousands	31/12/2021	31/12/2020
Subordinated securities and receivables	**180,764**	**165,834**
Credit institutions	94,084	94,458
Other financial companies	46,421	30,468
Other companies	40,259	40,908
Senior debenture bonds and registered bonds	**42,429**	**34,808**
Senior fixed-income securities	**9**	**–**
Construction loans	**23,819,744**	**22,830,677**
Loans under home loan savings contracts	1,418,079	1,537,337
Preliminary and interim financing loans	15,166,033	14,010,854
Other construction loans	7,235,632	7,282,486
Other receivables	**2,098,555**	**2,074,187**
Other loans and advances[1]	1,778,888	1,767,604
Miscellaneous receivables[2]	319,667	306,583
Asset-side portfolio hedge adjustment	**29,627**	**68,467**
Financial assets at amortised cost	**26,171,128**	**25,173,973**

1 Receivables that constitute a class pursuant to IFRS 7.
2 Receivables that constitute a class pursuant to IFRS 7 but are not covered by the scope of IFRS 7 and essentially contain receivables from insurance business with disclosure requirements pursuant to IFRS 4.

Not including the risk provision, the loans and advances to credit institutions included under "Other loans and advances" amounted to €1,315.2 million (previous year: €1,458.2 million), of which €960.4 million (previous year: €1,295.7 million) were due on demand and €354.8 million (previous year: €162.5 million) were not due on demand.

The asset-side item "Portfolio hedge adjustment" involves a measurement item from the interest-rate-based measurement of financial assets at amortised cost designated in connection with the portfolio fair value hedge. Recognised in this regard is the change in the hedged item as relates to the hedged risk.

Risk provision by class for financial assets at amortised cost

in € thousands	31/12/2021	31/12/2020
Subordinated securities and receivables	-189	-217
Senior debenture bonds and registered bonds	-50	-43
Construction loans	-87,767	-102,428
Other loans and advances	-43,739	-40,489
Miscellaneous receivables	-10,329	-9,994
Risk provision	**-142,074**	**-153,171**

(6) Positive market values from hedges

in € thousands	31/12/2021	31/12/2020
Fair value hedges	**6,099**	**16,071**
Hedging of interest rate risk	6,099	16,071
Positive market values from hedges	**6,099**	**16,071**

(7) Financial assets accounted for using the equity method

in € thousands	2021	2020
Carrying amount as at 1 January	**88,710**	**100,100**
Additions	–	93
Dividend payments	-5,425	-5,425
Pro rata share of net income/expense	7,459	-6,082
Changes recognised directly in equity	-106	24
Carrying amount as at 31 December	**90,638**	**88,710**

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 Unternehmensbeteiligungs-gesellschaft	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 Unternehmensbeteiligungs-gesellschaft		V-Bank AG		Total	
in € thousands	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Share of capital, in %	35.00	35.00	15.00	15.00		
Assets	239,422	236,399	3,054,909	2,284,133	3,294,331	2,520,532
Liabilities	10,151	10,014	2,994,221	2,229,570	3,004,372	2,239,584
Net assets (100%)	**229,271**	**226,385**	**60,689**	**54,563**	**289,960**	**280,948**
Group share of net assets	**80,245**	**79,235**	**9,103**	**8,185**	**89,348**	**87,420**
Reconciliation	–	–	1,290	1,290	1,290	1,290
Carrying amount of financial assets accounted for using the equity method	**80,245**	**79,235**	**10,393**	**9,475**	**90,638**	**88,710**

	BWK GmbH Unternehmensbeteiligungs-gesellschaft		V-Bank AG		Total	
in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Income	23,680	8,370	42,262	34,080	65,942	42,450
Net income for the year (100%)	**18,386**	**−19,709**	**6,824**	**5,441**	**25,209**	**−14,268**
Other comprehensive income (100%)	–	–	−699	160	−699	160
Total net income/expense (100%)	**18,386**	**−19,709**	**6,125**	**5,601**	**24,511**	**−14,108**
Group share of net income/expense for the year	**6,435**	**−6,898**	**1,024**	**816**	**7,459**	**−6,082**
Group share of other comprehensive income	**–**	**–**	**−106**	**24**	**−106**	**24**
Group share of total net income/expense	**6,435**	**−6,898**	**918**	**840**	**7,353**	**−6,058**
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 €2,593.9 million (previous year: €2,425.1 million1).[1] 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 2021, there were contractual obligations to purchase and construct investment properties amounting to €96.0 million (previous year: €62.9 million). There were no material contractual obligations to develop investment property or for repairs, maintenance or improvements.

in € thousands	2021	2020
Gross carrying amounts as at 1 January	**2,348,411**	**2,306,132[1]**
Additions	83,190	113,878
Disposals	-285	-72,370
Reclassifications	–	771
As at 31 December	**2,431,316**	**2,348,411[1]**
Cumulative depreciation and impairments as at 1 January	**-474,850**	**-450,908[1]**
Additions: depreciation (scheduled)	-43,468	-41,079
Additions: impairments	-4,133	-965
Disposals	174	18,593
Reversals of impairment losses	354	1,028
Reclassifications	–	-1,519
As at 31 December	**-521,923**	**-474,850[1]**
Net carrying amounts as at 1 January	**1,873,561**	**1,855,224**
Net carrying amounts as at 31 December	**1,909,393**	**1,873,561**

1 Prior-year figure adjusted.

Additions included capitalised production costs of €27.4 million (previous year: €17.2 million).

Impairment expenses of €4.1 million (previous year: €1.0 million) relate to various residential and commercial properties whose net realisable value is lower than the carrying amount. One of the main reasons for this are ancillary acquisition costs.

(9) Reinsurers' portion of technical provisions

in € thousands	31/12/2021	31/12/2020
Provision for unearned premiums	–	10,357
Provision for future policy benefits	–	82,623
Provision for outstanding insurance claims	431,554	188,970
Other technical provisions	-15,106	-3,903
Reinsurers' portion of technical provisions	**416,448**	**278,047**

1 Prior-year figure adjusted.

As part of the restructuring of the reinsurance programme of Württembergische Lebensversicherung AG, the company's current reinsurance contracts were terminated in mid-July 2021, economically retroactive to 31 December 2019, and new quota share reinsurance contracts were concluded with economic effect as at 1 January 2020. Subsequently, the terminated reinsurance contracts were conclusively billed and settled in the financial year, and the new quota share insurance contracts were recognised. The impact on consolidated net income is immaterial.

Further remarks can be found at the corresponding liability items in Note 19.

(10) Intangible assets

in € thousands	31/12/2021	31/12/2020	Remaining amortisation period (years)
Software	99,149	85,745	1 – 5
Brand names	9,649	11,257	6
Other acquired intangible assets	5,600	7,762	1 – 7
Intangible assets	**114,398**	**104,764**	**–**

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**

Changes to intangible assets in 2020

in € thousands	Externally procured software	Internally developed software	Brand names	Other acquired intangible assets	Total
Gross carrying amounts as at 1 January	**372,658**	**6,048**	**32,162**	**17,025**	**427,893[1]**
Additions	22,717	855	–	1	23,573
Disposals	-62,112	-5,095	–	-601	-67,808
Reclassifications	-1,131	–	–	–	-1,131
Changes in the scope of consolidation	208	283	–	8,883	9,374
As at 31 December	**332,340**	**2,091**	**32,162**	**25,308**	**391,901[1]**
Cumulative amortisation and impairments as at 1 January	**-286,380**	**-5,365**	**-19,297**	**-16,912**	**-327,954[1]**
Additions: amortisation (scheduled)	-25,025	-254	-1,608	-1,229	-28,116
Disposals	62,112	5,095	–	595	67,802
Reclassifications	1,131	–	–	–	1,131
As at 31 December	**-248,162**	**-524**	**-20,905**	**-17,546**	**-287,137[1]**
Net carrying amounts as at 1 January	**86,278**	**683**	**12,865**	**113**	**99,939**
Net carrying amounts as at 31 December	**84,178**	**1,567**	**11,257**	**7,762**	**104,764**

1 Prior-year figure adjusted.

Wüstenrot Holding AG and W&W AG are parties to a brand name transfer and use agreement. As at 31 December 2021, the carrying amount of the resulting intangible asset amounted to €9.6 million (previous year: €11.3 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 six years. As at 31 December 2021, the capitalised brand name was offset by a financial liability to Wüstenrot Holding AG in the amount of €10.9 million (previous year: €13.1 million).

Total expenditures for research and development that were recognised in the income statement for the 2021 financial year amounted to €50.6 million (previous year: €72.3 million).

There were obligations to purchase intangible assets in the amount of €4.6 million (previous year: €6.5 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 in the amount of €64.0 million (previous year: €175.1 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 under construction in the amount of €74.7 million (previous year: €106.5 million).

Property, plant and equipment

	Property for own use		Plant and equipment		Total	
in € thousands	2021	2020	2021	2020	2021	2020
Gross carrying amounts as at 1 January	**708,967**	**586,761**[1]	**148,990**	**145,770**	**857,957**	**732,531**[1]
Additions	77,269	116,083	11,950	14,565	89,219	130,648
Disposals	–7,038	–537	–18,487	–15,200	–25,525	–15,737
Reclassifications	–	–1,048	–	–29	–	–1,077
Classified as held for sale	–9,020	–	–	–	–9,020	–
Changes in the scope of consolidation	–	7,708	–	3,872	–	11,580
Changes from currency translation	–	–	–	12	–	12
As at 31 December	**770,178**	**708,967**[1]	**142,453**	**148,990**	**912,631**	**857,957**[1]
Cumulative depreciation and impairments as at 1 January	**–260,159**	**–231,227**[1]	**–109,358**	**–103,527**	**–369,517**	**–334,754**[1]
Additions: depreciation (scheduled)	–32,367	–30,568	–19,880	–18,734	–52,247	–49,302
Additions: impairments	–2,183	–	–	–	–2,183	–
Disposals	4,194	529	18,100	12,886	22,294	13,415
Reclassifications	–	1,107	–	29	–	1,136
Classified as held for sale	761	–	–	–	761	–
Changes in the scope of consolidation	–	–	–	–	–	–
Changes from currency translation	–	–	–	–12	–	–12
As at 31 December	**–289,754**	**–260,159**[1]	**–111,138**	**–109,358**	**–400,892**	**–369,517**[1]
Net carrying amounts as at 1 January	**448,808**	**355,534**	**39,632**	**42,243**	**488,440**	**397,777**
Net carrying amounts as at 31 December	**480,424**	**448,808**	**31,315**	**39,632**	**511,739**	**488,440**

1 Prior-year figure adjusted.

(12) Inventories

Inventories in the amount of €160.9 million (previous year: €177.1 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 €7.8 million (previous year: €11.7 million). Also recognised under “Inventories” were raw materials and consumables in the amount of €0.2 million (previous year: €0.2 million).

An impairment provision in the amount of €0.1 million (previous year: €0.1 million). Expenses for the utilisation of inventories during the reporting period amounted to €41.5 million (previous year: €51.8 million). Inventories in the amount of €6.6 million (previous year: €1.1 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 €31.1 million (previous year: €32.3 million) within 12 months.

(14) Deferred tax assets

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

in € thousands	31/12/2021	31/12/2020
Financial assets/liabilities at fair value through profit or loss	51,574	49,511
Financial assets at fair value through other comprehensive income	3,200	–
Financial assets at amortised cost	131,793	51,953
Positive/negative market values from hedges	2,070	16
Liabilities	78,137	187,356
Technical provisions	157,328	148,732
Provisions for pensions and similar obligations	303,029	377,734
Other balance sheet items	236,719	153,913
Tax loss carryforward	1,805	14,429
Deferred tax assets before netting effects	**965,655**	**983,644**
Netting effects	–556,197	–528,971
Deferred tax assets after netting effects	**409,458**	**454,673**

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 in the amount of €291.8 million (previous year: €360.2 million) were recognised directly in the reserve for pension commitments.

Deferred tax assets in the amount of €252.5 million (previous year: €210.2 million) and deferred taxes on tax loss carryforwards in the amount of €1.8 million (previous year: €14.4 million[2]) 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 in the amount of €32.3 million (previous year: €31.9 million) were not recognised, as they are not expected to be realised in the medium term.

[2]Prior-year figure adjusted.

(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 in the amount of €218.2 million (previous year: €44.2 million). Of this €117.8 million (previous year: €31.5 million) was attributable to interest-rate-related transactions, €83.5 million (previous year: €1.2 million) to currency-related transactions and €16.9 million (previous year: €11.4 million) to equity/index translations.

(17) Liabilities

in € thousands	31/12/2021	31/12/2020
Liabilities evidenced by certificates	**1,866,084**	**1,412,976**
Liabilities to credit institutions	**2,145,894**	**2,193,839**
Liabilities to customers	**22,587,984**	**22,481,152**
Deposits from home loan savings business and savings deposits	19,444,979	19,502,655
Other liabilities	3,143,005	2,978,497
Lease liabilities	**66,663**	**83,215**
Miscellaneous liabilities	**1,327,310**	**1,322,509**
Other liabilities[1]	406,270	365,283
Sundry liabilities[2]	921,040	957,226
Liabilities from reinsurance business	42,305	120,334
Liabilities from direct insurance business	658,199	672,472
Other sundry liabilities	220,536	164,420
Liability-side portfolio hedge adjustment	**–30,144**	**331,833**
Liabilities	**27,963,791**	**27,825,524**

1 Liabilities that constitute a class pursuant to IFRS 7.
2 Liabilities that constitute a class pursuant to IFRS 7 but are not covered by the scope of IFRS 7 and essentially contain liabilities from insurance business with disclosure requirements pursuant to IFRS 4.

Other liabilities to credit institutions, which are included under “Liabilities to credit institutions”, amounted to €2,096.0 million (previous year: €2,143.4 million), of which €29.0 million (previous year: €12.7 million) were due on demand and €2,067.0 million (previous year: €2,130.7 million) were not due on demand. These liabilities not due on demand consisted of, inter alia, securities lending transactions, open market operations and margin commitments.

Of the other liabilities from liabilities to customers, €2,216.5 million (previous year: €2,184.4 million) are due on demand and €926.5 million (previous year: €794.1 million) have an agreed term.

Of the liabilities from direct insurance business within sundry liabilities, €600.8 million (previous year: €607.5 million) were attributable to policyholders and €57.4 million (previous year: €64.9 million) to insurance agents.

The liability-side item "Portfolio hedge adjustment" involves a measurement item from the interest-rate-based measurement of liabilities designated in connection with the portfolio fair value hedge. Recognised in this regard is the change in the hedged item as relates to the hedged risk.

The fair value of each liability can be obtained from the overview of the measurement hierarchy in Note 38. The carrying amount of sundry liabilities corresponds to fair value.

(18) Negative market values from hedges

in € thousands	31/12/2021	31/12/2020
Fair value hedges	**–**	**15,688**
Hedging of interest rate risk	–	15,688
Negative market values from hedges	**–**	**15,688**

(19) Technical provisions

		Gross
in € thousands	31/12/2021	31/12/2020
Provision for unearned premiums	235,323	240,636
Provision for future policy benefits	31,698,159	30,568,319
Provision for outstanding insurance claims	3,054,771	2,695,829
Provision for premium refunds	3,400,352	5,862,892
Other technical provisions	34,730	34,615
Technical provisions	**38,423,335**	**39,402,291**

Provision for unearned premiums

	Gross	Reinsurers' portion	Gross	Reinsurers' portion
in € thousands	2021	2021	2020	2020
As at 1 January	**240,636**	**10,357**	**241,497**	**13,861**
Additions	235,323	–	240,636	10,357
Withdrawals	−240,636	−10,357	−241,497	−13,861
As at 31 December	**235,323**	**–**	**240,636**	**10,357**

Provision for future policy benefits

	Gross	Reinsurers' portion	Gross	Reinsurers' portion
in € thousands	31/12/2021	31/12/2021	31/12/2020	31/12/2020
Life insurance	30,592,718	–	29,571,190	82,623
Health insurance	1,105,441	–	997,129	–
Provision for future policy benefits	**31,698,159**	**–**	**30,568,319**	**82,623**

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

in € thousands	Gross 2021	Reinsurers' portion 2021	Gross 2020	Reinsurers' portion 2020
Provision for future policy benefits	27,491,491	–	26,834,538	–
Provision for future policy benefits for unit-linked insurance contracts	2,079,699	–	2,238,019	–
Receivables not yet due from policyholders	−109,953	–	−112,569	–
As at 1 January	**29,461,237**	**82,623**	**28,959,988**	**86,637**
Additions from premiums[1]	1,891,221	–	1,799,753	–
Use and release[1]	−2,259,599	–	−2,290,972	–
Interest[1]	658,474	–	700,345	–
Other changes[1]	728,106	−82,623	292,123	−4,014
As at 31 December	**30,479,439**	**–**	**29,461,237**	**82,623**
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	–

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	2021	2020
As at 1 January	**997,129**	**887,170**
Share of association rates	−90,801	−80,818
As at 1 January, not including association rates	**906,328**	**806,352**
Premiums from the provision for premium refunds	12,127	9,869
Additions from premiums	67,313	65,210
Interest	20,183	18,326
Direct credits	820	6,571
As at 31 December, not including association rates	**1,006,771**	**906,328**
Share of association rates	98,670	90,801
As at 31 December	**1,105,441**	**997,129**

Provision for outstanding insurance claims

in € thousands	Gross 31/12/2021	Reinsurers' portion 31/12/2021	Gross 31/12/2020	Reinsurers' portion 31/12/2020
Life and health insurance	222,374	–	236,761	12,232
Property/casualty insurance and reinsurance	2,832,397	431,554	2,459,068	176,738
Provision for outstanding insurance claims	**3,054,771**	**431,554**	**2,695,829**	**188,970**

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	2021	2021	2020	2020
As at 1 January	**236,761**	**12,232**	**222,932**	**10,342**
Changes recognised in the income statement	–14,387	–12,232	13,829	1,890
As at 31 December	**222,374**	**–**	**236,761**	**12,232**

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	2021	2021	2020	2020
As at 1 January	**2,459,068**	**176,738**	**2,369,011**	**167,968**
Additions	987,373	288,660	642,249	36,959
Use	–443,619	–31,188	–500,271	–41,532
Release	–176,080	–2,832	–45,690	13,557
Changes from currency translation	5,655	176	–6,231	–214
As at 31 December	**2,832,397**	**431,554**	**2,459,068**	**176,738**

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	31/12/2012	31/12/2013	31/12/2014	31/12/2015
-	-	-	-	-
Provision for outstanding insurance claims (gross)	**2,115,807**	**2,298,051**	**2,307,159**	**2,320,346**
Less provision for claim adjustment costs	143,828	146,869	151,782	149,474
Provision for outstanding insurance claims (gross)	**1,971,979**	**2,151,182**	**2,155,377**	**2,170,872**
Payments, cumulative (gross)				
One year later	342,885	423,322	364,833	348,789
Two years later	466,803	587,072	505,919	480,556
Three years later	568,052	682,855	591,536	568,893
Four years later	636,356	744,049	656,358	623,787
Five years later	686,623	797,797	701,745	670,206
Six years later	733,089	837,437	739,746	707,958
Seven years later	768,435	870,043	772,113	–
Eight years later	797,174	898,052	–	–
Nine years later	822,125	–	–	–
Original provision, reestimated (gross)				
One year later	1,867,591	2,075,251	2,021,321	2,028,815
Two years later	1,801,134	1,970,230	1,927,813	1,899,667
Three years later	1,746,498	1,917,310	1,837,551	1,798,574
Four years later	1,715,199	1,845,499	1,753,505	1,678,098
Five years later	1,671,041	1,782,454	1,657,418	1,680,576
Six years later	1,620,406	1,698,995	1,670,709	1,638,708
Seven years later	1,546,986	1,720,722	1,635,284	–
Eight years later	1,569,716	1,686,951	–	–
Nine years later	1,539,687	–	–	–
Cumulative gross surplus (deficit), excluding currency rate effects	**432,292**	**464,231**	**520,093**	**532,164**
Cumulative gross surplus (deficit), including currency rate effects	**438,071**	**443,831**	**504,806**	**537,524**

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
-	-	-	-	-	-	-
	2,317,581	**2,345,648**	**2,338,514**	**2,369,011**	**2,459,068**	**2,832,397**
	152,178	159,303	154,968	161,650	160,234	170,486
	2,165,403	**2,186,345**	**2,183,546**	**2,207,361**	**2,298,834**	**2,661,911**
	344,452	381,744	394,733	427,287	381,532	–
	483,154	474,709	538,011	562,040	–	–
	553,855	562,341	607,736	–	–	–
	613,205	618,977	–	–	–	–
	659,250	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	2,017,472	2,035,807	2,028,907	2,145,862	2,117,878	–
	1,880,631	1,841,344	1,974,114	1,999,035	–	–
	1,741,332	1,811,824	1,863,314	–	–	–
	1,726,665	1,740,802	–	–	–	–
	1,679,194	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	486,209	**445,543**	**320,232**	**208,325**	**180,955**	**–**
	499,464	**442,562**	**317,421**	**213,338**	**175,354**	**–**

Net run-off triangle[1]

in € thousands	31/12/2012	31/12/2013	31/12/2014	31/12/2015
-	-	-	-	-
Provision for outstanding insurance claims (gross)	**2,115,807**	**2,298,051**	**2,307,159**	**2,320,346**
Reinsurers' share	213,375	316,616	237,472	218,041
Provision for outstanding insurance claims (net)	**1,902,432**	**1,981,435**	**2,069,687**	**2,102,305**
Less provision for claim adjustment costs	146,226	148,891	149,880	151,350
Provision for outstanding insurance claims (net)	**1,756,206**	**1,832,544**	**1,919,807**	**1,950,955**
Payments, cumulative (net)				
One year later	314,905	307,660	323,041	308,063
Two years later	427,222	438,212	440,783	427,759
Three years later	518,813	512,108	516,509	502,780
Four years later	576,288	564,949	572,962	560,603
Five years later	619,557	610,641	615,086	602,380
Six years later	658,478	643,259	648,445	637,863
Seven years later	685,626	671,223	678,544	–
Eight years later	710,197	696,965	–	–
Nine years later	732,847	–	–	–
Original provision, reestimated (net)				
One year later	1,652,034	1,734,546	1,793,132	1,817,162
Two years later	1,580,346	1,638,230	1,702,937	1,697,479
Three years later	1,532,754	1,588,680	1,618,970	1,598,995
Four years later	1,502,142	1,523,096	1,536,901	1,503,456
Five years later	1,463,334	1,462,090	1,459,426	1,494,349
Six years later	1,414,419	1,393,485	1,461,441	1,454,152
Seven years later	1,354,562	1,403,936	1,427,784	–
Eight years later	1,366,032	1,371,933	–	–
Nine years later	1,337,722	–	–	–
Cumulative net surplus (deficit), excluding currency rate effects	**418,484**	**460,611**	**492,023**	**496,803**
Cumulative net surplus (deficit), including currency rate effects	**428,037**	**446,558**	**478,587**	**504,586**
Net run-off ratios, in %				
Excluding currency rate effects	23.83	25.14	25.63	25.46
Including currency rate effects	24.37	24.37	24.93	25.86

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
-	-	-	-	-	-	-
	2,317,581	**2,345,648**	**2,338,514**	**2,369,011**	**2,459,068**	**2,832,397**
	199,237	211,467	199,102	167,968	176,738	431,554
	2,118,344	**2,134,181**	**2,139,412**	**2,201,043**	**2,282,330**	**2,400,843**
	153,953	160,848	153,402	160,751	159,402	169,667
	1,964,391	**1,973,333**	**1,986,010**	**2,040,292**	**2,122,928**	**2,231,176**
	314,233	334,172	349,320	387,458	350,433	–
	436,488	457,349	474,617	509,773	–	–
	512,766	532,383	546,242	–	–	–
	566,642	584,920	–	–	–	–
	609,797	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	1,826,697	1,829,213	1,842,017	1,964,860	1,940,943	–
	1,693,847	1,698,806	1,783,405	1,821,240	–	–
	1,586,644	1,661,015	1,683,549	–	–	–
	1,560,909	1,589,078	–	–	–	–
	1,512,459	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	451,932	**384,255**	**302,461**	**219,053**	**181,984**	**–**
	467,630	**384,378**	**297,459**	**221,797**	**176,551**	**–**
	23.01	19.47	15.23	10.74	8.57	–
	23.81	19.48	14.98	10.87	8.32	–

Provision for premium refunds

The provision for premium refunds changed as follows:

in € thousands	2021	2020
As at 1 January	**5,862,892**	**4,594,755**
Provision for premium refunds as at 1 January	**1,646,593**	**1,562,671**
Additions	339,399	345,281
Withdrawals with effect on liquidity	-161,484	-169,246
Withdrawals with no effect on liquidity	-91,939	-92,113
As at 31 December	**1,732,569**	**1,646,593**
Provision for deferred premium refunds as at 1 January	**4,216,299**	**3,032,084**
Changes recognised in the consolidated income statement	197,784	14,105
Changes recognised in other comprehensive income	-2,746,300	1,167,523
Changes recognised directly in equity	–	2,587
As at 31 December	**1,667,783**	**4,216,299**
As at 31 December	**3,400,352**	**5,862,892**

Other technical provisions

	Gross	Reinsurers' portion	Gross	Reinsurers' portion
in € thousands	2021	2021	2020	2020
As at 1 January	**34,615**	**-3,903**	**41,219**	**-2,744**
Additions	34,730	-15,106	34,615	-3,903
Use and release	-34,615	3,903	-41,219	2,744
As at 31 December	**34,730**	**-15,106**	**34,615**	**-3,903**

(20) Other provisions

in € thousands	31/12/2021	31/12/2020
Provisions for pensions	1,711,163	1,946,449
Provisions for other long-term employee benefits	35,269	39,486
Provisions for pensions and other long-term employee benefits	**1,746,432**	**1,985,935**
Miscellaneous provisions	970,335	1,145,748
Risk provision for issued loan commitments and financial guarantees	3,286	2,937
Other provisions	**2,720,053**	**3,134,620**

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	2021	2020	2021	2020	2021	2020
As at 1 January	**2,219,636**	**2,065,805**	**273,187**	**288,460**	**1,946,449**	**1,777,345**
Income and expenses recognised in the consolidated income statement	32,767	43,912	797	5,147	31,970	38,765
Current service cost	24,037	27,333	23	2,912	24,014	24,421
Gains/losses from plan settlements and curtail-ments	1	105	–	–	1	105
Interest expense/income	8,729	16,474	−262	–	8,991	16,474
Expected income from plan assets	–	–	1,036	2,235	−1,036	−2,235
Actuarial gains (−) or losses (+) recognised in “Other comprehensive income”	−205,242	157,750	11,163	−4,259	−216,405	162,009
Pension payments (utilisation)	−69,582	−66,991	−18,228	−18,263	−51,354	−48,728
Additions to the scope of consolidation	503	19,160	–	2,102	503	17,058
As at 31 December	**1,978,082**	**2,219,636**	**266,919**	**273,187**	**1,711,163**	**1,946,449**

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	31/12/2021	31/12/2020
Financial assets	**267,746**	**274,562**
Cash reserves	16,323	17,682
Equities	53,432	45,325
Investment funds units	33,283	32,305
Senior debenture bonds and registered bonds	50,211	50,280
Senior fixed-income securities	111,837	126,248
Derivative financial instruments	2,578	2,673
thereof market price quoted on an active market	1,879	1,858
Other loans and advances	82	49
Financial liabilities	**827**	**1,375**
Liabilities to credit institutions	6	6
Other liabilities	56	73
Derivative financial instruments	765	1,296
thereof market price quoted on an active market	765	1,296
Total	**266,919**	**273,187**

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 %	2021	2020
Actuarial interest rate	1.00	0.40
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

		31/12/2021		31/12/2020	
		Present value	Change	Present value	Change
		in € million	in %	in € million	in %
Discount rate	+50 bp	1,827.3	-7.4	2,038.6	-8.0
	-50 bp	2,141.1	8.5	2,418.3	9.1
Trend in pensions/inflation	+25 bp	2,026.6	2.7	2,278.5	2.8
	-25 bp	1,924.2	-2.5	2,156.0	-2.7
Trend in salaries/projected benefit obligation	+25 bp	1,980.9	0.3	2,224.5	0.4
	-25 bp	1,967.7	-0.3	2,207.2	-3.9
Life expectancy	By one more year	2,052.2	3.9	2,308.5	4.2

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 16.1 years (previous year: 15.7 years).

Provisions for other long-term employee benefits

In measuring other long-term employee benefits, actuarial interest rates were used that corresponded to the shorter terms to maturity of the commitments (e.g. for early retirement, 0.10% (previous year: −0.20%); contracts for phased-in early retirement ("Altersteilzeit"), 0.30% (previous year: −0.10%); long-term service benefits, 0.30% (previous year: – 0.10%)).

Miscellaneous provisions in 2021

	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
in € thousands						
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**

Miscellaneous provisions in 2020

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	**18,226**	**33,854**	**1,031,424**	**–**	**48,082**	**1,131,586**
Additions	12,546	1,225	85,533	–	25,162	124,466
Use	-11,849	-3,214	-179,161	–	-13,761	-207,985
Release	-6,024	-742	-10,796	–	-8,347	-25,909
Interest effect	26	1,577	35,815	–	36	37,454
Reclassification	–	100	-100	–	–	–
Changes from the scope of consolidation	–	300	75,500	223	10,113	86,136
As at 31 December	**12,925**	**33,100**	**1,038,215**	**223**	**61,285**	**1,145,748**

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:

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**

2020

in € thousands	Within 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
Miscellaneous provisions for restructuring	7,573	5,352	–	–	12,925
Miscellaneous provisions for the refunding of closing fees in the event of loan waivers	3,212	4,191	25,697	–	33,100
Miscellaneous provisions for interest bonus options	248,846	328,021	461,348	–	1,038,215
Other	36,475	14,303	5,489	5,241	61,508
Miscellaneous provisions	**296,106**	**351,867**	**492,534**	**5,241**	**1,145,748**

(21) Current tax liabilities

Current tax liabilities amounted to €185.4 million (previous year: €155.4 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	31/12/2021	31/12/2020
Financial assets/liabilities at fair value through profit or loss	138,094	153,444
Financial assets at fair value through other comprehensive income	177,012	462,598
Financial assets at amortised cost	56,299	37,940
Positive/negative market values from hedges	9,889	7,697
Financial assets accounted for using the equity method	1,651	1,659
Liabilities	88,672	64,080
Technical provisions	153,857	164,425
Other balance sheet items	78,124	84,695
Deferred tax assets before netting effects	**703,598**	**976,538**
Netting effects	-556,197	-528,971
Deferred tax assets after netting effects	**147,401**	**447,567**

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 in the amount of €160.8 million (previous year: €138.9 million) are expected to be realised within 12 months.

(23) Other liabilities

This item includes contract liabilities in the amount of €8.7 million (previous year: €7.1 million) and deferred income and accrued expenses in the amount of €1.7 million (previous year: €3.5 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	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Subordinated liabilities	638,991	341,052	665,109	388,277
Profit participation certificates	2,107	2,110	2,463	2,607
Subordinated capital	**641,098**	**343,162**	**667,572**	**390,884**

In September 2021, W&W AG issued subordinated bonds with a volume of €300.0 million. The purpose of the debt security is to raise Tier 2 capital. On the one hand, this serves to secure the further growth of the Group. On the other, it provides additional latitude with respect to regulatory measures enacted by the legislators (e.g. with regard to Solvency II). The term amounts to 20 years, provided that the subordinated bonds are redeemed on the envisaged final maturity date. Premature redemption is possible at the option of the issuer, but at the earliest after 10 years. The issue price stood at 99.103%. The subordinated bonds bear an interest rate of 2.125% for the first ten years.

Thereafter, they have a variable interest rate, which is based on the 3-month Euro Interbank Offered Rate, taking into account a premium of 3.25% per year.

(25) Equity

in € thousands	31/12/2021	31/12/2020
Interests of W&W shareholders in paid-in capital	1,485,588	1,486,463
Interests of W&W shareholders in earned capital	3,359,259	3,556,194
Non-controlling interests in equity	28,727	42,494
Equity	**4,873,574**	**5,085,151**

It is proposed that the unappropriated surplus of €77.6 million that was generated by W&W AG in the 2021 financial year be appropriated as follows: 77,6 distribution of a dividend in the amount of €0.65 for each share entitled to receive dividends: €60,885,340.10 € (dividend).

The proposal takes into account the 79,966 treasury shares held directly by the company on 31 December 2021, 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.

On 20 May 2021, the Annual General Meeting of W&W AG resolved to distribute a dividend in the amount of €0.65 (previous year: €0.65) per share from the unappropriated surplus for the 2020 financial year as calculated in accordance with the German Commercial Code (HGB), which amounted to €80.8 million (previous year: €75.4 million). 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, €19.0 million (previous year: €9.0 million) was allocated to "Other reserves", and €0.9 million (previous year: €5.5 million) was carried forward.

Subscribed capital

Share capital is divided into 93,734,468 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

	2021	2020
As at 1 January	**93,734,468**	**93,695,834**
Repurchase of employee share ownership programme	-147,501	-40,000
Issuance to employees	82,787	78,634
As at 31 December	**93,669,754**	**93,734,468**

Authorised capital

Pursuant to Article 5 (5) of the Articles of Association of W&W AG, the Executive Board is authorised until 12 June 2023 to increase, on one or more occasions, the company's share capital by up to €100 million via issuance of new registered no-par-value shares in exchange for cash or contributions in kind, subject to the approval of the Supervisory Board. Shareholders are entitled to a statutory subscription right.

Contingent capital

By resolution adopted at the Annual General Meeting on 13 June 2018, 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 12 June 2023. Article 5 (6) of the Articles of Association accordingly provides that the share capital of WW 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	31/12/2021	31/12/2020
Interest in consolidated net profit	1,628	844
Interest in other comprehensive income	5,368	20,722
Other interests	21,731	20,928
Non-controlling interests in equity	**28,727**	**42,494**

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	31/12/2021	31/12/2020
Participation of non-controlling interests, in %	5.11	5.11
Assets (100%)	37,225,641	38,982,323
Liabilities (100%)	36,557,688	38,044,921
Net assets (100%)	**667,953**	**937,402**
Net assets attributable to WürttLeben	667,953	937,402
Net assets attributable to non-controlling interests of WürttLeben	–	–
Carrying amount of non-controlling interests in net assets	**34,132**	**47,901**
Sales revenues	3,157,468	2,978,566
Net income for the year (100%)	31,952	16,802
Net income for the year attributable to WürttLeben	31,952	16,802
Net income for the year attributable to non-controlling interests	–	–
Other comprehensive income (100%)	–300,979	128,153
Total net income/expense (100%)	**–269,027**	**144,955**
Net income for the year allocated to non-controlling interests	**1,633**	**859**
Dividends paid to non-controlling interests	–	–
Cash flows (100%)	–232,891	196,949

Employee share ownership programme

An employee share ownership programme was conducted in the first half-year of 2021. 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 €13.20 (previous year: €6.76) 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 29 March 2021.

In addition to issuing treasury shares from the portfolio, a further 147,501 shares were repurchased on the market for the programme and then issued. Employees acquired a total of 82,787 (previous year: 78,634) of these shares. This resulted in personnel expenses of €0.4 million (previous year: €0.4 million). Thus, as at 31 December 2021 W&W AG still held 79,966 (previous year: 15,252) treasury shares.

Notes concerning the consolidated income statement

(26) Current net income

in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Interest income	**1,221,791**	**1,334,441**
Subordinated securities and receivables	19,345	24,972
Fixed-income financial instruments that do not pass the SPPI test	78,205	55,333
Derivative financial instruments	57,196	95,571
Senior debenture bonds and registered bonds	171,475	218,806
Senior fixed-income securities	419,718	395,040
Construction loans	446,201	510,120
Other receivables	20,322	27,627
Other loans and advances	12,669	15,896
Miscellaneous receivables	7,653	11,731
Negative interest on liabilities	9,329	6,972
Interest expenses	**-430,557**	**-472,000**
Liabilities evidenced by certificates	-6,028	-6,957
Deposit liabilities and other liabilities	-277,114	-290,906
Lease liabilities	-730	-1,371
Reinsurance liabilities	2,441	-2,470
Miscellaneous liabilities	-40,849	-8,057
Subordinated capital	-18,691	-18,065
Derivative financial instruments	-78,834	-121,743
Negative interest on loans and advances	-5,015	-6,218
Other	-5,737	-16,213
Dividend income	**309,886**	**185,570**
Other current net income	**52,165**	**48,539**
Net income/expense from financial assets accounted for using the equity method	7,459	-6,082
Net income from investment property	44,683	54,595
Other	23	26
Current net income	**1,153,285**	**1,096,550**

The indicated interest expenses mainly correspond to financing expenses of the W&W Group.

Net income from investment property contains income from leasing in the amount of €117.2 million (previous year: €115.0 million). In addition, it includes directly attributable operating expenses for repairs, maintenance and management, as well as depreciation. These expenses consisted of €63.7 million (previous year: €55.8 million) for investment property that generated rental income and €8.9 million (previous year: €4.5 million) for investment property that did not generate any rental income.

(27) Net income/expense from risk provision

in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Income from risk provision	**92,906**	**98,393**
Release of risk provision	80,810	83,463
Subordinated securities and receivables	489	254
Senior debenture bonds and registered bonds	2,883	2,146
Senior fixed-income securities	14,461	12,458
Construction loans	58,179	64,539
Other receivables	3,647	2,333
Other loans and advances	2,875	1,045
Miscellaneous receivables	772	1,288
Reinsurers' portion of technical provisions	1,151	1,733
Release of provisions in lending business, for irrevocable loan commitments, for financial guarantees	2,720	4,254
Write-ups/receipts on written-down securities and receivables	9,376	10,676
Expenses from risk provision	**–91,512**	**–153,071**
Additions to risk provision	–88,442	–145,928
Subordinated securities and receivables	–637	–528
Senior debenture bonds and registered bonds	–630	–694
Senior fixed-income securities	–15,399	–19,406
Construction loans	–42,720	–101,790
Other receivables	–26,002	–23,470
Other loans and advances	–23,801	–21,884
Miscellaneous receivables	–2,201	–1,586
Reinsurers' portion of technical provisions	–3,054	–40
Additions to provisions in lending business, for irrevocable loan commitments, for financial guarantees	–3,070	–3,712
Other expenses	–	–3,431
Expenses from insignificant modifications – related to creditworthiness	–	–3,431
Net income/expense from risk provision	**1,394**	**–54,678**

(28) Net measurement gain/loss

in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Net income from financial assets/liabilities at fair value through profit or loss	**401,872**	**63,657**
Participations, shares, investment fund units and participations in alternative investments	251,647	11,784
Senior fixed-income securities	–1,583	–6,369
Derivative financial instruments	–164,379	47,708
Capital investments for the account and risk of life insurance policyholders	357,168	–20,944
Fixed-income financial instruments that do not pass the SPPI test	–40,981	31,478
Net expense from the discounting of provisions for home loan savings business	**84,430**	**–43,247**
Net income from hedges[1]	**23,400**	**35,314**
Impairments/reversals of impairment losses taken on investment property	**–3,779**	**63**
Net currency expense	**–835**	**–111,033**
Participations, shares, investment fund units and participations in alternative investments	103,443	–107,614
Subordinated securities and receivables	–7	–
Fixed-income financial instruments that do not pass the SPPI test	74,029	–56,929
Senior fixed-income securities	334,752	–305,998
Other receivables	22,669	–37,466
Derivative financial instruments	–567,261	423,059
Capital investments for the account and risk of life insurance policyholders	32,598	–30,460
Liabilities	–1,058	4,375
Net measurement gain/loss	**505,088**	**–55,246**

1 Hedge accounting (hedged items and hedging instruments)

Net income from financial assets/liabilities at fair value through profit or loss included measurement gains in the amount of €1,009.9 million (previous year: €899.4 million) and measurement losses in the amount of €608.0 million (previous year: €835.8 million). Of this, measurement gains in the amount of €147.9 million (previous year: €423.3 million) and measurement losses in the amount of €312.2 million (previous year: €375.6 million) were attributable to derivatives, which mainly hedged interest-rate-dependent measurement gains and losses on capital investments.

The net currency expense included gains in the amount of €676.6 million (previous year: €696.3 million) and losses in the amount of €677.4 million (previous year: €807.3 million). Of this, measurement gains in the amount of €90.1 million (previous year: €657.4 million) and measurement losses in the amount of €657.4 million (previous year: €234.3 million) were attributable to derivatives, which mainly hedged interest-rate-dependent measurement gains and losses on capital investments.

(29) Net income from disposals

in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Income from disposals	**868,304**	**899,935**
Subordinated securities and receivables	6,541	4,356
Senior debenture bonds and registered bonds	413,325	518,782
Senior fixed-income securities	448,387	318,452
Other receivables	48	–
Investment property	–	58,343
Other	3	2
Expenses from disposals	**−18,912**	**−74,023**
Subordinated securities and receivables	−60	−100
Senior debenture bonds and registered bonds	−322	−520
Senior fixed-income securities	−18,411	−70,854
Other receivables	−5	−18
Investment property	−110	–
Other	−4	−2,531
Net income from disposals	**849,392**	**825,912**

(30) Earned premiums (net)

Life and health insurance

in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Gross premiums written	2,530,038	2,432,835
Change in unearned premiums	9,281	8,396
Premiums from the provision for premium refunds	73,730	69,544
Earned premiums (gross)	**2,613,049**	**2,510,775**
Premiums ceded to reinsurers	−10,918	−31,837
Earned premiums (net)	**2,602,131**	**2,478,938**

Property/casualty insurance and reinsurance

in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Gross premiums written	2,188,473	2,058,118
Direct	2,186,531	2,051,158
Reinsurance	1,942	6,960
Change in unearned premiums	−3,968	−7,536
Earned premiums (gross)	**2,184,505**	**2,050,582**
Premiums ceded to reinsurers	−148,224	−114,376
Earned premiums (net)	**2,036,281**	**1,936,206**

(31) Insurance benefits (net)

Benefits under insurance contracts from direct business are shown without claim adjustment expenses. These are included in general administrative expenses. Insurance benefits under reinsurance and the reinsurers' portion of insurance benefits may consist of both claim payments and adjustment expenses.

Recognised under the item "Change in the provision for premium refunds" is also the change in the provision for deferred premium refunds recognised in the income statement.

Life and health insurance

in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Payments for insurance claims	–2,351,932	–2,403,648
Gross amount	–2,364,881	–2,419,554
Thereof to: Reinsurers' share	12,949	15,906
Change in the provision for outstanding insurance claims	3,523	–11,936
Gross amount	14,389	–13,829
Thereof to: Reinsurers' share	–10,866	1,893
Change in the provision for future policy benefits	–1,154,064	–618,075
Gross amount	–1,154,074	–614,062
Thereof to: Reinsurers' share	10	–4,013
Change in the provision for premium refunds	–537,082	–359,288
Gross amount	–537,082	–359,288
Thereof to: Reinsurers' share	–	–
Change in other technical provisions	16	–22
Gross amount	16	–22
Thereof to: Reinsurers' share	–	–
Insurance benefits (net)	**–4,039,539**	**–3,392,969**
Gross amount, total	–4,041,632	–3,406,755
Thereof to, total: Reinsurers' share	2,093	13,786

Property/casualty insurance and reinsurance

in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Payments for insurance claims	–996,985	–983,341
Gross amount	–1,191,348	–1,052,703
Thereof to: Reinsurers' share	194,363	69,362
Change in the provision for outstanding insurance claims	–111,111	–89,000
Gross amount	–367,674	–96,288
Thereof to: Reinsurers' share	256,563	7,288
Change in the provision for premium refunds	–102	–98
Gross amount	–102	–98
Thereof to: Reinsurers' share	–	–
Change in other technical provisions	–1,965	9,965
Gross amount	9,238	11,125
Thereof to: Reinsurers' share	–11,203	–1,160
Insurance benefits (net)	**–1,110,163**	**–1,062,474**
Gross amount, total	–1,549,886	–1,137,964
Thereof to, total: Reinsurers' share	439,723	75,490

The summer of 2021 saw numerous storms, followed by floods, in western Germany, among other places. Those affected also include many parties who are insured by the W&W Group. The pattern of damage reported by our customers shows extensive destruction to both private and commercial properties, particularly to buildings and vehicles. In the commercial area, this was aggravated by severe losses in property and business interruption insurance.

As a result, gross expenses for natural disaster claims in the 2021 reporting year amounted to €522.8 million, which however was able to be offset through our reinsurance programme. Net expenses for natural disaster claims stood at €135.8 million.

(32) Net commission expense

in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Commission income	**284,567**	**257,689**
from the conclusion of home loans savings contracts	148,104	131,080
from home loan savings business	31,952	34,426
from reinsurance	29,444	30,618
from brokering activities	69,430	57,017
from investment business	4,032	3,256
from other business	1,605	1,292
Commission expenses	**−819,464**	**−754,894**
from insurance	−536,371	−486,101
from banking/home loan savings business	−187,128	−188,549
from reinsurance	−678	−346
from brokering activities	−18,952	−13,820
from investment business	−27,763	−22,456
from other business	−48,572	−43,622
Net commission expense	**−534,897**	**−497,205**

The net commission expense includes income in the amount of €1.2 million (previous year: €1.0 million) and expenses in the amount of €2.7 million (previous year: €2.2 million) from trust and other fiduciary activities. These include the management or investment of assets on behalf of individuals, trusts, pension funds and other institutions.

During the reporting period, transactions involving financial instruments not at fair value through profit or loss generated commission income in the amount of €180.8 million (previous year: €32.8 million) and commission expenses in the amount of €174.6 million (previous year: €38.0 million). This positive development in net commission income/expense from financial instruments not at fair value through profit or loss was due to a change in commission rates for new home loan savings contracts. As a result, 2021 was the first year in which no transaction costs were recognised for new home loan savings business.

(33) General administrative expenses

in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Personnel expenses	**−612,495**	**−598,919**
Wages and salaries	−466,131	−450,771
Social remittances	−84,251	−81,972
Expenses for the pension scheme and support	−50,457	−50,168
Other	−11,656	−16,008
Materials costs	**−348,682**	**−337,659**
Depreciation/amortisation	**−75,487**	**−77,419**
Property for own use	−34,550	−30,568
Plant and equipment	−19,880	−18,734
Intangible assets	−21,057	−28,117
General administrative expenses	**−1,036,664**	**−1,013,997**

During the reporting period, contributions totalling €16.8 million (previous year: €16.4 million) were paid towards defined-contribution plans. In addition, employer contributions totalling €40.8 million (previous year: €40.7 million).

General administrative expenses contain personnel expenses totalling €10.6 million (previous year: €11.7 million) for phased-in early retirement ("Altersteilzeit") and early retirement.

(34) Net other operating income

in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Other operating income	**322,019**	**243,688**
Disposal revenue from inventories (property development business)	120,192	22,342
Release of miscellaneous provisions	29,190	21,103
Income from disposals	132	295
Other income from currency translation	191	6,375
Other technical income	33,356	25,268
Miscellaneous income	138,958	168,305
Other operating expenses	**−267,668**	**−197,852**
Other taxes	−2,895	−3,895
Expenses from inventories (property development business)	−205,119	−106,257
Additions to provisions	−3,887	−18,026
Losses from disposals	−337	−15,726
Other expenses from currency translation	−5,704	−321
Other technical expenses	−41,925	−40,072
Miscellaneous expenses	−7,801	−13,555
Net other operating income	**54,351**	**45,836**

(35) Income taxes

in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Current income taxes paid for the reporting period	−181,951	−98,040
Current taxes paid for other periods	18,109	−6,120
Deferred taxes	35,336	8,038
Income taxes	**−128,506**	**−96,122**

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

Deferred taxes

in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Financial assets/liabilities at fair value through profit or loss	13,529	5,839
Financial assets at fair value through other comprehensive income	15,780	–38,630
Financial assets at amortised cost	61,480	74,060
Financial assets available for sale	–2,404	–
Positive/negative market values from hedges	–138	–146,207
Financial assets accounted for using the equity method	6	–912
Liabilities	–133,810	100,827
Technical provisions	19,165	–9,526
Provisions for pensions and similar obligations	–6,353	–4,667
Other balance sheet items	80,705	27,030
Tax loss carryforward	–12,624	224
Deferred taxes	**35,336**	**8,038**

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

in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Consolidated earnings before income taxes from continued operations	**480,659**	**306,873**
Uniform consolidated tax rate, in %	29.80	30.47
Expected income taxes	–143,236	–93,504
Tax rate changes	–3,382	–511
Tax rate discrepancies of Group companies	–2,089	3,967
Effects of tax-free income	5,223	2,962
Effects of non-deductible expenses	–4,282	–9,244
Prior-period effects (current and deferred)	14,328	1,452
Other	4,932	–1,244
Income taxes	**–128,506**	**–96,122**

The applicable income tax rate of 29.80% (previous year: 30.47%) 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: 14.64%). The change to the average tax rate for trade tax was due to the reduction of the average assessment rate from factor 418.44 to 399.29 as a result of the relocation of the Group's headquarters.

No deferred tax liabilities were recognised for temporary differences in the amount of €180.2 million (previous year: €232.2 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 are determined by dividing the consolidated net profit by the weighted average number of shares:

		1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Result attributable to shareholders of W&W AG	in €	350,525,115	209,907,001
Number of shares at the beginning of the financial year	#	93,734,468	93,695,834
Number of treasury shares on the reporting date	#	−79,966	−15,252
Weighted average number of shares	#	93,783,225	93,724,836
Basic (= diluted) earnings per share	in €	**3.74**	**2.24**

There currently are no potential shares that would have a diluting effect. Diluted earnings per share thus correspond to basic earnings per share.

Notes concerning the consolidated statement of comprehensive income

(37) Unrealised gains/losses

	Financial assets at fair value through other comprehensive income		Financial assets accounted for using the equity method		Cash flow hedges	
in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Recognised in other comprehensive income	−2,824,863	2,297,348	−106	24	–	–
Reclassified to the consolidated income statement	−860,835	−780,798	–	–	–	68
Unrealised gains/losses (gross)	**−3,685,698**	**1,516,550**	**−106**	**24**	**–**	**68**

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.

Notes concerning financial instruments and fair value

(38) Disclosures concerning the measurement of fair value

For reasons of comparability, consistency and quality of measurements, a hierarchical classification is undertaken for financial instruments measured at fair value in the consolidated balance sheet, and it takes into account the relevance of the factors forming part of the measurement. The inputs forming part of the measurement methods for determining fair value are assigned to three levels, and this level classification is used for all assets and liabilities that are measured regularly, once or for the purposes of preparing disclosures about fair value. The uniform standards and principles described below apply to this. In conceptional terms, the hierarchy is determined by the market basis of the input factors. It gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The level to which the financial instrument is assigned in its entirety is determined on the basis of the lowest level input factor in the hierarchy that is significant to the entire measurement of fair value. For this purpose, the significance of an input factor is evaluated in relation to fair value in its entirety. In evaluating the significance of a given input factor, the specific features of the asset or liability are analysed and regularly reviewed during the reporting period.

Level 1: Assigned to this level are financial instruments that are measured using unadjusted quoted or market prices for identical assets and liabilities on an active market. In this regard, the essential features of an active market are regular trading frequency and a sufficiently traded market volume that guarantees reliable price information.

Level 2: If pricing is not available on active markets, fair value is derived from comparable financial instruments or determined through application of generally recognised measurement models using parameters that are directly or indirectly observable on the market (e.g. interest rate, exchange rate, volatility, prices offered by third parties).

Level 3: If measurement of financial instruments is impossible, or not fully possible, using quoted or market prices or by means of a measurement model using input factors that are directly or indirectly observable on the market, factors based on non-observable market data (non-observable input factors) are used to measure financial instruments (Level 3). Generally, the measurement method used is the one that market participants use to determine the price of a financial instrument and that provides a reliable estimate of a price under a market transaction.

If fair value cannot be reliably determined, the carrying amount is used as an approximate value to measure fair value. In this case, such financial instruments are assigned to Level 3.

The level classification is determined on a regular basis throughout the reporting period. If the relevant input factors change, this may lead to regroupings between the levels at such time. Financial instruments in Level 1 are regrouped to Level 2 if the previously identified active market on which quoting took place no longer exists. In this regard, the essential features of an active market are regular trading frequency and a sufficiently traded market volume that guarantees reliable price information. As part of a price verification process, it is ensured in this regard that measurement prices are monitored daily. In the event of price anomalies, the quality of the price source is analysed, and where market liquidity is lacking, the classification is adjusted. In analogous fashion, it is possible to regroup from Level 2 to Level 1 once an active market can be identified.

Regroupings to Level 3 take place if fair value no longer can be measured on the basis of observable input parameters. However, if these are identified for financial instruments that had previously been grouped in Level 3, they can be switched to Level 1 or Level 2 if there are reliable price quotations on an active market or if input parameters are observable on the market.

The regroupings between levels that took place during the year under review and the previous year (transfers to Level 3) involved only insignificant volumes.

Unadjusted quoted or market prices are used as Level 1 input factors only for financial instruments in the balance sheet items “Financial assets at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss”. These mainly involve quoted equities as well as 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 measurement methods used for determining fair value in Levels 2 and 3 consist of generally accepted measurement models, such as the present-value method, under which anticipated future cash flows are discounted at current interest rates applicable to the relevant residual term to maturity, credit risks and markets. Here as well, measurement prices and detailed market parameters are monitored daily as part of the price verification process. This method is used to measure securities, including debt securities, with agreed cash flows under the items "Financial assets at fair value through profit or loss”, "Financial liabilities at fair value through profit or loss” and "Financial assets 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 transactions (e.g. currency forwards) in Level 2. These are included under the items "Financial assets at fair value through profit or loss", "Financial liabilities at fair value through profit or loss", "Positive market values from hedges" and "Negative market values from hedges". Fund units and capital investments for the account and risk of life insurance policyholders are also mainly assigned to Level 2. The most recently available redemption price for the underlying investment certificate is used for 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 measurement models and parameters for calculations of the fair value of individual assets and liabilities in Levels 2 and 3 are presented in the following overview.

Overview of measurement models of Levels 2 and 3 used in the classes

Class	Measurement model	Main parameters
Non-current assets held for sale and discontinued operations	**In accordance with the respective balance sheet items**	
Financial assets at fair value through profit or loss		
Participations other than in alternative investments	Capitalised earnings method Approximation method Net asset value method	Discount rate, future cash flows
Participations in alternative investments	Capitalised earnings method Approximation method Adjusted net asset value method	Discount rate, future cash flows
Equities	Approximation method Adjusted net asset value method	
Investment funds units	Approximation method Adjusted net asset value method	
Fixed-income financial instruments that do not pass the SPPI test	Present value method	Liquidity and credit spreads, interest rate curves
Derivative financial instruments	Present value method Black/Scholes model Libor market model, Hull/White model	Foreign exchange rates (spot and forward), interest rate curves Quoted prices/index, volatilities, interest rate curves, basis price and remaining maturity Interest rate curves, volatilities
Senior fixed-income securities	Present value method	Liquidity and credit spreads, interest rate curves
Capital investments for the account and risk of life insurance policyholders	Redemption price Black/Scholes model	Index weighting, volatility
Financial assets at fair value through other comprehensive income		
Subordinated securities and receivables	Present value method	Liquidity and credit spreads, interest rate curves
Senior debenture bonds and registered bonds	Present value method	Liquidity and credit spreads, interest rate curves
Senior fixed-income securities	Present value method	Liquidity and credit spreads, interest rate curves
Financial assets at amortised cost		
Subordinated securities and receivables	Present value method	Liquidity and credit spreads, interest rate curves
Senior debenture bonds and registered bonds	Present value method	Liquidity and credit spreads, interest rate curves
Construction loans (non-collective)[1]	Present value method	Interest rate curves
Other loans and advances	Cost Amortised cost	Nominal value
Miscellaneous receivables	Cost	
Investment property	Present value method	Discount rate, future cash flows
Positive market values from hedges	**Present value method**	**Interest rate curves**
Financial liabilities at fair value through profit or loss		
Derivative financial instruments	Present value method Black/Scholes model Libor market model, Hull/White model	Foreign exchange rates (spot and forward), interest rate curves Quoted prices/index, volatilities, interest rate curves, basis price and remaining maturity Interest rate curves, volatilities
Liabilities		
Liabilities evidenced by certificates	Present value method	Credit spreads, interest rate curves
Liabilities to credit institutions	Cost Approximation method	
Liabilities to customers	Cost	

Overview of measurement models of Levels 2 and 3 used in the classes

Class	Measurement model	Main parameters
Lease liabilities	Present value method	Discount rate Future cash flows
Miscellaneous liabilities		
Other liabilities	Cost	Nominal value
Sundry liabilities	Cost	Nominal value
Technical provisions		
Provision for future policy benefits for unit-linked insurance contracts	In accordance with the corresponding asset item	
Negative market values from hedges	**Present value method**	**Interest rate curves**
Subordinated capital	**Present value method**	**Credit spreads, interest rate curves**

1 For the fair value of collective loans under home loans savings contracts and preliminary and interim financing loans, the carrying amount is used as the approximate value, which is calculated based on amortised cost. By contrast, the present value method is used to calculate the fair value of non-collective construction loans.

The fair value of options not traded on an exchange is calculated using generally accepted option-pricing models that correspond to each option's type and the generally accepted underlying assumptions on which they are based. The value of options is determined, in particular, by the value of the underlying asset and its volatility, the agreed base price, interest rate or index, the risk-free interest rate and the contract's residual term to maturity. They are assigned to the class "Derivative financial instruments" in the items "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss".

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 the item "Financial assets at fair value through profit or loss" is characterised by non-exchange-traded equities, as well as investments, including alternative investments. Fair value is mainly determined on the basis of the net asset value. The NAV, which usually is reported after a time lag. It is calculated quarterly in accordance with industry standards, is provided by fund managers and then reviewed by risk controlling units and, if necessary, adjusted to account for outstanding performance-related compensation claims. At the same time possible deposits and withdrawals as well as income distributions may result in changed market values.This also applies for indirect property investments, which are assigned to "Participations other than in alternative investments". In the case of participations that are not assigned to alternative investments or property participations, fair value is normally calculated based on the pro-rata interest in the equity shown in the respective current annual financial statements. If no information is available, amortised cost is used as an approximate value for fair value.

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.

Applicable to all classes is that liquidity and rating spreads observable on the financial market are taken into account when measuring active, interest-bearing financial instruments (Level 2). The measurement spread is determined by comparing reference curves with the financial instrument's corresponding risk-free money market and swap curves. Maturity-dependent spreads are used for the purposes of measurement, which also take into account the quality of the issuer within the various issuer groups within a rating class. The yield curves and rating- and maturity-dependent spreads that are made available by market data providers are automatically updated during the day. As a rule, the discounting curve in this regard is currency-specific. Swaps hedged under master agreements are measured with the aid of tenor-specific interest rate structure curves in the multi-curve approach.

Measurement gains and losses are significantly influenced by the underlying assumptions, particularly by the determination of cash flows and discount rates.

The following table “2021 measurement hierarchy (items that were measured at fair value)” presents all financial assets and liabilities that were measured at fair value. It shows the level applies in the respective items.

For accounting purposes, the only financial instruments regularly 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 "2021 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.

2021 measurement hierarchy (items that were measured at fair value)

	Level 1	Level 2	Level 3	Fair value/carrying amount
in € thousands	31/12/2021	31/12/2021	31/12/2021	31/12/2021
Financial assets at fair value through profit or loss	**623,471**	**7,094,128**	**3,004,089**	**10,721,688**
Participations other than in alternative investments	–	–	235,839	235,839
Participations in alternative investments	–	–	2,550,173	2,550,173
Other financial companies	–	–	2,434,773	2,434,773
Other companies	–	–	115,400	115,400
Equities	611,948	–	181,242	793,190
Investment funds 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-based derivatives	1,278	44,386	–	45,664
Currency-based derivatives	–	16,210	–	16,210
Equity- and index-based derivatives	10,245	14,503	–	24,748
Other derivatives	–	88	–	88
Senior fixed-income securities	–	66,935	–	66,935
Capital investments for the account and risk of life insurance policyholders	–	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 companies	–	153,828	–	153,828
Other companies	–	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 companies	–	1,644,806	–	1,644,806
Other companies	–	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 (items that were measured at fair value) (continuation)

	Level 1	Level 2	Level 3	Fair value/carrying amount
in € thousands	31/12/2021	31/12/2021	31/12/2021	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-based derivatives	596	117,218	–	117,814
Currency-based derivatives	–	83,461	–	83,461
Equity- and 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 insurance contracts	–	2,758,654	–	2,758,654
Negative market values from hedges	**–**	**–**	**–**	**–**
Total liabilities	**10,116**	**2,966,739**	**–**	**2,976,855**

2020 measurement hierarchy
(items that were measured at fair value)

	Level 1	Level 2	Level 3	Fair value/carrying amount
in € thousands	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Financial assets at fair value through profit or loss	**507,624**	**6,011,313**	**2,281,379**	**8,800,316**
Participations other than in alternative investments	–	–	217,009	217,009
Participations in alternative investments	–	–	1,750,431	1,750,431
Other financial companies	–	–	1,621,910	1,621,910
Other companies	–	–	128,521	128,521
Equities	502,367	–	106,700	609,067
Investment funds units	–	1,220,564	172,332	1,392,896
Fixed-income financial instruments that do not pass the SPPI test	–	2,378,138	28,836	2,406,974
Derivative financial instruments	5,257	262,821	–	268,078
Interest-rate-based derivatives	7	72,280	–	72,287
Currency-based derivatives	–	176,152	–	176,152
Equity- and index-based derivatives	5,250	14,266	–	19,516
Other derivatives	–	123	–	123
Senior fixed-income securities	–	76,162	–	76,162
Capital investments for the account and risk of life insurance policyholders	–	2,073,628	6,071	2,079,699
Financial assets at fair value through other comprehensive income	**–**	**38,862,768**	**–**	**38,862,768**
Subordinated securities and receivables	–	801,514	–	801,514
Senior debenture bonds and registered bonds	–	12,315,455	–	12,315,455
Credit institutions	–	7,793,330	–	7,793,330
Other financial companies	–	165,848	–	165,848
Other companies	–	44,667	–	44,667
Public authorities	–	4,311,610	–	4,311,610
Senior fixed-income securities	–	25,745,799	–	25,745,799
Credit institutions	–	7,003,272	–	7,003,272
Other financial companies	–	1,301,568	–	1,301,568
Other companies	–	1,759,569	–	1,759,569
Public authorities	–	15,681,390	–	15,681,390
Positive market values from hedges	**–**	**16,071**	**–**	**16,071**
Total assets	**507,624**	**44,890,152**	**2,281,379**	**47,679,155**

2020 measurement hierarchy
(items that were measured at fair value) (continuation)

	Level 1	Level 2	Level 3	Fair value/carrying amount
in € thousands	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Financial liabilities at fair value through profit or loss	**2,488**	**41,700**	**–**	**44,188**
Derivative financial instruments	2,488	41,700	–	44,188
Interest-rate-based derivatives	170	31,345	–	31,515
Currency-based derivatives	–	1,248	–	1,248
Equity- and index-based derivatives	2,318	9,107	–	11,425
Technical provisions	**–**	**2,079,699**	**–**	**2,079,699**
Provision for future policy benefits for unit-linked insurance contracts	–	2,079,699	–	2,079,699
Negative market values from hedges	**–**	**15,688**	**–**	**15,688**
Total liabilities	**2,488**	**2,137,087**	**–**	**2,139,575**

2021 measurement hierarchy
(items that were not measured at fair value)

in € thousands	Level 1 31/12/2021	Level 2 31/12/2021	Level 3 31/12/2021	Fair value 31/12/2021	Carrying amount 31/12/2021
Non-current assets held for sale and discontinued operations	**–**	**10,580**	**–**	**10,580**	**8,258**
Cash reserves	**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
Construction 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 loans and advances	6,792	545,568	1,226,531	1,778,891	1,778,888
Miscellaneous receivables	–	–	319,667	319,667	319,667
Asset-side 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
Sundry liabilities	–	1,309	919,729	921,038	921,040
Liability-side portfolio hedge adjustment	n/a	n/a	n/a	n/a	-30,144
Subordinated capital	**–**	**667,572**	**–**	**667,572**	**641,098**
Total liabilities	**–**	**5,009,031**	**23,653,859**	**28,662,890**	**28,604,889**

2020 measurement hierarchy (items that were not measured at fair value)

in € thousands	Level 1 31/12/2020	Level 2 31/12/2020	Level 3 31/12/2020	Fair value 31/12/2020	Carrying amount 31/12/2020
Non-current assets held for sale and discontinued operations	**–**	**–**	**–**	**–**	**–**
Cash reserves	**75,056**	**–**	**–**	**75,056**	**75,056**
Deposits with central banks	74,779	–	–	74,779	74,779
Deposits with foreign postal giro offices	277	–	–	277	277
Financial assets at amortised cost	**32,340**	**8,317,519**	**17,447,919**	**25,797,778**	**25,173,973**
Subordinated securities and receivables	–	186,595	–	186,595	165,834
Senior debenture bonds and registered bonds	–	35,982	–	35,982	34,808
Senior fixed-income securities	–	–	–	–	–
Construction loans	–	7,742,463	15,758,568	23,501,031	22,830,677
Other receivables	32,340	352,479	1,689,351	2,074,170	2,074,187
Other loans and advances	32,340	352,479	1,382,768	1,767,587	1,767,604
Miscellaneous receivables	–	–	306,583	306,583	306,583
Asset-side portfolio hedge adjustment	n/a	n/a	n/a	n/a	68,467
Investment property	**–**	**10,037**	**2,415,094[1]**	**2,425,131[1]**	**1,873,561**
Total assets	**107,396**	**8,327,556**	**19,863,013[1]**	**28,297,965[1]**	**27,122,590**
Liabilities	**–**	**3,903,877**	**23,660,450**	**27,564,327**	**27,825,524**
Liabilities evidenced by certificates	–	1,404,587	–	1,404,587	1,412,976
Liabilities to credit institutions	–	1,634,037	569,338	2,203,375	2,193,839
Liabilities to customers	–	844,199	21,706,442	22,550,641	22,481,152
Lease liabilities	–	–	83,215	83,215	83,215
Miscellaneous liabilities	–	21,054	1,301,455	1,322,509	1,322,509
Other liabilities	–	20,050	345,233	365,283	365,283
Sundry liabilities	–	1,004	956,222	957,226	957,226
Liability-side portfolio hedge adjustment	n/a	n/a	n/a	n/a	331,833
Subordinated capital	**–**	**390,885**	**–**	**390,885**	**343,162**
Total liabilities	**–**	**4,294,762**	**23,660,450**	**27,955,212**	**28,168,686**

1 Prior-year figure adjusted.

Changes in Level 3 for financial assets at fair value through profit or loss

in € thousands	Participations other than in alternative investments	Participations in alternative investments (other financial companies)	Participations in alternative investments (other companies)	Equities
As at 1 January 2020	**219,034**	**1,449,528**	**145,268**	**104,573**
Total net income/expense for the period	2,576	–73,001	–8,632	–1,377
Income recognised in the consolidated income statement[1]	11,354	84,547	11,450	–
Expenses recognised in the consolidated income statement[1]	–8,778	–157,548	–20,082	–1,377
Purchases	7,067	443,991	14,039	6,545
Sales	–11,778	–198,608	–22,154	–3,041
Reclassifications	–	–	–	–
Changes in the scope of consolidation	110	–	–	–
As at 31 December 2020	**217,009**	**1,621,910**	**128,521**	**106,700**
Income recognised in the consolidated income statement as at the end of the reporting period[2]	11,354	84,547	11,450	–
Expenses recognised in the consolidated income statement as at the end of the reporting period[2]	–8,778	–157,549	–20,082	–1,377
As at 1 January 2021	**217,009**	**1,621,910**	**128,521**	**106,700**
Total net income for the period	14,420	230,434	5,896	880
Income recognised in the consolidated income statement[1]	14,903	298,038	12,424	2,255
Expenses recognised in the consolidated income statement[1]	–483	–67,604	–6,528	–1,375
Purchases	5,627	797,439	5,902	73,662
Sales	–1,166	–302,354	–14,236	–
Reclassifications	–	79,936	–10,683	–
Transfers to Level 3	–	–	–	–
Changes in the scope of consolidation	–51	7,408	–	–
As at 31 December 2021	**235,839**	**2,434,773**	**115,400**	**181,242**
Income recognised in the consolidated income statement as at the end of the reporting period[2]	14,903	298,038	12,424	2,255
Expenses recognised in the consolidated income statement as at the end of the reporting period[2]	–483	–67,604	–6,528	–1,375

1 Income and expenses are mainly included in the net measurement gain/loss in the consolidated income statement.
2 Period income and expenses for assets still in the portfolio at the end of the reporting period.

	Financial assets at fair value through profit or loss			Non-current assets held for sale and discontinued operations	Total
	Investment fund units	Fixed-income financial instruments that do not pass the SPPI test	Capital investments for the account and risk of holders of life insurance policies		
-	-	-	-	-	-
	87,230	**33,212**	**6,247**	**120**	**2,045,212**
	5,324	–741	1,900	–	–73,951
	7,273	–	1,900	–	116,524
	–1,949	–741	–	–	–190,475
	96,168	929	4,171	–	572,910
	–16,390	–4,564	–6,247	–	–262,782
	–	–	–	–	–
	–	–	–	–120	–10
	172,332	**28,836**	**6,071**	**–**	**2,281,379**
	7,273	–	1,900	–	116,524
	–1,949	–741	–	–	–190,476
	172,332	**28,836**	**6,071**	**–**	**2,281,379**
	–864	–34	–337	–	250,395
	13	–	42	–	327,675
	–877	–34	–379	–	–77,280
	2,553	–	5,256	–	890,439
	–252	–94	–6,072	–	–324,174
	–69,253	–	–	–	–
	–	33	–	–	33
	–101,340	–	–	–	–93,983
	3,176	**28,741**	**4,918**	**–**	**3,004,089**
	13	–	42	–	327,675
	–877	–34	–379	–	–77,280

Description of the applied measurement processes and effects of alternative assumptions in the case of financial instruments in Level 3.

Normally used in connection with the measurement process for calculating fair value are the capitalised earnings method, the adjusted net asset value method and the approximation method.

With regard to the capitalised earnings method, which is uniform throughout the Group, internal plan values and estimates are used as the basis for discounting future net cash flows and distributions under application of risk parameters derived on the market.

The adjusted net asset value method draws on the net asset value, whose individual investments are calculated outside the Group using recognised measurement methods, such as the DCF, multiplier, and capitalised earnings methods. In this regard, the measurements are normally made in line with the IPEV Valuation Guidelines. Among other things, the prorated net asset value is adjusted to account for outstanding performance-related compensation claims of the fund manager. Thereafter, the W&W Group performs plausibility and validation checks of the net asset values of supplied by the relevant fund companies, and, if appropriate, reviews the main portfolio entities held by each of the fund companies. In addition, carrying amounts, fair values, distributions and obligations to provide additional funding are monitored. An exception to the external supply of the pro-rata net asset value is made in the case of self-measured property participations that are assigned to “Participations other than in alternative investments”.

With regard to the approximation method, amortised cost is used to measure fair value for reasons of simplicity. The approximation method is applied, for instance, in the case of no quotation and minor significance.

The securities in Level 3 mainly consist of unquoted interests in participations, including alternative investments, which encompasses private equity, private debt and infrastructure projects. The fair values of these Level 3 portfolios are customarily calculated by the management of the respective company. For the majority of all externally measured interests, namely in the amount of €2,587.1 million (previous year: €1,884.4 million), fair value is determined on the basis of the net asset value. By contrast, the net asset value of participations other than in alternative investments is calculated internally in all cases. Of the total amount of the interests measured externally using the net asset value, €152.2 million (previous year: €78.2 million) was attributable to unquoted equities and fund certificates, and €2,434.9 million (previous year: €1,806.2 million) to participations in alternative investments. The calculation of the net asset value in the case of externally measured interests is based on specific information that is not publicly available and to which the W&W Group does not have access. Thus, it was not possible to subject them to a sensitivity analysis.

In the W&W Group, net asset values (2021: €183.1 million; previous year: €175.1 million) are measured internally for property participations that are assigned to “Participations other than in alternative investments". The value of the properties included there is calculated using income-based present value methods. These recognised measurement methods were based on discount rates of 2.95% to 5.52% (previous year: 2.77% to 5.74%), which determined the fair value of the property. A change in discount rates by +100 basis points in connection with a sensitivity analysis leads to a reduction in fair value to €167.3 million (previous year: €162.4 million), while a change in discount rates by –100 basis points leads to an increase to €200.6 million (previous year: €189.1 million).
The most significant measurement parameters for interests measured using the capitalised earnings method (2021: €48.5 million; previous year: €48.2 million) are the risk-adjusted discount rate and future net cash flows. A material increase in the discount rate reduces fair value, whereas a reduction in this rate increases fair value. However, a change in these measurement parameters by 10% has only a minor influence on the presentation of the net assets, financial position and financial performance of the W&W Group.
In addition, for certain interests, fair value is by way of exception deemed to be approximated by amortised cost. In this case, as well, a sensitivity analysis is not possible due to lack of the specific parameters used.
All changes in the category “Financial assets at fair value through profit or loss” in Level 3 are reflected in the consolidated income statement. On the other hand, there are no financial assets at fair value through other comprehensive income in Level 3.
The measurement methods used are listed in the following table "Quantitative information about the measurement of fair value in Level 3".

Quantitative information about the measurement of fair value in Level 3

	Fair value		Measurement method	Non-observable input factors	Range, in %	
in € thousands	31/12/2021	31/12/2020			31/12/2021	31/12/2020
Financial assets at fair value through profit or loss	**3,004,089**	**2,281,379**				
Participations other than in alternative investments	235,839	217,009				
	25,902	21,397	Capitalised earnings method	Discount rate, future cash flows	6.85 – 13.10	7.28 – 14.21
	19,626	13,124	Approximation method	n/a	n/a	n/a
	190,311	182,488	Net asset value method	n/a	n/a	n/a
Participations in alternative investments	2,550,173	1,750,431				
Other financial companies	2,434,773	1,621,910				
	83,100	56,364	Approximation method	n/a	n/a	n/a
	2,351,673	1,565,546	Adjusted net asset value method[1]	n/a	n/a	n/a
Other companies	115,400	128,521				
	22,594	26,753	Capitalised earnings method	Discount rate, future cash flows	3.24	3.54
	92,806	101,768	Adjusted net asset value method[1]	n/a	n/a	n/a
Equities	181,242	106,700				
	31,455	29,199	Approximation method	n/a	n/a	n/a
	149,787	77,501	Adjusted net asset value method[1]	n/a	n/a	n/a
Investment funds units	3,176	172,332				
	–	885	Approximation method	n/a	n/a	n/a
	3,176	171,447	Adjusted net asset value method[1]	n/a	n/a	n/a
Fixed-income financial instruments that do not pass SPPI test	28,741	28,836	Approximation method	n/a	n/a	n/a
Capital investments for the account and risk of holders of life insurance policies	4,918	6,071	Black-Scholes model	Index weighting, volatility	n/a	n/a

1 Supplied net asset values are calculated for individual investments outside the Group using recognised measurement methods, such as the DCF, multiplier, and capitalised earnings methods. In this regard, the measurements are normally made in line with the IPEV Valuation Guidelines. As the calculation of the net asset value is based on a variety of investments, and since available information about the measurement methods and parameters used there is incomplete or not uniform (including, for example, an adjustment to account for outstanding performance-related compensation claims of the fund manager), a range is not disclosed.

(39) Disclosures concerning hedges

Disclosures concerning hedges

	Fair value hedges	
	Hedging of interest rate risk through interest rate swaps	
in € thousands	31/12/2021	31/12/2020
Nominal values of hedges	9,129,000	9,106,000
Up to 1 year	1,021,000	60,000
1–5 years	1,755,000	2,331,000
Longer than 5 years	6,353,000	6,715,000
Positive market values from hedges	6,099	16,071
Negative market values from hedges	–	15,688
Changes in fair value	−210,210	300,191

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	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Carrying amount of hedges				
Assets	2,601,036	3,051,339	–	–
Liabilities	2,881,372	3,065,884	–	–
Cumulative changes and changes attributable to the hedged risk	–	–	–	–
Assets	67,742	−22,237	−23,992	−21,984
Liabilities	41,421	−255,556	71,145	83,340
Changes from the hedged risk	249,820	−259,141	–	–

The hedged items are contained in the follow balance sheet 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

	Cash flow hedges		Fair value hedges	
	Hedging of interest rate risk through interest rate swaps		Hedging of interest rate risk through interest rate swaps	
in € thousands	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Unrealised gains and losses recognised in other comprehensive income	–	–	n/a	n/a
Income/expenses from ineffective portions	–	–	17,442	5,364
Reserves for cash flow hedges reclassified to the consolidated income statement	–	−67	n/a	n/a

The income and expenses from ineffective portions and the reserves for cash flow hedges reclassified to the consolidated income statement are included in the net measurement gain/loss 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	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Financial assets at fair value through other comprehensive income	**705,820**	**736,697**	**61,990**	**–**	**767,810**	**736,697**
Senior fixed-income securities	705,820	736,697	61,990	–	767,810	736,697
Total	**705,820**	**736,697**	**61,990**	**–**	**767,810**	**736,697**
Associated liabilities	705,820	736,697	–	–	705,820	736,697
Net position	–	–	61,990	–	61,990	–

As was the case in the previous year, as at 31 December 2021 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 2021

	Transferred financial assets	Open market operations with central banks	Granted but as yet unused collateral	Total
in € thousands	31/12/2021	31/12/2021	31/12/2021	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**

Financial assets granted as collateral in 2020

	Transferred financial assets	Open market operations with central banks	Granted but as yet unused collateral	Total
in € thousands	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Financial assets at fair value through other comprehensive income	**736,697**	**249,668**	**1,076,012**	**2,062,377**
Senior fixed-income securities	736,697	249,668	1,076,012	2,062,377
Total	**736,697**	**249,668**	**1,076,012**	**2,062,377**

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.

The amount of cash collateral granted for derivatives amounted to €244.0 million (previous year: €67.1 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 €200.0 million (previous year: €249.7 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 €705.8 million (previous year: €736.7 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 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 liabilities	Recognised net amount of financial liabilities	Associated amounts that are not offset in the balance sheet		Net amount
				Financial instruments	(Cash) collateral granted	
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	–	–

Offsetting of financial assets in 2020

	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	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Derivatives (netting legally enforceable)	591,471	–580,226	11,245	–	–	11,245
Derivatives (netting not legally enforceable)	278,928	–	278,928	–9,742	–219,751	49,435

Offsetting of financial liabilities in 2020

	Gross amount of financial liabilities prior to offsetting	Offset amount of financial liabilities	Recognised net amount of financial liabilities	Associated amounts that are not offset in the balance sheet		Net amount
				Financial instruments	(Cash) collateral granted	
in € thousands	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Derivatives (netting legally enforceable)	580,226	–580,226	–	–	–140,000	–140,000
Derivatives (netting not legally enforceable)	46,537	–	46,537	–1,876	–42,060	2,601
Repurchase agreements, securities lending transactions and similar agreements (netting not legally enforceable)	736,697	–	736,697	–736,697	–	–

(41) Trust business

Trust business not required to be recognised in the balance sheet had the following scope:

in € thousands	31/12/2021	31/12/2020
Trust assets pursuant to the German Building Code	14,178	12,124
Other	8	3,715
Trust assets	**14,186**	**15,839**
Trust liabilities pursuant to the German Building Code	14,178	12,124
Other	8	3,715
Trust liabilities	**14,186**	**15,839**

(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 risk provision, 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	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Financial assets/liabilities at fair value through profit or loss	**46,557**	**289,680**
Net gains	1,315,361	1,562,224
Net losses	−1,268,804	−1,272,544
Financial assets at fair value through other comprehensive income	**−2,481,045**	**1,976,733**
thereof recognised in other comprehensive income	−3,664,221	1,515,920
thereof recognised in profit or loss	334,014	−309,823
Net gains	351,420	33,079
Net losses	−17,406	−342,902
reclassified from net other income/expense to the income statement	849,162	770,636
Net gains	867,955	841,590
Net losses	−18,793	−70,954
Financial assets at amortised cost	**25,513**	**−88,540**
Net gains	108,793	85,673
Net losses	−83,280	−174,213
Financial liabilities at amortised cost	**−1,059**	**1,846**
Net gains	223	7,109
Net losses	−1,282	−5,263

For financial assets and liabilities at amortised cost, total interest income amounted to €481.3 million (previous year: €551.7 million), and total interest expenses amounted to €348.4 million (previous year: €331.6 million).

Total interest income from financial assets at fair value through other comprehensive income amounted to €603.6 million (previous year: €629.4 million).

In addition, currency translation – with the exception of currency translation involving financial instruments at fair value through profit or loss – generated currency income in the amount of €371.1 million (previous year: €33.5 million) and currency expenses in the amount of €16.6 million (previous year: €370.5 million).

Financial assets at amortised cost amounted to €26,243.3 million (previous year: €25,249.1 million), and financial assets at fair value through profit or loss amounted to €10,727.8 million (previous year: €8,816.4 million).

Financial liabilities at amortised cost amounted to €28,604.9 million (previous year: €28,168.7 million), and financial assets at fair value through profit or loss amounted to €218.2 million (previous year: €59.9 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 persons and committees involved in risk management issues are defined. Within the organisational and operational structure, the individual areas of responsibility for all of the following bodies, committees and functions are defined, as well as their interfaces and reporting lines among one another, 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. In addition, it is regularly informed about the current risk situation. Certain types of transactions require approval by the Supervisory Board or its Risk and Audit Committee.

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.

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.

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. In its bylaws, the Group Board Risk specifies the decision-making and advisory powers of its members, as well as the body's duties and responsibilities and other rules concerning its organisation and operational structure. 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 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. We integrate risk-related aspects of the brandpool division via an established reporting line to the Group Board Risk.

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. In connection with the risk inventory process, the corporate and working environment is constantly monitored throughout the Group for potential risks, and identified risks must be reported without delay. This makes a decisive contribution to promoting an appropriate risk culture. Moreover, a uniform Group-wide new-product process has been implemented for the purposes of identifying risks associated with the introduction of new products and sales channels and with the cultivation of new markets. This process incorporates the risk controlling units at the level of the Group and the individual companies. The systematic identification of risks takes places in connection with the risk inventory. In addition, the risk situation is reviewed during the year, where called for. Here, assumed or potential risks are continually recorded, updated and documented. On the basis of an initial assessment for the respective individual company, defined threshold values are used to differentiate risks into material and immaterial risks. Also evaluated is the extent to which individual risks can take on a material character through interaction or accumulation (risk concentrations). Risks that are classified as material are actively managed in the four steps of the risk management process described in more detail in the following. For risks that are classified as immaterial, the responsible business units monitor them during the year, using (early-warning) risk indicators in order to determine whether they have changed, and evaluate them in full at least once a year.

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 individual W&W companies, including W&W AG, that are subject to banking supervision law, 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. In performing this task, it decides about products and transactions. It must continuously check whether the assumed risks are in conformity with the risk profile specified by the risk strategy of the W&W Group or one of its companies and whether risk-bearing capacity as well as the 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 IFRS result 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 company's substance in order to protect customers and 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 and financial risk-bearing capacity concept has been 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. 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. Business is transacted solely within the scope of these limits and lines. 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. Where material risks exist that affect more than just the individual undertaking, they are also 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.

The operability, appropriateness and effectiveness of our risk management system is audited by Internal Audit. As part of the audits of financial statements, an audit firm audits the establishment of early risk detection systems at the individual company level and the appropriateness and effectiveness of the risk management at the level of the credit institutions, as well as that of the W&W Group.

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, participations, 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 rates, 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, we perform stress tests across all risk areas.

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 current interest rate level poses income risks in for the W&W Group (particularly Württembergische Lebensversicherung AG and Wüstenrot Bausparkasse AG), since new investments and reinvestments can be made only at lower interest rates, while at the same time the interest rates and interest obligations pledged to customers (interest guarantee risk) still have to be met. Persistently low interest rates also pose great challenges for pension funds, including Allgemeine Rentenanstalt Pensionskasse AG, in terms of financing the build-up of the additional interest reserve/interest rate reinforcement under the ancillary condition of regulatory solvency. The interest guarantee risk is managed through comprehensive asset liability management and a dynamic product and rate policy, as well as the corresponding creation of reserves.

With Section 5 of the German Regulation on Calculation of the Provision for Future Policy Benefits (DeckRV), the legislators expanded the framework, which is also recognised for tax purposes, for strengthening the provision for future policy benefits in the form of an additional interest reserve in the new portfolio. The amount of the additional interest reserve is determined by the reference interest rate, which is based on the average of Euro interest swap rates over 10 years. In 2021 the reference interest rate dropped to 1.57% (previous year: 1.73%).

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: 1.73%) for Württembergische Lebensversicherung AG and to 2.11% (previous year: 2.17%) for ARA Pensionskasse AG. In the W&W Group, the additional interest reserve and interest rate reinforcement were strengthened by €329.6 million (previous year: €352.3 million). In order to depict the build-up of the additional interest rate reserve and interest rate reinforcement as realistically as possible, capital disbursement probabilities were applied in this regard that are specific to each company. These were updated in 2021 for the sub-portfolio of endowment insurance policies, which led to a higher build-up of the additional interest rate reserve and interest rate reinforcement. For 2022, we expect a further decline in the interest rates relevant to valuation and thus a further increase in the additional interest reserve and in interest rate reinforcement. Since 2010, we have gradually increased the security level of the computation basis "interest rate" for annuity insurance policies in the old portfolio by means of reserve reinforcements.

A breakdown of the provision for future policy benefits by type of insured risk and by insurance amount is provided in the notes to the consolidated balance sheet.

Financial derivatives are used in the W&W Group to manage interest rate risk. Derivative management instruments primarily consist of interest rate swaps 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. Because the interest rate level continues to remain very low, it was again elected to dispense with calculating a decline in the interest rate level by 200 bps, since the results did not appear meaningful.

The changes in the consolidated income statement are due, in particular, to derivative positions and fixed-income securities of Wüstenrot Bausparkasse AG. The changes in other comprehensive income are primarily attributable to bonds, including debenture bonds, of Wüstenrot Bausparkasse AG and Württembergische Lebensversicherung AG.

In the Insurance division, the long duration in interest-bearing investments is reflected in the results. Furthermore, the consolidated income statement is affected by a higher exposure to and a higher volume of long-term receiver swaps, whose value increases sharply when interest rates fall but decreases when they rise. The year-on-year changes to other comprehensive income were mainly attributable to lower exposure.

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	31/12/2021	31/12/2020	31/12/2021	31/12/2020
-				
+100 basis points	−448,176	−456,022	−744,953	−848,745
−100 basis points	525,616	556,836	917,548	1,032,353
+200 basis points	−835,636	−887,770	−1,370,197	−1,573,265

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 effect, in particular, 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	31/12/2021	31/12/2020
-		
+10%	114,550	88,208
-10%	-114,515	-88,056
+20%	228,756	176,232
-20%	-228,309	-175,566

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	31/12/2021	31/12/2020
-		
USD		
+10%	676	−1,007
−10%	−474	1,076
DKK		
+1%	−172	267
−1%	245	−267

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.

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 capital 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 capital 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 2.2% (previous year: 2.2%). Because of the high credit rating of reinsurers, receivables from reinsurance do not constitute a material risk.

Reinsurance contracts are in place with counterparties on the reinsurance market that have flawless credit, meaning that the default risk is significantly reduced

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 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
Subordinated securities and receivables	**–217**	**–**	**–**	**–**	**–27**	**–**
Level 1	–217	–	–	–	–27	–
Senior debenture bonds and registered bonds	**–43**	**–**	**–**	**–**	**–40**	**–**
Level 1	–43	–	–	–	–40	–
Construction 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 loans and advances	**–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 amortised cost in 2020

in € thousands	Opening balance as at 1.1.2020	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
Subordinated securities and receivables	**−235**	**–**	**–**	**–**	**−11**	**−5**
Level 1	−235	–	–	–	−11	−5
Senior debenture bonds and registered bonds	**−29**	**–**	**–**	**–**	**−22**	**−1**
Level 1	−29	–	–	–	−22	−1
Construction loans	**−66,747**	**–**	**–**	**–**	**−10,290**	**−78,008**
Level 1	−12,963	1,092	−415	−24	−3,624	−4,643
Level 2	−28,363	−826	4,751	−849	−2,340	−53,097
Level 3	−25,421	−266	−4,336	873	−4,326	−20,268
Other loans and advances	**−25,811**	**–**	**–**	**–**	**−21,204**	**−555**
Level 1	−19,091	–	–	–	−19,338	−321
Level 2	−1,132	–	–	–	−338	–
Level 3	−5,588	–	–	–	−1,528	−234
Miscellaneous receivables	**−10,925**	**–**	**–**	**–**	**−357**	**−1,229**
Level 1	−10,925	–	–	–	−357	−1,229
Risk provision for financial assets measured at amortised cost	**−103,747**	**–**	**–**	**–**	**−31,884**	**−79,798**

	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 31/12/2020
-	-	-	-	-	-	-	-
	–	**18**	**16**	**–**	**–**	**–**	**–217**
	–	18	16	–	–	–	–217
	–	**1**	**8**	**–**	**–**	**–**	**–43**
	–	1	8	–	–	–	–43
	–1,527	**35,863**	**13,446**	**5,462**	**–627**	**–**	**–102,428**
	804	6,276	5,085	76	–	–	–8,336
	–1,188	16,605	2,208	34	–	–	–63,065
	–1,143	12,982	6,153	5,352	–627	–	–31,027
	–	**–**	**866**	**9,276**	**–**	**–3,061**	**–40,489**
	–	–	598	8,458	–	–3,036	–32,730
	–	–	14	–	–	–25	–1,481
	–	–	254	818	–	–	–6,278
	–	**–**	**1,288**	**1,229**	**–**	**–**	**–9,994**
	–	–	1,288	1,229	–	–	–9,994
	–1,527	**35,882**	**15,624**	**15,967**	**–627**	**–3,061**	**–153,171**

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**

Breakdown of risk provision for financial assets at fair value through other comprehensive income in 2020

in € thousands	Opening balance as at 1.1.2020	Reclassifications from Level 1	Additions for newly issued/acquired financial assets	Additions for financial assets currently in the portfolio
Subordinated securities and receivables	**–817**	**–**	**–442**	**–45**
Level 1	–817	–	–442	–45
Senior debenture bonds and registered bonds	**–7,434**	**–**	**–515**	**–146**
Level 1	–7,434	–	–515	–146
Senior fixed-income securities	**–23,349**	**–**	**–11,522**	**–7,136**
Level 1	–19,606	309	–11,522	–766
Level 2	–3,743	–309	–	–6,370
Risk provision for financial assets at fair value through other comprehensive income	**–31,600**	**–**	**–12,479**	**–7,327**

Releases of financial assets currently in the portfolio	Releases of derecognised financial assets as a result of repayment of principal, modification or sale	Additions 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**

Releases of financial assets currently in the portfolio	Releases of derecognised financial assets as a result of repayment of principal, modification or sale	Additions to the scope of consolidation	Reclassifications	Closing balance as at 31/12/2020
-	-	-	-	-
76	**133**	**–**	**5**	**–1,090**
76	133	–	5	–1,090
598	**1,446**	**–**	**–**	**–6,051**
598	1,446	–	–	–6,051
3,816	**8,252**	**–633**	**–59**	**–30,631**
3,660	6,309	–546	–59	–22,221
156	1,943	–87	–	–8,410
4,490	**9,831**	**–633**	**–54**	**–37,772**

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**

Breakdown of provision for off-balance-sheet business in 2020

in € thousands	Opening balance as at 1.1.2020	Reclassifications from Level 1	Reclassifications from Level 2	Reclassifications from Level 3	Additions fornewly issued/acquired financial assets	Additions for financial assets currently in the portfolio
Irrevocable loan commitments	**−3,655**	**–**	**–**	**–**	**−2,340**	**−1,054**
Level 1	−1,625	−29	−2	–	−1,448	−194
Level 2	−1,803	25	20	−2	−826	−541
Level 3	−227	4	−18	2	−66	−319
Provision for off-balance-sheet business	**−3,655**	**–**	**–**	**–**	**−2,340**	**−1,054**

	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**

	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 31/12/2020
-	-	-	-	-	-
	397	**1,154**	**2,580**	**–19**	**–2,937**
	315	428	1,061	–16	–1,510
	50	375	1,428	–	–1,274
	32	351	91	–3	–153
	397	**1,154**	**2,580**	**–19**	**–2,937**

Breakdown of provision for reinsurers' portion of technical provisions in 2021

in € thousands	Opening balance as at 1.1.2021	Additions fornewly 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**

Breakdown of provision for reinsurers' portion of technical provisions in 2020

in € thousands	Opening balance as at 1.1.2020	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 31/12/2020
Portion of the provision for outstanding insurance claims	**−6,859**	**−39**	**1,733**	**−5,165**
Level 1	−6,859	−39	1,733	−5,165
Reinsurers' portion of technical provisions	**−6,859**	**−39**	**1,733**	**−5,165**

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

Newly issued construction loans totalling €5,379 million (previous year: €5,105 million) resulted in an increase in the risk provision in the amount of €7.9 million (previous year: €10.3 million). Repayments of principal totalling €4,394 million (previous year: €4,500 million) resulted in a release from the risk provision in the amount of €10.1 million (previous year: €13.4 million).

Newly acquired senior fixed-income securities at fair value through other comprehensive income totalling €6,601 million (previous year: €6,618 million) resulted in an increase in the risk provision in the amount of €8.9 million (previous year: €11.5 million). Disposals and scheduled repayments totalling €5,702 million (previous year: €5,716 million) resulted in a release from the risk provision in the amount of €9.5 million (previous year: €8.3 million).

Changes in the contractual cash flows of financial assets that did not result in derecognition were made to only an immaterial extent.

In the previous year, statutory and voluntary moratoriums were offered to customers of the W&W Group to mitigate the effects of the coronavirus pandemic. As a result of this, changes in the contractual cash flows of financial assets that did not lead to derecognition and whose risk provision was calculated in the amount of credit losses expected over the term led to a loss of €1.8 million. The carrying amount prior to the change in the contractual cash flows was €114.6 million.

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 €24.5 million (previous year: €0,0).

For assets directly written off in the reporting year, we are continuing to attempt to collect the contractually agreed amounts of €3.6 million (previous year: €4.3 million) despite an estimation that they are uncollectable.

Effects of collateral on 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	–	–	–
Construction 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 loans and advances	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**

Effects of collateral on the amount of expected credit losses in 2020

	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	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Financial assets at fair value through other comprehensive income	**33,298,814**	**–**	**33,298,814**	**–**	**–**	**–**
Subordinated securities and receivables	762,478	–	762,478	–	–	–
Senior debenture bonds and registered bonds	10,333,568	–	10,333,568	–	–	–
Senior fixed-income securities	22,202,768	–	22,202,768	–	–	–
Financial assets at amortised cost	**24,983,270**	**20,568,340**	**4,414,930**	**214,494**	**206,348**	**8,146**
Subordinated securities and receivables	166,051	–	166,051	–	–	–
Senior debenture bonds and registered bonds	34,851	–	34,851	–	–	–
Senior fixed-income securities	–	–	–	–	–	–
Construction loans	22,693,411	20,534,125	2,159,286	206,348	206,348	–
Construction loans secured with a land charge (Grundpfandrecht)	20,440,320	20,440,320	–	205,301	205,301	–
Construction loans secured otherwise	93,805	93,805	–	1,047	1,047	–
Unsecured construction loans	2,159,286	–	2,159,286	–	–	–
Other receivables	2,088,957	34,215	2,054,742	8,146	–	8,146
Other loans and advances	1,794,718	34,215	1,760,503	8,146	–	8,146
Miscellaneous receivables	294,239	–	294,239	–	–	–
Reinsurers' portion of technical provisions	**31,579**	**–**	**31,579**	**–**	**–**	**–**
Irrevocable loan commitments	**1,399,642**	**–**	**1,399,642**	**4,546**	**–**	**4,546**

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 €8.1 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 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 external rating class per level in 2020

	AAA	AA	A	BBB	BB	B or worse	Total
in € thousands	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2020
Financial assets at fair value through other comprehensive income	**6,659,111**	**12,770,824**	**8,831,359**	**2,932,140**	**840,230**	**1,265,150**	**33,298,814**
Subordinated securities and receivables	–	72,176	526,276	163,059	–	967	762,478
Level 1	–	72,176	526,276	163,059	–	967	762,478
Senior debenture bonds and registered bonds	3,391,345	4,115,246	2,288,175	514,907	–	23,895	10,333,568
Level 1	3,391,345	4,115,246	2,288,175	514,907	–	23,895	10,333,568
Senior fixed-income securities	3,267,766	8,583,402	6,016,908	2,254,174	840,230	1,240,288	22,202,768
Level 1	3,267,766	8,583,402	6,016,908	2,254,174	745,177	1,200,418	22,067,845
Level 2	–	–	–	–	95,053	39,870	134,923
Financial assets at amortised cost	**–**	**11,186**	**95,015**	**80,300**	**–**	**14,401**	**200,902**
Subordinated securities and receivables	–	–	85,751	80,300	–	–	166,051
Level 1	–	–	85,751	80,300	–	–	166,051
Senior debenture bonds and registered bonds	–	11,186	9,264	–	–	14,401	34,851
Level 1	–	11,186	9,264	–	–	14,401	34,851
Reinsurers' portion of technical provisions	**–**	**–**	**30,127**	**–**	**–**	**1,452**	**31,579**
Level 1	–	–	30,127	–	–	1,452	31,579
Total	**6,659,111**	**12,782,010**	**8,926,374**	**3,012,440**	**840,230**	**1,279,551**	**33,499,716**

Gross carrying amounts by internal rating class per level in 2021

	Internal rating: A1-A2	Internal rating: B1-B2	Internal rating: C1-C2	Internal rating: D-H	Internal rating: I-M	Internal rating: worse than M	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 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.

Gross carrying amounts by internal rating class per level in 2020

in € thousands	Internal rating: A1-A2 31/12/2020	Internal rating: B1-B2 31/12/2020	Internal rating: C1-C2 31/12/2020	Internal rating: D-H 31/12/2020	Internal rating: I-M 31/12/2020	Internal rating: worse than M 31/12/2020	Total 31/12/2020
Financial assets at amortised cost	**3,684,293**	**9,378,181**	**2,901,663**	**4,132,839**	**297,462**	**251,183**	**22,933,105**
Construction loans secured by a land charge (Grundpfandrecht)	3,684,293	9,378,181	2,901,663	4,132,839	297,462	251,183	20,645,621
Level 1	3,684,293	9,376,739	2,866,573	3,451,821	8,154	–	19,387,580
Level 2	–	1,442	35,090	680,867	289,308	46,033	1,052,740
Level 3	–	–	–	151	–	205,150	205,301
Construction loans secured otherwise	–	15,471	42,857	19,902	15,171	1,451	94,852
Level 1	–	15,448	41,823	16,059	13,664	–	86,994
Level 2	–	23	1,034	3,843	1,507	404	6,811
Level 3	–	–	–	–	–	1,047	1,047
Unsecured construction loans	416,701	1,146,979	370,266	199,052	23,130	36,504	2,192,632
Level 1	416,701	1,145,775	358,559	152,253	289	–	2,073,577
Level 2	–	1,204	11,707	46,799	22,841	3,158	85,709
Level 3	–	–	–	–	–	33,346	33,346
Irrevocable loan commitments[1]	**40,504**	**271,689**	**324,346**	**746,999**	**14,059**	**6,591**	**1,404,188**
Level 1	40,504	271,689	323,974	738,425	2,186	–	1,376,778
Level 2	–	–	372	8,574	11,873	2,045	22,864
Level 3	–	–	–	–	–	4,546	4,546
Total	**3,724,797**	**9,649,870**	**3,226,009**	**4,879,838**	**311,521**	**257,774**	**24,337,293**

1 Nominal value.

(47) Underwriting 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 2021 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 conservative 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	31/12/2021	31/12/2021	31/12/2020	31/12/2020
Area of life insurance	**30,592,718**	**30,592,718**	**29,571,190**	**29,488,567**
Predominantly mortality risk	9,908,710	9,908,710	10,206,300	10,206,300
Predominantly longevity risk (annuities)	19,287,566	19,287,566	18,051,317	18,050,831
Predominantly disability risk	1,396,442	1,396,442	1,313,573	1,231,436
Area of health insurance	**1,105,441**	**1,105,441**	**997,129**	**997,129**
Total	**31,698,159**	**31,698,159**	**30,568,319**	**30,485,696**

The following overview shows the primary insurers' gross provision for future policy benefits for insurance contracts by insured amount (for annuity policies, 12 times the annual annuity).

Provision for future policy benefits for insurance contracts with an insured amount of

	Gross	Gross
in € thousands	31/12/2021	31/12/2020
Less than €0.5 million	29,739,284	28,756,599
€0.5 million to €1 million	300,701	261,824
€1 million to €5 million	405,670	346,528
€5 million to €15 million	146,116	206,239
€15 million to €25 million	947	–
Total	**30,592,718**	**29,571,190**

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, casualty 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 casualty insurance, the risks are also subject to exogenous developments, such as medical advances and the life expectancy associated with them. Moreover, they are influenced by developments involving statutory damage compensation and liability rules.

Sensitivity analysis

Risks are underwritten solely on the basis of actuarial and statistical analyses. This means that Württembergische Versicherung AG has built sufficient safety margins into its rates in order to cover risk fluctuations.

Expert actuarial opinions and regular simulation and stress calculations are used to review the adequacy of provisions. The results of this study led to the finding that Württembergische Versicherung AG has sufficient reserves in the area of property/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	31/12/2021	31/12/2021	31/12/2020	31/12/2020
General liability, corporate customers	394,507	378,826	383,508	371,638
Property insurance, corporate customers	488,225	315,235	290,307	241,470
General liability, retail customers	83,529	82,156	85,772	84,428
Other, retail customers	2,433	2,433	2,033	2,033
Motor liability	1,098,175	994,067	1,094,242	986,507
Other motor	978	978	809	809
Household	30,442	10,422	18,170	17,966
Legal protection	195,755	195,596	193,120	193,026
Partial cover	7,218	5,423	4,671	4,362
Casualty	217,397	217,099	237,989	237,223
Full cover	78,454	70,838	52,792	51,466
Residential building	235,283	127,768	93,641	89,442
Other	222,375	222,375	238,775	226,488
Total	**3,054,771**	**2,623,216**	**2,695,829**	**2,506,858**

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 risk

Liquidity risk describes the risk that a company will be unable to procure the financial resources necessary to settle the commitments it has made. Liquidity 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 2021:

Breakdown of remaining term to maturity in 2021: 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	**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
Construction 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 presents a breakdown of the residual term to maturity of select financial instruments for 2020:

Breakdown of remaining term to maturity in 2020: 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	**237,869**	**110,447**	**881,875**	**1,521,023**	**–**	**2,751,214**
Fixed-income financial instruments that do not pass the SPPI test	74,074	69,320	810,706	1,452,874	–	2,406,974
Derivative financial instruments	158,624	25,443	15,862	68,149	–	268,078
Senior fixed-income securities	5,171	15,684	55,307	–	–	76,162
Financial assets at fair value through other comprehensive income	**502,961**	**174,582**	**4,052,843**	**34,132,382**	**–**	**38,862,768**
Subordinated securities and receivables	20,644	–	69,376	711,494	–	801,514
Senior debenture bonds and registered bonds	131,587	59,758	871,315	11,252,795	–	12,315,455
Senior fixed-income securities	350,730	114,824	3,112,152	22,168,093	–	25,745,799
Financial assets at amortised cost	**2,276,780**	**1,602,631**	**6,893,700**	**14,026,241**	**306,154**	**25,105,506**
Subordinated securities and receivables	3,301	1,498	59,716	101,319	–	165,834
Senior debenture bonds and registered bonds	194	19,374	5,995	9,245	–	34,808
Senior fixed-income securities	–	–	–	–	–	–
Construction loans	685,536	1,450,065	6,768,090	13,879,998	46,988	22,830,677
Other receivables	1,587,749	131,694	59,899	35,679	259,166	2,074,187
Positive market values from hedges	**736**	**65**	**133**	**15,137**	**–**	**16,071**
Reinsurers' portion of technical provisions	**32,370**	**55,027**	**94,969**	**72,356**	**23,325**	**278,047**
Total	**3,050,716**	**1,942,752**	**11,923,520**	**49,767,139**	**329,479**	**67,013,606**

The following overview depicts the contractually agreed future gross distributions at the earliest possible date for the financial instruments in the portfolio as at the reporting date. For the liability items resulting from insurance contracts, the expected maturity structure is shown:

Contractually agreed cash flows in 2021

	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	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	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
Deposits from home loan savings business 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
Down payments 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**
Profit participation certificates	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**

Contractually agreed cash flows in 2020

in € thousands	Within 3 months 31/12/2020	3 months to 1 year 31/12/2020	1 to 5 years 31/12/2020	5 to 10 years 31/12/2020	10 to 15 years 31/12/2020	15 to 20 years 31/12/2020	Later than 20 years 31/12/2020	Total 31/12/2020
Financial liabilities at fair value through profit or loss	**31,650**	**–**	**7,146**	**6,098**	**288**	**–**	**–**	**45,182**
Derivative financial liabilities at fair value through profit or loss	31,650	–	7,146	6,098	288	–	–	45,182
Negative market values from hedges	**7,168**	**–**	**17,184**	**9,508**	**727**	**–**	**–**	**34,587**
Liabilities	**4,688,770**	**19,535,013**	**1,234,703**	**1,010,730**	**206,572**	**3,422**	**22,528**	**26,701,738**
Liabilities evidenced by certificates	80,526	–	429,529	834,889	72,063	–	–	1,417,007
Liabilities to credit institutions	1,887,655	50,493	240,273	16,078	897	935	2,889	2,199,220
Liabilities to customers	2,443,425	19,403,520	495,988	152,519	131,103	–	–	22,626,555
Deposits from home loan savings business and other savings deposits	–	19,403,520	–	–	–	–	–	19,403,520
Savings deposits with agreed termination period	104,851	–	–	–	–	–	–	104,851
Other deposits	2,338,574	–	495,988	152,519	131,103	–	–	3,118,184
Down payments received	–	–	–	–	–	–	–	–
Lease liabilities	4,006	14,266	51,226	3,582	2,006	2,005	15,858	92,949
Miscellaneous liabilities	273,158	66,734	17,687	3,662	503	482	3,781	366,007
Subordinated capital	**24,074**	**–**	**71,815**	**173,192**	**62,312**	**62,346**	**292,937**	**686,676**
Profit participation certificates	296	–	2,592	–	–	–	–	2,888
Subordinated liabilities	23,778	–	69,223	173,192	62,312	62,346	292,937	683,788
Irrevocable loan commitments	**1,349,109**	**20,473**	**31,349**	**3,257**	**–**	**–**	**–**	**1,404,188**
Total	**6,100,771**	**19,555,486**	**1,362,197**	**1,202,785**	**269,899**	**65,768**	**315,465**	**28,872,371**

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 2021

in € thousands	Within 3 months 31/12/2021	3 months to 1 year 31/12/2021	1 to 5 years 31/12/2021	5 to 10 years 31/12/2021	10 to 15 years 31/12/2021	15 to 20 years 31/12/2021	Later than 20 years 31/12/2021	Total 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**

Prospective maturity of amounts recognised in the balance sheet in 2020

in € thousands	Within 3 months 31/12/2020	3 months to 1 year 31/12/2020	1 to 5 years 31/12/2020	5 to 10 years 31/12/2020	10 to 15 years 31/12/2020	15 to 20 years 31/12/2020	Later than 20 years 31/12/2020	Total 31/12/2020
Liabilities from reinsurance business	**16,076**	**198**	**–**	**–**	**–**	**–**	**–**	**16,274**
Liabilities to customers from direct insurance business	**236,100**	**56,285**	**146,068**	**88,378**	**54,903**	**34,159**	**48,460**	**664,353**
Technical provisions	**962,104**	**2,744,119**	**8,204,293**	**6,434,850**	**4,163,165**	**2,730,930**	**7,062,072**	**32,301,533**
Provision for future policy benefits by type of business operated as life insurance	413,707	1,888,283	7,219,853	5,872,637	3,708,922	2,296,573	6,091,516	27,491,491
Provision for outstanding insurance claims	521,620	730,467	733,899	248,716	148,946	140,122	172,058	2,695,828
Provision for unit-linked insurance contracts	26,567	91,063	250,541	313,497	305,297	294,235	798,498	2,079,698
Other technical provisions	210	34,306	–	–	–	–	–	34,516
Total	**1,214,280**	**2,800,602**	**8,350,361**	**6,523,228**	**4,218,068**	**2,765,089**	**7,110,532**	**32,982,160**

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 2021, the equity of the W&W Group calculated in accordance with IFRS amounted to €4,873.6 million (previous year: €5,085.2 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 2021, the total capital ratio of Wüstenrot Bausparkasse AG stood at 19.4% (previous year: 17.7%), which was above the minimum supervisory requirement of 12.55% (previous year: 12.52%). 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 2022 in the Solvency and Financial Conditions Reports (SFCR). The ratios calculated as at 31 December 2020 were reported to BaFin in the second quarter of 2021. They amounted to 404.7% for Wüstenrot & Württembergische AG, to 421.5% for Württembergische Lebensversicherung AG and to 201.4% 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 2022 in the Solvency and Financial Condition Report (SFCR). The ratio for the previous year, which stood at 232.8%, was reported to BaFin in the second quarter of 2021.

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 228.3% as at 31 December 2020.

Internal calculations on the basis of data for 2021 and on the basis of the planning for 2022 and 2023 show that the regulatory requirements concerning capital resources can be more than 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 presents a breakdown of revenue by type, as well as a reconciliation with the respective reporting segment.

2021

in € thousands	Housing 1/1/2021 to 31/12/2021	Life and Health Insurance 1/1/2021 to 31/12/2021	Property/Casualty Insurance 1/1/2021 to 31/12/2021	All other segments 1/1/2021 to 31/12/2021	Consolidation/ reconciliation 1/1/2021 to 31/12/2021	Total 1/1/2021 to 31/12/2021
Commission revenue	**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**
Disposal revenue from inventories (property development business)	-	-	-	120,192	-	120,192
Disposal revenue from property, plant and equipment	26	-	-	71	-	97
Disposal revenue from intangible assets	-	-	-	-	-	-
Other revenue	7,074	349	4,871	10,479	-2,835	19,938
Net income from disposals	**-**	**-**	**-**	**-**	**-**	**-**
Disposal revenue from investment property	-	-	-	-	-	-
Total	**102,367**	**18,421**	**21,257**	**177,052**	**-71,851**	**247,246**
Type of revenue recognition						
satisfied at a point in time	74,796	18,421	21,257	140,153	-47,786	206,841
satisfied over time	27,571	-	-	36,899	-24,065	40,405
Total	**102,367**	**18,421**	**21,257**	**177,052**	**-71,851**	**247,246**

2020

in € thousands	Housing 1/1/2020 to 31/12/2020	Life and Health Insurance 1/1/2020 to 31/12/2020	Property/Casualty Insurance 1/1/2020 to 31/12/2020	All other segments 1/1/2020 to 31/12/2020	Consolidation/ reconciliation 1/1/2020 to 31/12/2020	Total 1/1/2020 to 31/12/2020
Commission revenue	**89,040**	**13,603**	**14,658**	**45,079**	**–66,389**	**95,991**
from home loan savings business	32,697	–	–	1,729	–	34,426
from brokering activities	52,396	13,603	14,658	1,440	–25,080	57,017
from investment business	–	–	–	41,000	–37,744	3,256
from other business	3,947	–	–	910	–3,565	1,292
Net other operating income/expense	**7,087**	**477**	**5,192**	**37,578**	**–2,759**	**47,575**
Disposal revenue from inventories (property development business)	–	–	–	22,342	–	22,342
Disposal revenue from property, plant and equipment	15	–	–	94	–	109
Disposal revenue from intangible assets	–	–	–	250	–	250
Other revenue	7,072	477	5,192	14,892	–2,759	24,874
Net income from disposals	**–**	**115,200**	**–**	**–**	**–**	**115,200**
Disposal revenue from investment property	–	115,200	–	–	–	115,200
Total	**96,127**	**129,280**	**19,850**	**82,657**	**–69,148**	**258,766**
Type of revenue recognition						
satisfied at a point in time	68,022	129,280	19,850	46,046	–46,115	217,083
satisfied over time	28,105	–	–	36,611	–23,033	41,683
Total	**96,127**	**129,280**	**19,850**	**82,657**	**–69,148**	**258,766**

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.

Disposal revenue from 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 recognised

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.

Disposal revenue from 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 in the amount of €13.7 million (previous year: €11.1 million) and receivables from property development business in the amount of €0.0 million (previous year: €5.4 million), and they are included in the item “Financial assets at amortised cost” (sub-items “Other receivables”). Impairment expenses amounted to €4.8 million (previous year: €4.4 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: €35.8 million), which was included at the start of the period in the liability balance for down payments received. The rise in down payments received was attributable to the advanced state of construction in property development projects.

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.

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 €2.9 million (previous year: €0.6 million). Amortisation amounts totalled €0.0 million (previous year: €1.4 million).

(53) Currency gains and losses

In addition, currency translation – with the exception of currency translation involving financial instruments at fair value through profit or loss – generated currency income in the amount of €37.6 million (previous year: €21.5 million) and currency expenses in the amount of €21.5 million (previous year: €48.5 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 in the consolidated balance sheet from 1 January to 31 December 2021 and 2020.

Right-of-use assets in 2021

	Investment property	Property for own use	Vehicles	EDP equipment	Total
in € thousands	2021	2021	2021	2021	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
Scheduled depreciation	-278	-13,498	-1,521	-1,780	-17,077
As at 31 December	**15,542**	**39,621**	**2,027**	**4,906**	**62,096**

Right-of-use assets in 2020

	Investment property	Property for own use	Vehicles	EDP equipment	Total
in € thousands	2020	2020	2020	2020	2020
Carrying amounts as at 1 January	**10,418**	**60,997**	**2,548**	**1,687**	**75,650**
Additions	5,177	9,625	1,127	8,459	24,388
Disposals	–	-3	-14	-1,711	-1,728
Scheduled depreciation	-103	-17,299	-1,608	-1,773	-20,783
As at 31 December	**15,492**	**53,320**	**2,053**	**6,662**	**77,527**

Recognised in the consolidated income statement were interest expenses from lease liabilities in the amount of €0.7 million (previous year: €1.4 million) and expenses for short-term leases in the amount of €0.1 million (previous year: €0.1 million).

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 €4.1 million (previous year: €5.2 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 six 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

Payment outflows under leases in the amount of €18.9 million were recognised in the cash flow statement (previous year: €21.1 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 €117.2 million (previous year: €115.0 million).

Undiscounted minimum lease payments

	Lessor - operating leases	
in € thousands	31/12/2021	31/12/2020
Within 1 year	81,917	79,647
1 to 2 years	66,564	65,983
2 to 3 years	54,973	61,649
3 to 4 years	46,140	51,131
4 to 5 years	42,672	41,045
Later than 5 years	302,932	290,707
Total	**595,198**	**590,162**

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 leases	
in € thousands	31/12/2021	31/12/2020
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	1,032
4 to 5 years	–	1,032
Later than 5 years	–	–
Gross investment value (also net investment value)	**4,128**	**5,160**

(55) Contingent receivables, contingent liabilities and other obligations

in € thousands	31/12/2021	31/12/2020
Contingent liabilities	**2,155,127**	**1,919,106**
from deposit protection funds	297,706	296,653
from sureties and warranties	10,133	10,141
from capital contribution calls not yet made	1,744,132	1,375,104
from contractual obligations to buy and build investment property	37,351	62,880
from contractual obligations to buy and build property, plant and equipment	64,013	172,700
Other contingent liabilities	1,792	1,628
Other obligations	**1,617,230**	**1,404,188**
Irrevocable loan commitments	1,617,230	1,404,188
Total	**3,772,357**	**3,323,294**

Pursuant to Sections 221 et seq. 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 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 €29.5 million (previous year: €29.4 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 €2.5 million (previous year: €2.3 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 €265.7 million (previous year: €264.9 million).

As at 31 December 2021, obligations for capital contribution calls not yet made as relate to investments in the W&W Group amounted to €1,744.1 million (previous year: €1,375.1 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. Furthermore, Wüstenrot Bausparkasse AG is a member of Bausparkassen-Einlagensicherungsfonds e.V., which is an association that operates the deposit protection fund established by the Association of Private Home Loan and Savings Banks. As a result of participation in the compensation scheme and the deposit protection funds, member institutions are obligated to provide additional funding when necessary.

In connection with the sale of Wüstenrot Bank Pfandbriefbank AG, the buyer has various claims against W&W AG under guarantees. As a rule, the claims are limited to a maximum liability and become time-barred in the short to medium term. There are currently no indications of any claims that will exceed the created provisions.

As a result of membership in Verkehrsopferhilfe e.V., which is an association that assists road accident victims through a guarantee fund established by German motor liability insurers, the W&W Group is obligated to provide this association with the resources necessary for carrying out its purpose. The amount that it is required to pay in each year is determined by its share of the premium revenue that member companies earned from direct insurance in the calendar year before last.

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 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 tax refund claims and tax debts made as at the reporting date, it cannot be ruled out that the fiscal authorities will take a different position. In addition, the outcome of pending tax proceedings, both in and out of court, cannot be determined or predicted. Additional liabilities and receivables may need to be recognised in this area 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 €1,900 thousand per year.

(56) Related party disclosures

Group parent company

The ultimate controlling undertaking is Wüstenrot & Württembergische AG, Stuttgart, Germany.

Transactions with related persons

Natural persons considered to be related parties pursuant to IAS 24 are members of the key management personnel (the Management Board and Supervisory Board of W&W AG) and their close family members.

Transactions with related persons of W&W AG were carried out in connection with the normal business activity of Group companies. This mainly had to do with business relationships in the areas of home loan savings business and life, health and property insurance.

All transactions were at arm's length and/or took place at terms customary in the industry.

As at 31 December 2021, receivables from related persons amounted to €387 thousand (previous year: €183 thousand), and liabilities to related persons amounted to €750 thousand (previous year: €591 thousand). In 2021, interest income from loans made to related persons amounted to €9 thousand (previous year: €10 thousand), and interest expenses for savings deposits of related persons amounted to €8 thousand (previous year: €17 thousand). In 2021, premiums in the amount of €221 thousand (previous year: €61 thousand) were paid by related persons for insurance policies in the areas of life, health and property insurance.

Transactions with related companies

Subsidiaries of W&W AG and other related companies

The W&W Group is a party to various services agreements with W&W AG subsidiaries and other related W&W AG companies, inter alia, in the area of capital investment management. Wüstenrot Holding AG and W&W AG are parties to a brand name transfer and use agreement. As at 31 December 2021, a financial liability was owed to Wüstenrot Holding AG under this agreement in the amount of €10.9 million (previous year: €13.1 million). W&W AG makes fixed annual amortisation payments (principal and interest) to Wüstenrot Holding AG in the amount of € 2.5 million, plus value-added tax.

Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e.V., which is a charitable foundation, as well as Wüstenrot Holding AG, WS Holding AG and Pensionskasse der Württembergischen VVaG are recognised under "Other related parties" as the post-employment benefit plan for the benefit of employees.

In the 2021 financial year, Württembergische Versicherung AG sold a property to Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e.V. Transfer of ownership is expected to take place in the first quarter of 2022.

The transactions were at arm's length.

As of the reporting date, the open balances from transactions with related companies were as follows:

in € thousands	31/12/2021	31/12/2020
Financial assets with respect to related companies	**242,653**	**141,341**
Subsidiaries	216,854	115,765
Other related parties	25,799	25,576
Financial liabilities with respect to related companies	**184,409**	**144,200**
Subsidiaries	81,632	45,765
Associated companies	70,181	70,220
Other related parties	32,596	28,215

As at the reporting date, the open transactions with related companies of W&W AG in its capacity as Group parent company amounted to €0.7 million (previous year: €0.6 million) on the assets side and to €14.1 million (previous year: €16.0 million) on the liabilities side.

Income and expenses from transactions with related companies were as follows:

in € thousands	1/1/2021 to 31/12/2021	1/1/2020 to 31/12/2020
Income from transactions with related companies	**50,945**	**51,823**
Affiliated undertakings	1	1
Subsidiaries	48,507	49,673
Associated companies	79	30
Other related parties	2,358	2,119
Expenses from transactions with related companies	**–102,669**	**–64,489**
Subsidiaries	–51,679	–52,109
Associated companies	–308	–205
Other related parties	–50,682	–12,175

Expenses from transactions with related companies contained under “Other related parties” include a voluntary subsidy in the amount of €40.0 million (previous year: €0,0) paid to Pensionskasse der Württembergischen VVaG.

In the reporting year, income from transactions with related companies of W&W AG in its capacity as Group parent company amounted to €1.4 million (previous year: €1.2 million) and expenses to €6.2 million (previous year: €4.2 million).

(57) Remuneration report

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 €3,716.8 thousand (previous year: €3,822.8 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 €2,085.1 thousand (previous year: €1,894.2 thousand). Of this amount, €379.7 thousand (previous year: €433.2 thousand) was attributable to survivor benefits.

A reserve in the amount of €25,537.4 thousand (previous year: €25,676.7 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 benefits or other benefits of a related nature.

Remuneration of the Supervisory Board

In the 2021 financial year, the company paid the members of the Supervisory Board of Wüstenrot & Württembergische AG total remuneration of €863.1 thousand (previous year: €746.3 thousand). Of this amount, further Supervisory Board mandates in the Group accounted for €103.9 thousand (previous year: €86.0 thousand). In the 2021 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 €16.2 thousand (previous year: €0.0 thousand).

Members of the Supervisory Board are reimbursed for expenses and the value-added tax due on Supervisory Board remuneration, 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 €90.3 thousand (previous year: €183.3 thousand). The loans were granted by Group companies. The agreed interest rates range from 1.6% to 7.9%. Loans amounting to €93.1 thousand (previous year: €406.0 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 €8,354.1 thousand (previous year: €7,858.6 thousand). Of this amount, short-term employee benefits accounted for €6,620.8 thousand (previous year: €6,455.7 thousand), post-employment benefits accounted for €946.7 thousand (previous year: €857.0 thousand), other long-term benefits accounted for €786.6 thousand (previous year: €545.9 thousand) and termination benefits accounted for €0,0 thousand (previous year: €0,0 thousand).

(58) Number of employees

In terms of full-time equivalents, the number of employees of the W&W Group as at 31 December 2021 was 6,307 (previous year: 6,473). As at the reporting date, the number of employees was 7,458 (previous year: 7,666).

The average headcount (permanent employees) in the last 12 months was 7,532 (previous year: 7,715). This average is calculated as the arithmetic mean of the end-of-quarter values as at the reporting date between 31 March 2021 and 31 December 2021 and during the corresponding prior-year period and is distributed over the individual segments as follows:

Number of employees by segment on annual average

	31/12/2021	31/12/2020
Housing	2,210	2,261
Life and Health Insurance	607	631
Property/Casualty Insurance	3,704	3,794
All other segments	1,011	1,029
Total	**7,532**	**7,715**

(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 €4,255 thousand (previous year: €3,573 thousand) for the financial year. Of this amount, audit services accounted for €3,543 thousand (previous year: €2,941 thousand), other assurance services accounted for €48 thousand (previous year: €43 thousand), tax advisory services accounted for €0 thousand (previous year: €0 thousand) and other services accounted for €664 thousand (previous year: €589 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 2021.

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 date

At the start of 2022, the German Federal Financial Supervisory Authority (BaFin) specified an anticyclical capital buffer for domestic risk positions. This was set at 0.75% and is to start in February 2023. In addition, it intends to introduce a systemic risk buffer for the residential properties in the amount of 2.0%.

The invasion of Ukraine by Russia in February 2022 further exacerbated the existing conflict between the two countries and thus constitutes an adverse factor for economic development. Negative effects can be expected, such as higher energy and commodity prices, economic sanctions, resulting disruptions to global supply chains and a downturn in sentiment among economic operators. It currently cannot be ruled out that the crisis will intensify still further if the conflict spreads to other participants.

The conflict in Ukraine had no impact on the consolidated financial statements as at 31 December 2021 since the war broke out in February 2022, i.e. after the reporting date.

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. As a result, the war in Ukraine has no material impact on underwriting.

In the area of investments, the direct exposure to Ukraine, Russia and Belarus amounted to approximately 0.2% of the entire investment portfolio on the reporting date and was thus of minor significance. There has been an impact here after the reporting date, as financial instruments of the affected countries Ukraine, Russia and also Belarus that were acquired in earlier years have been sold in part since the war broke out. This portfolio reduction, as well as measurement losses in the remaining portfolio, have led in the 2022 financial year thus far to an adverse impact on consolidated net profit in the low eight-figure range. Other than that, we do not expect any further losses with respect to these financial instruments.

In light of the great uncertainty with respect to how the conflict will develop, it is currently not possible to provide a reliable estimate of the further financial effects in 2022. In addition, depending on the duration and further development of the conflict in Ukraine, a further indirect deterioration in net assets, financial position, financial performance and the risk position may occur. For further information, please see the management report.

No further material events that require reporting occurred after the reporting date.

(61) Corporate Governance Code

The Executive Board and Supervisory Board of the publicly traded Wüstenrot & Württembergische AG, Stuttgart, Germany, submitted the statement of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) and have made it permanently available to shareholders on the website of the W&W Group at www.ww-ag.com (in German only). → Investor Relations → Publications → Further publications

(62) Group affiliation

Wüstenrot & Württembergische AG, Stuttgart, 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 ownership interests pursuant to Section 315e (1) of the German Commercial Code (HGB) in conjunction with Section 313 (2) HGB

The list of ownership interests of the W&W Group as at 31 December 2021 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, Stuttgart		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, Stuttgart	100.00	M
Beteiligungs-GmbH der Württembergischen, Stuttgart	100.00	M
City Immobilien GmbH & Co. KG der Württembergischen, Stuttgart	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	94.60	M
KLV BAKO Vermittlungs-GmbH, Karlsruhe	77.70	M
Rente.de AV GmbH, Stuttgart	100.00	M
W&W Asset Management GmbH, Ludwigsburg	100.00	F
W&W brandpool GmbH, Stuttgart	100.00	F
W&W Gesellschaft für Finanzbeteiligungen mbH, Stuttgart	100.00	F
W&W Informatik GmbH, Ludwigsburg[2]	100.00	F
W&W Interaction Solutions GmbH (formerly treefin GmbH), Munich	100.00	M
W&W Service GmbH, Stuttgart[2]	100.00	F
Windpark Golzow GmbH & Co. KG, Rheine	100.00	M
WL Erneuerbare Energien Verwaltungs GmbH, Stuttgart	100.00	M
WL Renewable Energy GmbH & Co. KG, Stuttgart	100.00	F
WL Sustainable Energy GmbH & Co. KG, Stuttgart	100.00	F

List of ownership interests (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, Stuttgart	100.00	F
Württembergische Lebensversicherung AG, Stuttgart	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, Stuttgart	100.00	F
Württembergische Vertriebspartner GmbH, Stuttgart	100.00	M
Württembergische Verwaltungsgesellschaft mbH, Stuttgart	100.00	M
Württfeuer Beteiligungs-GmbH, Stuttgart	100.00	M
WürttLeben Alternative Investments GmbH, Stuttgart	100.00	F
WürttVers Alternative Investments GmbH, Stuttgart	100.00	F
Wüstenrot Bausparkasse AG, Ludwigsburg	100.00	F
Wüstenrot Grundstücksverwertungs-GmbH, Ludwigsburg	100.00	M
Wüstenrot Haus- und Städtebau GmbH, Ludwigsburg	100.00	F
Wüstenrot Immobilien GmbH, Ludwigsburg	100.00	M
Finland		
Kiinteistö Oy Porkkalankatu 5, Helsinki	100.00	F
France		
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, Schwaz	100.00	M
Kellerwirt Mountain Health Resort GmbH, Schwaz	100.00	M
SAMARIUM drei GmbH & Co OG, Vienna[3]	100.00	M

List of ownership interests (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	98.33	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	84.33	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-Wüstenrot Aktienfonds, Stuttgart	100.00	F
LBBW AM-Wüstenrot Fixed Income, 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	99.91	F
W&W International Global Convertibles Fonds, Dublin	91.18	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 ownership interests (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
Associated companies		
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	15.00	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 ownership interests (continuation)

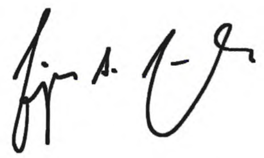
Name and registered office of the company	Interest in capital, in %	Currency	Reporting date	Equity[1]	After-tax earnings[1]
-	-	-	-	-	-
Other participations of 5% or more					
Germany					
familynet GmbH, Potsdam	5.89	€	31/12/2019	1,855,548	-1,720,638
GLL GmbH & Co. Messeturm Holding KG i.L., Munich[2]	5.97	€	31/12/2020	101,055	-32,063
Immomio GmbH, Hamburg	14.34				New investment 2021
IVZ Immobilien Verwaltungs GmbH & Co. Südeuropa KG i.L., Munich[2]	10.00	€	31/12/2020	245,017	-79,421
Keleya Digital-Health Solutions GmbH, Berlin	17.53	€	31/12/2020	0	-782,713
Kinderheldin GmbH, Berlin	7.81	€	31/12/2020	0	-518,633

1 The figures relate to the most recent annual financial statements available on the reporting date.
2 These companies are structured entities.

W&W Group
Responsibility statement

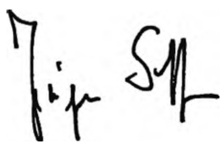
To the best of our knowledge, and in accordance with applicable accounting principles, the consolidated financial statements present a true and accurate view of the Group's net assets, financial position and financial performance, and the Group management report provides a true and accurate presentation 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.

Stuttgart, den 01. March 2022



Jürgen A. Junker

Alexander Mayer



Jürgen Steffan

Jens Wieland

W&W Group
Auditor's report

Report of the independent statutory auditor

To Wüstenrot & Württembergische AG, Stuttgart

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 & Württembergische AG, Stuttgart, consisting of the consolidated balance sheet as at 31 December 2021, 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 2021, 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 & Württembergische AG, Stuttgart, for the financial year 1 January to 31 December 2021. 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", or the four photo spreads "Campus-Perspektiven". 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 2021 and its financial performance for the financial year 1 January to 31 December 2021, 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. Our audit opinion concerning the combined management report does not cover the content of the aforementioned Group corporate governance statement, the four photo spreads "Campus-Perspektiven" or the content of the aforementioned information outside of the annual report to which reference is made through links.

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 2021. 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:

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 also 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”.

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.

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".

Measurement of interest-bearing receivables held for the purpose of capital investment, unlisted securities and derivative financial instruments

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, for example. 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”.

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 correspondingly 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, for a selection of home loan savings contracts, we recalculated the bonus entitlement and 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”.

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 Executive Board is responsible for the other information. The other information comprises: the aforementioned Group corporate governance statement. 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,
- indicator overview, financial calendar, glossary,
- the responsibility statement and
- the report of the Supervisory Board,

but not the consolidated financial statements, the disclosures in the combined management report that are included in the substantive audit, or our associated audit report.

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 Executive Board and the Supervisory Board for the consolidated financial statements and the combined management report

The Executive Board is 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 Executive Board is responsible for the internal controls that it has specified as necessary in order to facilitate the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Executive Board is responsible for assessing the Group's ability to continue as a going concern. In addition, it is responsible for disclosing, as applicable, matters related to going concern. Moreover, it is responsible for using the going concern basis of accounting unless intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Furthermore, the Executive Board is 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 Executive Board is 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 about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether the combined management report as a whole presents a true and accurate view of the Group's position and in all material respects is consistent with the consolidated financial statements and the knowledge gained in the audit, complies with German statutory requirements and accurately depicts the opportunities and risks of future development, as well as to issue an audit report containing our audit opinions concerning 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 non-compliance or inaccuracies 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:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the combined management report, whether due to fraud or error, 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. The risk of not detecting a material misstatement is higher in the case of fraud than in the case of error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

- 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 Executive Board and the reasonableness of the estimates and related disclosures made by the Executive Board;

- Draw conclusions on the appropriateness of the Executive Board's 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 Executive Board 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 Executive Board's 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 reproductions 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 reproductions 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 attached file WW_AG_KLB+KA_ESEF-2021-12-31.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 audit 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 reproductions or other information included in the aforementioned file.

In our opinion, the reproductions 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 2021 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 reproductions or concerning the other information included in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the combined management report that are included in the aforementioned attached 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 reproductions of financial statements and management reports prepared for the purposes of disclosure pursuant to Section 317 (3a) HGB" (IDW PS 410 (October 2021)). 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 Executive Board and the Supervisory Board for the ESEF documents

The company's Executive Board is responsible for preparing the ESEF documents with the electronic reproductions 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 Executive Board is 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 reproduction 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 reproduction.

Other disclosures pursuant to Article 10 of the EU Audit Regulation

We were selected as the Group statutory auditor at the meeting of the Supervisory Board on 23 March 2021. We were given a mandate by the chairman of the Supervisory Board's Risk and Audit Committee on 2 June 2021. 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 Supervisory 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 published in the German Federal Gazette – are merely electronic reproductions 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
Wirtschaftsprüfer (German public auditor)

Gehringer
Wirtschaftsprüfer (German public auditor)

Annual financial statements
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Wüstenrot & Württembergische AG Annual financial statements

Balance sheet as of 31 December 2021

Assets

in € thousands		Cf. Note no.[1]	31.12.2021	31.12.2021	31.12.2021	31.12.2020
A.	**Capital investments**					
I.	Land, land rights and buildings including buildings on third-party land	1		413,670		354,707
II.	Capital investments in affiliated companies and participating interests	2				
	1. Shares in affiliated companies		1,345,592			1,344,247
	2. Loans to affiliated companies		432,250			387,500
	3. Participating interests		20,523			74,147
				1,798,365		1,805,894
III.	Other financial investments					
	1. Shares, units or shares in investment funds and other non-fixed-income securities	3	904,984			692,680
	2. Bearer bonds and other fixed-income securities		443,652			315,781
	3. Other loans	4	213,719			235,338
	4. Deposits with credit institutions	5	135,043			156,969
	of which at affiliated companies € 119,500 thousand (previous year: € 99,700 thousand)					
	5. Other		87			87
				1,697,485		1,400,855
IV.	Deposits from reinsurance accepted			1,651		23,955
					3,911,171	3,585,411
B.	**Receivables**					
I.	Amounts receivable on reinsurance business			80,709		43,697
II.	Other receivables	6		259,396		244,678
	of which from affiliated companies € 257,155 thousand (previous year: € 237,477 thousand)				340,105	288,375
Carryover					**4,251,276**	**3,873,786**

1 See numbered explanations in the notes.

Assets

in € thousands	Cf. Note no.	31.12.2021	31.12.2021	31.12.2021	31.12.2020
Carryover				**4,251,276**	**3,873,786**
C. Other assets					
I. Property, plant and equipment and inventories			620		845
II. Current accounts with banks, cheques and cash			15,594		18,099
				16,214	18,944
D. Deferred assets					
I. Accrued interest and rent			6,140		5,558
II. Other deferred assets	7		2,679		75
				8,819	5,633
E. Excess of plan assets over pension liabilities	8			1,357	1,017
Total assets				**4,277,666**	**3,899,380**

Liabilities

in € thousands		Cf. Note no.	31.12.2021	31.12.2021	31.12.2021	31.12.2020
A.	**Equity**					
I.	Share capital[1]	9	490,311			490,311
	minus: calculated value of treasury shares		418			80
				489,893		490,231
II.	Capital reserve	10		993,468		994,742
III.	Retained earnings	11				
	Other retained earnings		513,577			459,577
				513,577		459,577
IV.	Net retained profits	12		77,607		80,795
					2,074,545	2,025,345
B.	**Subordinated liabilities**	13	**–**	**–**	**300,000**	**–**
C.	**Technical provisions**					
I.	Provision for unearned premiums					
	1. Gross amount		17,645			19,378
				17,645		19,378
II.	Provision for future policy benefits					
	1. Gross amount		1,494			24,152
				1,494		24,152
III.	Provision for outstanding insurance claims					
	1. Gross amount		745,056			470,459
	2. minus: reinsurance amount		368,466			111,614
				376,590		358,845
IV.	Claims equalisation reserve and similar provisions			98,404		106,326
V.	Other technical provisions					
	1. Gross amount		– 7,714			3,877
	2. minus: reinsurance amount		– 12,874			– 1,248
				5,160		5,125
					499,293	513,826
Carryover					**2,873,838**	**2,539,171**

1 Disclosures on authorised and contingent capital are provided in the notes.

Equity and liabilities

in € thousands	Cf. Note no.	31.12.2021	31.12.2021	31.12.2021	31.12.2020
Carryover				**2,873,838**	**2,539,171**
D. Other provisions					
I. Provisions for pensions and similar obligations	14		1,168,967		1,098,019
II. Tax provisions			66,003		83,107
III. Miscellaneous provisions	15		22,275		32,714
				1,257,245	1,213,840
E. Deposits retained from ceded reinsurance business	16			**28,666**	**16,037**
F. Other liabilities					
I. Amounts payable on reinsurance business			29,639		35,797
of which to affiliated companies € 25,093 thousand (previous year: € 32,180 thousand)					
II. Miscellaneous liabilities	17		88,276		94,525
of which to affiliated companies € 82,764 thousand (previous year: € 85,558 thousand) of which from taxes € 146 thousand (previous year: € 2,354 thousand)				117,915	130,322
G. Deferred liabilities	18			2	10
Total equity and liabilities				**4,277,666**	**3,899,380**

Income statement
for the period from 1 January to 31 December 2021

in € thousands			Cf. Note no.	1.1.2021 to 31.12.2021	1.1.2021 to 31.12.2021	1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020
I.	**Technical account**						
1.	Earned premiums, net of reinsurance						
	a)	Gross premiums written		452,708			406,983
	b)	Premiums ceded to reinsurers		147,827			110,023
					304,881		296,960
	c)	Change in the provision for unearned premiums		1,733			3,231
	d)	Change in the gross provision for unearned premiums, reinsurers' share		–			– 3,931
					1,733		– 700
						306,614	296,260
2.	Income from technical interest, net of insurance		19			63	857
3.	Other technical income, net of reinsurance					362	394
4.	Claims incurred, net of reinsurance						
	a)	Claims paid					
		aa) Gross amount		371,535			250,137
		bb) Reinsurers' share		193,627			65,508
					177,908		184,629
	b)	Change in the provision for outstanding insurance claims	20				
		aa) Gross amount		273,529			8,450
		bb) Reinsurers' share		259,905			5,956
					13,624		2,494
						191,532	187,123
5.	Changes in other technical provisions, net of reinsurance						
	a)	Provision for future policy benefits, net of reinsurance			9,469		4,400
	b)	Other technical provisions, net of reinsurance			– 34		1,009
						9,435	5,409
6.	Net operating expenses		21				
	a)	Gross operating expenses			141,758		131,798
	b)	minus: received commissions and profit participations from insurance business ceded			28,902		24,384
						112,856	107,414
7.	Other technical charges, net of reinsurance					1,858	1,665
8.	**Subtotal**					**10,228**	**6,718**
9.	Change in the claims equalisation reserve and similar provisions					7,922	– 4,257
10.	Technical result, net of reinsurance					18,150	2,461
Carryover						**18,150**	**2,461**

in € thousands			Cf. Note no.	1.1.2021 to 31.12.2021	1.1.2021 to 31.12.2021	1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020
Carryover						**18,150**	**2,461**
II.	**Non-technical account**						
1.	Investment income						
	a)	Income from participating interests	22	44,445			14,149
		of which from affiliated companies € 43,977 thousand (previous year: € 11,256 thousand)					
	b)	Income from other investments	22	39,048			33,967
		of which from affiliated companies € 20,246 thousand (previous year: € 20,407 thousand)					
	c)	Value re-adjustments on investments	23	7,154			2,528
	d)	Gains on the realisation of investments	24	968			77,163
	e)	Income from profit pooling, profit transfer and partial profit transfer agreements		160,102			145,309
					251,717		273,116
2.	Investment charges						
	a)	Investment management charges, including interest and other investment charges		8,398			6,693
	b)	Value adjustments on investments	25	27,952			15,799
	c)	Losses on the realisation of investments	26	2,808			7,613
	d)	Costs of loss absorption		2,789			5,349
					41,947		35,454
					209,770		237,662
3.	Income from technical interest				– 64		– 853
						209,706	236,809
4.	Other income		27		71,903		64,352
5.	Other expenses		28		133,560		136,287
						– 61,657	– 71,935
6.	Profit or loss on ordinary activities					166,199	167,335
7.	Income taxes		29		55,347		66,910
8.	Other taxes				– 846		147
						54,501	67,057
9.	**Net profit**					**111,698**	**100,278**
10.	Retained profits brought forward					909	5,517
11.	Appropriation to retained earnings						
		Other retained earnings				35,000	25,000
12.	**Net retained profits**					**77,607**	**80,795**

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.

Investments in alternative investment funds have been reported in the balance sheet item “shares, units or shares in investment funds and other non-fixed-income securities” since the beginning of the financial year in response to emerging accounting practices. Investments in alternative investment funds were previously predominantly included in the items “shares in affiliated companies” and “participating interests”. The reclassification done at the beginning of the financial year includes investments in alternative investment funds of € 54.0 million. The change in how alternative investment funds are reported in the income statement was adopted in the 2021 financial year. The previous years’ figures were not updated.

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.

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 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 reinsurance policies measured at fair value against obligations from phased retirement agreements. Insolvency-remote claims from reinsurance 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.

Liability accounting policies

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 %	31.12.2021	31.12.2020
Actuarial interest rate	1.87	2.31
Pension trend	2.00	2.00
Salary trend	3.00	3.00
Fluctuation for salaried employees	3.50	3.50
Fluctuation for non-tariff employees	1.00	1.00
Biometry	Heubeck 2018 G mortality tables	Heubeck 2018 G mortality tables

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 2021 with a ten-year average interest rate were adjusted by extrapolating the average monthly decline in interest rates from 1 January to 31 October 2021 for the months of November and December 2021. 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 € 98.9 million. The simplification rule of Section 253 (2) sentence 2 HGB is used.

The conversion expense of € 117.3 million resulting from the first-time application of BilMoG in 2010 can be spread over up to 15 years. As of the reporting date, there were no cases of pension underfunding at the entities for whose pension obligations the company is jointly liable. The last allocation, of € 0.8 million, was made in the financial year 2021. The pledged reinsurance policies (€ 4.9 million (previous year: € 5.0 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 1.4% 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% 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, the interest rate must be redefined by law by 1 July 2022 in accordance with the case law of the German Federal Constitutional Court. An interest rate of 3.0% was used as a basis for the interest periods from 2019 onwards. 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 2.2% p.a. Biometric factors are reflected in the measurement of the provision through a universal discount of 2.0%. Pledged reinsurance 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 0.65%, 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 € 1.2 million (previous year: € 5.4 million) was recognised for 2020 in the 2021 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, real estate used exclusively within the Group comprises four (previous year: four) plots of land with a carrying amount of € 413.7 million (previous year: € 354.7 million), a significant portion of which consists of the completed first phase of the W&W Campus as well as the ongoing second phase of the campus project.

Property inventory includes facilities in the second phase of the campus project that have been under construction since 2016.

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% of the shares. The exemption provided in Section 286 (3) no. 1 HGB was utilised in all other cases.

III. Other financial investments

1. Shares, units or shares in investment funds and other non-fixed-income securities (3)

in € thousands	31.12.2021	31.12.2020
Units or shares in investment funds	904,984	692,680
Total	**904,984**	**692,680**

3. Other loans (4)

in € thousands	31.12.2021	31.12.2020
Registered bonds	84,446	94,435
Promissory notes and loans	129,273	140,903
Total	**213,719**	**235,338**

4. Deposits with credit institutions (5)

At the end of the reporting year, we had overnight and term deposits of € 135.0 million (previous year: € 157.0 million), of which € 119.5 million (previous year: € 99.7 million) were invested with affiliated companies.

Fair value of the investments

Valuation reserves

in € thousands	Carrying amount 31.12.2021	Fair value 31.12.2021	Valuation reserves[1] 31.12.2021	Carrying amount 31.12.2020	Fair value 31.12.2020	Valuation reserves[1] 31.12.2020
Land, land rights and buildings including buildings on third-party land	413,670	413,670	–	354,707	365,271	10,564
Shares in affiliated companies	1,345,592	3,305,936	1,960,344	1,344,247	3,181,138	1,836,891
Loans to affiliated companies	432,250	460,462	28,212	387,500	424,519	37,019
Participating interests	20,523	27,713	7,190	74,147	92,415	18,268
Shares, units or shares in investment funds and other non-fixed-income securities	904,984	1,008,871	103,887	692,680	772,420	79,740
Bearer bonds and other fixed-income securities	443,652	452,195	8,543	315,781	335,670	19,889
Registered bonds	84,446	92,437	7,991	94,435	107,660	13,225
Promissory notes and loans	129,273	134,541	5,268	140,903	150,965	10,062
Deposits with credit institutions	135,043	135,077	34	156,969	157,050	81
Other	87	87	–	87	87	–
Deposits from reinsurance accepted	1,651	1,651	–	23,955	23,955	–
Total	**3,911,171**	**6,032,640**	**2,121,469**	**3,585,411**	**5,611,150**	**2,025,739**
As % of the carrying amount of all investments			**54.24**			**56.50**

1 Net, balance of valuation reserves and hidden liabilities.

Section 285 (18) HGB disclosures on capital investments shown above their fair value

The carrying amounts of the promissory note loans of € 53,242.2 thousand are € 750.9 thousand higher than the market values.

They were not written down because the difference is not caused by creditworthiness. We expect interest and principal payments to be made as scheduled.

Section 285 (19) HGB – Disclosures concerning derivative financial instruments not recognised at fair value

Derivative financial instrument/group	Type	Nominal	Fair value	Accounting method used	Carrying amount and balance sheet items[1]
		in € thousands	in € thousands		in € thousands
Share/index-related transactions	Option OTC	74	538	Mathematical option pricing model	443
Currency-related transactions	Currency forward	118,936	61	Discounted cash flow method	– 34

1 Derivatives are pending transactions that are not recognised in the financial statements. Paid option premiums are an exception to this rule. The negative balance sheet items correspond to the recognised loss provision.

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 in accordance with Section 285 (26) HGB: Shares, units or shares in investment funds

Fund name	Investment objective	Certificate value according to Section 36 InvG (German Investment Act)	Carrying amount	Difference from carrying amount	Payment made for the financial year
		in € thousands	in € thousands	in € thousands	in € thousands
LBBW AM-76	Mixed fund (up to 70% equities)	348,554	320,034	28,520	–
LBBW AM-EMB3	Bond fund	128,881	108,004	20,877	–
LBBW AM-W&W AG Corporate Bonds Fonds	Bond fund	94,841	84,500	10,341	–
LBBW AM-USD CORP.BD FDS 3	Bond fund	48,339	48,339	–	1,276
W&W Flexible Point & Figure	Mixed fund (up to 70% equities)	46,810	46,810	–	–
LBBW AM-US Municipals 2	Bond fund	36,577	36,281	296	886
LBBW AM Cove.Call USA Fund	Equity fund	41,268	34,953	6,315	354
W&W Flexible Premium II Fund B	Mixed fund (up to 70% equities)	19,374	18,991	383	–
W&W South East Asian Equity	Equity fund	21,023	16,823	4,200	–
Do-RM Special Situations Total Return	Mixed fund (up to 70%)	5,765	5,000	765	53

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 € thousands	31.12.2021	31.12.2020
Receivables from settlement transactions with affiliated companies and other investees and investors	89,389	85,227
Receivables from profit transfer agreements	160,102	145,309
Receivables from the tax office	1,909	6,727
Assets pledged, transferred or deposited as collateral[1]	7,664	6,941
Miscellaneous other receivables	332	475
Total	**259,396**	**244,678**

1 Of which cash collateral pledged to meet margin calls related to the conclusion of OTC derivatives of € 0 thousand (previous year: € 0 thousand) as well as reinsurance policies with affiliated companies for insolvency protection of pension obligations € 7,664 thousand (previous year: € 6,941 thousand).

Remaining terms of receivables

Receivables with a remaining term of more than one year amount to € 7,664 thousand and relate to receivables from reinsurance policies for pension commitments.

E. Deferred assets

II. Other deferred assets (7)

This mainly includes a discount from subordinated liabilities of € 2,679.0 thousand (previous year: € 75.0 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 reinsurance policies of € 2.3 million (previous year: € 1.7 million) against the portions of the phased retirement provisions used for outstanding settlement amounts of € 1.0 million (previous year: € 0.7 million) in accordance with Section 246 (2) sentence 3 HGB yields an excess of plan assets over pension liabilities of € 1.4 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 2021 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 € 13.20 each (previous year: € 6.76). 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 29 March 2021.

In addition to issuing 78,634 treasury shares, another 147,501 shares were bought back on the market and issued for the programme. Employees acquired a total of 82,787 (previous year: 78,634) 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 79,996 (previous year: 15,252) treasury shares on 31 December 2021, which accounted for € 418,222.18 of the share capital (0.09 %). These shares are to be used for further employee share ownership programmes.

Development of shares outstanding

	2021	2020
As of 01.01.	93,734,468	93,695,834
Buyback for employee share ownership programme	– 147,501	– 40,000
Issued to employees	82,787	78,634
As of 31.12.	93,669,754	93,734,468

I. Share capital (9)

The share capital of € 489.9 million (previous year: € 490.2 million) is divided into 93,749,720 (previous year: 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. Employees acquired a total of 82,787 employee shares in 2021, resulting in an increase of € 0.4 million. The remaining 79,966 no-par value registered shares are deducted as treasury shares at € 0.4 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 € thousands
As of 31.12.2020	490,231
Purchase of 147,501 treasury shares (Ø purchase price: € 18.34)	– 771
Sale of 82,787 treasury shares (disposal price: € 13.20)	433
As of 31.12.2021	**489,893**

II. Capital reserve (10)

The capital reserve is € 993.5 million (previous year: € 994.7 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 € 4.3 million (previous year: € 3.1 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 € thousands
As of 31.12.2020	994,742
Purchase of 147,501 treasury shares (Ø purchase price: € 18.34)	- 1,934
Sale of 82,787 treasury shares (disposal price: € 13.20)	660
As of 31.12.2021	**993,468**

III. Retained earnings (11)

Retained earnings increased from € 459.6 million to € 513.6 million due to the allocation of € 19.0 million from the net retained profits of 2020 and the allocation of € 35.0 million from the net profit of 2021 approved by the Annual General Meeting.

Retained earnings

	in € thousands
As of 31.12.2020	459,577
Allocation by the Annual General Meeting from the net retained profits of 2020	19,000
Allocation from the net profit of 2021	35,000
As of 31.12.2021	**513,577**

IV. Net retained profits (12)

Net retained profits are € 77.6 million (previous year: € 80.8 million). They include retained profits brought forward from the previous year of € 0.9 million (previous year: € 5.5 million).

Proposal on the appropriation of net retained profits

Net retained profits are € 77,606,718.80. We request that they be used as follows:

in €	31.12.2021
€ 0.65 dividend per no-par value share	60,885,340.10
Transfers to other retained earnings	16,000,000.00
Carried forward	721,378.70
Total	**77,606,718.80**

The proposal for the appropriation of net retained profits considers the 79,966 treasury shares held directly by the company on 31 December 2021, 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 nine (previous year: nine) 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 € 1,169.0 million (previous year: € 1,098.0 million) on the reporting date. This amount includes the offset capitalised value of the reinsurance policy of € 4.9 million (previous year: € 5.0 million).

III. Miscellaneous provisions (15)

in € thousands	31.12.2021	31.12.2020
Phased retirement	1,609	1,382
Expenses for annual financial statements	2,307	1,933
Holiday obligations and flexitime credits	2,457	2,412
Bonuses and performance incentives	5,144	4,200
Outstanding trade receivables for real estate	1,237	1,306
Expenses for deferred maintenance for real estate	62	64
Employee anniversary obligations	239	234
Legal risks	2,800	5,474
Interest expense according to Section 233a AO	2,216	9,207
Provision for guarantees	691	1,134
Contributions to employers’ liability insurance association, disabled persons equalisation levy etc.	3,476	5,199
Derivatives	37	169
Total	**22,275**	**32,714**

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 reinsurance policy. They are netted against pledged reinsurance 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. Pledged reinsurance policies are measured at their fair value, which comprises the actuarial reserve plus irrevocable profit participation commitments.

Benefits for phased retirement as of 31 December are calculated as follows:

in € thousands	31.12.2021	31.12.2020
Amount needed to satisfy vested claims	2,563	2,104
Of which eligible to be offset against the reinsurance policy	954	722
Carrying amount	**1,609**	**1,382**

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 € thousands	31.12.2021	31.12.2020
Loans obtained from affiliated companies	79,500	79,500
Liabilities from profit transfer agreements	2,789	5,349
Accrued interest on subordinated bond	1,974	–
Trade payables	909	116
Liabilities from settlement transactions with affiliated companies	475	709
Taxes	146	2,354
Other miscellaneous liabilities	2,483	6,497
Total	**88,276**	**94,525**

Remaining terms of miscellaneous liabilities
The item comprises liabilities of € 87,536.0 thousand that have a remaining term of one year or less. Liabilities with a remaining term of more than one year amount to € 740.0 thousand.

F. Deferred liabilities (18)

This includes discounts and interest accruals of € 2.0 thousand (previous year: € 10.0 thousand).

Income statement disclosures

I. 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 € 24.4 million (previous year: loss of € 0.9 million). The gains mainly stemmed from the other property insurance (€ 7.8 million), auto (€ 5.7 million), casualty (€ 4.0 million) and fire (€ 3.8 million) lines. Life was the only line that incurred reversal losses (€ 2.6 million).

6. Net operating expenses (21)

Gross operating expenses amounted to € 141.8 million (previous year: € 131.8 million), of which € 141.4 million (previous year: € 131.4 million) was for closing costs and € 0.4 million (previous year: € 0.4 million) for general administrative expenses.

II. Non-technical account

1. Investment income

a) Income from participating interests and bb) Income from other investments (22)

Due to the reclassification made at the start of the year of the investments in alternative investments from the balance sheet item "participating interests" to the balance sheet item "shares, units or shares in investment funds", the item "income from other investments" contains income from alternative investments of € 4,620 thousand in the financial year, while income of € 1,557 thousand was reported in the item "income from investments" in the previous year.

b) Income from other investments (22)

in € thousands	2021	2020
Land, land rights and buildings including buildings on third-party land	8,684	9,141
Other	30,364	24,826
Total	**39,048**	**33,967**

(c) Value re-adjustments on investments (23)

The individual amounts are shown in the appendix to the notes under individual asset disclosures.

Currency write-ups of € 1,232.1 thousand were recorded in 2021.

d) Gains on the realisation of investments (24)

in € thousands	2021	2020
Land, land rights and buildings including buildings on third-party land	–	2
Affiliated companies	–	71,016
Participating interests[1]	168	2,444
Shares, units or shares in investment funds and other non-fixed-income securities[2]	194	–
Bearer bonds and other fixed-income securities[3]	409	3,432
Deposits with credit institutions[4]	197	269
Total	**968**	**77,163**

1 Of which exchange rate gains of € 0 thousand (previous year: € 22.3 thousand).
2 Of which exchange rate gains of € 183.1 thousand (previous year: € 0 thousand).
3 Of which exchange rate gains of € 215.0 thousand (previous year: € 157.0 thousand).
4 Of which exchange rate gains of € 196.5 thousand (previous year: € 268.9 thousand).

W&W AG realised a net disposal gain of € 66.0 million by selling its shares in Czech Wüstenrot stavebni sporitelna a.s. and Wüstenrot hypotecni banka a.s. in the previous year.

2. Investment charges

b) Value adjustments on investments (25)

Value adjustments on investments include write-downs according to Section 253 (3) sentence 5 and 6 and (4) in conjunction with Section 277 (3) sentence 1 HGB. They break down as follows:

in € thousands	2021	2020
Land, land rights	2,971	–
Affiliated companies and participating interests	22	650
Securities and investment units	12,027	7,316
Other loans	19	284
Deposits with credit institutions	–	1,581
Total	**15,039**	**9,831**

Write-downs of affiliated companies and participating interests are balance sheet items that are measured like fixed assets, while write-downs of securities and units or shares in investment funds are balance sheet items that are classified as current assets.

Currency write-downs of € 4.0 thousand were recorded in 2021.

c) Losses on the realisation of investments (26)

in € thousands	2021	2020
Affiliated companies	87	5,041
Participating interests[1]	2,257	982
Equities and non-fixed-income securities[2]	92	386
Bearer bonds and fixed-income securities[3]	372	201
Other	–	1,003
Total	**2,808**	**7,613**

1 Of which exchange rate losses of € 0 thousand (previous year: € 65.3 thousand).
2 Of which exchange rate losses of € 92.2 thousand (previous year: € 0 thousand)
3 Of which exchange rate losses of € 0 thousand (previous year: € 12.7 thousand).

4. Other income (27)

The main items included here are:

in € thousands	2021	2020
Income from services provided to affiliated companies	55,934	53,226
Interest income from taxes	9,264	6,012
Income from pension plans and phased retirement	2,118	1,358
Exchange rate gains[1]	598	1,350
Reversal of miscellaneous provisions	3,345	1,871
Total	**71,259**	**63,817**

1 Of which realised exchange rate gains of € 563 thousand (previous year: € 0 thousand).

5. Other expenses (28)

The position includes the following material items:

in € thousands	2021	2020
General administrative expenses	100,664	100,025
Of which: payments to affiliated companies for services[1]	55,934	53,226
Interest expenses	26,110	34,610
Of which: interest due on credit accounts resulting from the assumption of joint liability for pension commitments	11,184	13,001
Of which: interest expenses for pension provisions	12,584	12,393
Of which: interest expenses from subordinated capital issued	1,974	–
Of which: interest expenses from unwinding discounts on provisions	17	19
Increase in general valuation allowance from reinsurance amounts	3,054	–
Cost of old age pensions	2,133	993
Negative interest	95	122
Currency expenses[2]	1,127	213
Total	**133,183**	**135,963**

1 Includes a voluntary special contribution to generally increase the provision for future policy benefits in the previous year
2 Of which realised exchange rate losses of € 0 thousand (previous year: € 201 thousand).

Expenses of € 4.0 thousand (previous year: € 6.0 thousand) from unwinding discounts on the assets being offset and income of € 43.5 thousand (previous year: € 43.1 thousand) from applying discounts were offset against each other in accordance with Section 246 (2) sentence 2 HGB. Likewise, expenses of € 12,584.0 thousand (previous year: € 12,393.0 thousand) from unwinding discounts on pension provisions and income of € 106.2 thousand (previous year: € 106.0 thousand) from applying discounts to the capitalised values of reinsurance policies were offset against each other in accordance with Section 246 (2) sentence 2 HGB.

7. Income taxes (29)

Income taxes were € 55.3 million (previous year: € 66.9 million) in the financial year. The tax expense decreased by a total of € 11.6 million. There were mainly lower effects from tax-exempt investment income in the current account since the profit on ordinary activities was slightly lower. This is counterbalanced by higher income from taxes from previous years.

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

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

Petra Aichholz[1]
(until 30 April 2021)
Insurance employee
Württembergische Versicherung AG

Peter Buschbeck
(until 13 March 2021 †)
Member of the Executive Board
Investors Marketing AG

Jutta Eberle[1]
(as of 1 May 2021)
Insurance employee
Württembergische Versicherung AG

Dr Frank Ellenbürger
(as of 20 May 2021)
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

Ute Hobinka[1]
Chairwoman of the Works Council
W&W Informatik GmbH
a) W&W Informatik GmbH, Ludwigsburg, Deputy Chairwoman

Jochen Höpken[1]
Task Group Chair
ver.di United Services Union
b) ATRUVIA AG, Karlsruhe

Corinna Linner
Linner Wirtschaftsprüfung
b) Donner & Reuschel AG, Munich/Hamburg
SIGNAL IDUNA Bauspar AG, Hamburg (as of 9 December 2021)

Marika Lulay
Chief Executive Officer (CEO) and Managing Director, and
Member of the Supervisory Board of GFT Technologies SE
b) EnBW Energie Baden-Württemberg AG, Karlsruhe

Bernd Mader[1]
Head of Customer Service and Cross-Functional Operations Functions
Württembergische Versicherung AG

Andreas Rothbauer[1]
Chairman of the Works Council
Wüstenrot Bausparkasse AG, Ludwigsburg location
a) Wüstenrot Bausparkasse AG, Ludwigsburg

Hans-Ulrich Schulz
Former Member of the Executive Board
Wüstenrot Bausparkasse AG

Christoph Seeger[1]
Chairman of the General Works Council
Wüstenrot Bausparkasse AG
a) Wüstenrot Bausparkasse AG, Ludwigsburg, Deputy Chairman

Jutta Stöcker
Former Member of the Executive Board
RheinLand-Versicherungsgruppe
b) RheinLand Versicherungs AG, Neuss
RheinLand Holding AG, Neuss

Susanne Ulshöfer[1]
Member of the Works Council
Wüstenrot Bausparkasse AG, Ludwigsburg location
a) Wüstenrot Bausparkasse AG, Ludwigsburg

1 Employee representatives.

Members of the Executive Board of W&W AG

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) Württembergische Lebensversicherung AG, Stuttgart, Chairman
Württembergische Versicherung AG, Stuttgart, Chairman
Wüstenrot Bausparkasse AG, Ludwigsburg, Chairman
c) Wüstenrot Wohnungswirtschaft reg. Gen. m.b.H., Salzburg

Alexander Mayer
Group Accounting, Financial Management, 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, Stuttgart, Deputy Chairman
W&W Informatik GmbH, Ludwigsburg, Chairman
b) V-Bank AG, Munich, Chairman
EUWAX AG, Stuttgart (as of 3 February 2021)
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 € 20.9 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 € 15.5 million on the reporting date, after accounting for the provisions for guarantees (€ 0.7 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.

The Stuttgart Regional Council approved funding for the establishment of the "Feuerseepiraten" day care centre at the Stuttgart location. The Regional Council received a bank guarantee of € 0.1 million in exchange. The guarantee is not expected to be called because the grant conditions stipulated by the Regional Council of Stuttgart have been fulfilled.

Outstanding call obligations for equity and fund investments received amounted to € 118.5 million on the reporting date.

W&W AG had financial obligations of around € 64.0 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 € 11.0 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 € 31.1 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 12 June 2023. The total increase may not exceed € 100 million. The shareholders have a statutory subscription right.

Contingent capital

The Annual General Meeting resolved on 13 June 2018 to authorise the Executive Board to issue bonds with warrants, convertible bonds, participation rights, participating bonds or a combination of these instruments until 12 June 2023. Accordingly, Article 5 (6) of the articles of association stipulates that the share capital of W&W AG is conditionally increased by up to a nominal amount of € 240,000 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, Stuttgart, 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:

Name of the company	Domicile	Over/under	Reporting threshold	Date	Share of voting rights	Number of votes	Attribution pursuant to Section 22 WpHG
Wüstenrot Foundation Gemeinschaft der Freunde Deutscher Eigenheimverein e. V. (attributed via Wüstenrot Holding AG, Ludwigsburg)	Ludwigsburg, Stuttgart	Under	50%	17.8.2016	39.91%	37,417,638	Section 22 (1) sentence 1 (1) WpHG
Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e. V. (attributed via WS Holding AG, Stuttgart)	Ludwigsburg, Stuttgart	Over	25%	17.8.2016	26.40%	24,750,000	Section 22 (1) sentence 1 (1) WpHG
Dr Lutz Helmig (attributed via FS BW Holding GmbH)	Hallbergmoos, Germany	Over	10%	11.12.2013	10.62%	9,960,674	Section 22 (1) sentence 1 (1) WpHG

Legal bases

Wüstenrot & Württembergische Aktiengesellschaft has its domicile in Stuttgart and is entered in the Commercial Register of the Local Court of Stuttgart under number HRB 20203.

Supplementary report

The Russian invasion of Ukraine in February 2022 exacerbated the existing conflict between Russia and Ukraine and thus represents a negative factor for economic developments. Negative effects are to be expected, for example, through higher energy and commodity prices, economic sanctions, resulting disruptions to global supply chains and worse sentiment among economic players. There is currently a real possibility that the crisis may intensify and expand to other participants.

The Ukraine conflict has no effect on the annual financial statements as of 31 December 2021 since the war began in February 2022 and is thus a non-adjusting event.

Wüstenrot & Württembergische AG holds no direct investments in the affected countries.

Given the great uncertainty regarding the further trajectory of the conflict, it is not currently possible to provide a reliable estimate of the financial effects in 2022. However, depending on the duration and progression of the Ukraine conflict, it may indirectly have an adverse effect on the net assets, financial position, results of operations and risk situation of Wüstenrot & Württembergische AG. Further information can be found in the management report.

There were no other material reportable events after the balance sheet date.

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]	2021	2020
Total employees	541	532
Of which women	287	280
Of which men	254	252
Of which full-time	392	387
Of which part-time	149	145

1 Average number of employees for the year in accordance with Section 285 (7) HGB.

Remuneration of the Executive Board

The remuneration report required by Section 162 AktG is published at https://www.ww-ag.com/de/ueber-uns/vorstand-und-aufsichtsrat/verguetung. 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 the Wüstenrot & Württembergische AG Group amounted to € 2,890.8 thousand (previous year: € 2,729.1 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 € 2,085.1 thousand (previous year: € 1,894.2 thousand) in the financial year, of which € 380 thousand (previous year: € 433 thousand) was for survivors' pensions.

Provisions totalling € 23,012 thousand (previous year: € 20,675 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 € 759.2 thousand (previous year: € 660.3 thousand) from the company for the 2021 financial year. Members of the Supervisory Board of Wüstenrot & Württembergische AG who left the company during the financial year received pro rata remuneration of € 16.2 thousand (previous year: € 0.0 thousand) from the company for the 2021 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 € thousands			Balance sheet values 2020	Additions	Reclassific ations	Disposals	Reversals of write-downs	Depreciat-ion, amortisa-tion, and write-downs	Carrying amounts in 2021
B.	**I.**	**Land, land rights and buildings including buildings on third-party land**	**354,707**	**74,699**	**–**	**–**	**–**	**15,736**	**413,670**
B.	**II.**	**Capital investments in affiliated companies and participating interests**							
1.	Shares in affiliated companies		1,344,247	20,833	– 19,361	127	–	–	1,345,592
2.	Loans to affiliated companies		387,500	94,250	–	49,500	–	–	432,250
3.	Participating interests		74,147	15,306	– 64,313	4,596	1	22	20,523
4.	Loans to other long-term investees and investors		–	–	–	–	–	–	–
Total B. II.			**1,805,894**	**130,389**	**– 83,674**	**54,223**	**1**	**22**	**1,798,365**
B.	**III.**	**Other financial investments**							
1.	Shares, units or shares in investment funds and other non-fixed-income securities		692,680	140,165	83,674	15,271	5,894	2,158	904,984
2.	Bearer bonds and other fixed-income securities		315,781	164,360	–	26,824	351	10,016	443,652
3.	Other loans								
	a)	Registered bonds	94,435	–	–	10,000	31	19	84,447
	b)	Promissory notes and loans	140,903	–	–	11,631	–	–	129,272
4.	Deposits with credit institutions		156,969	84,466	–	107,270	878	–	135,043
5.	Other		87	–	–	–	–	–	87
Total B. III.			**1,400,855**	**388,991**	**83,674**	**170,996**	**7,154**	**12,193**	**1,697,485**
Total			**3,561,456**	**594,079**	**–**	**225,219**	**7,155**	**27,951**	**3,909,520**

The reclassification amounts show the values on the technical reclassification date during the year and include transactions carried out up to this date. The reclassifications took effect in substance on 1 January 2021 and are therefore recognised for the full year under the corresponding absorbing items in the income statement for this year’s reporting period.

List of shareholdings

	Directly held share of capital in %	Indirectly held share of capital in %[3]	Currency	Reporting date	Equity[1]	Net profit after taxes[1]
Germany						
3B Boden-Bauten-Beteiligungs-GmbH, Ludwigsburg	100.00		€	31.12.2020	64,621,558	1,283,617
Adam Riese GmbH, Stuttgart[2]		100.00	€	31.12.2020	25,000	–
Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart		100.00	€	31.12.2020	74,955,640	-2,569,915
Altmark Versicherungsmakler GmbH, Stuttgart		100.00	€	31.12.2020	3,973,740	1,004,358
Altmark Versicherungsvermittlung GmbH, Stuttgart		100.00	€	31.12.2020	529,146	146,880
Asendorfer Kippe ASK GmbH & Co. KG, Stuttgart		100.00	€	31.12.2020	2,730,625	-45,076
Bausparkasse Wüstenrot Immo GmbH, Stuttgart		100.00	€	31.12.2020	108,321	31,628
Beteiligungs-GmbH der Württembergischen, Stuttgart		100.00	€	31.12.2020	3,480,456	160,054
BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart		35.00	€	31.12.2020	222,418,734	-8,107,149
BWK Holding GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart		35.00	€	31.12.2020	12,264,118	847,634
City Immobilien GmbH & Co. KG der Württembergischen, Stuttgart		100.00	€	31.12.2020	103,304,859	-92,726
Domus Beteiligungsgesellschaft der Privaten Bausparkassen mbH, Berlin		28.73	€	31.12.2020	30,105	–1,780
familynet GmbH, Potsdam		5.89	€	31.12.2019	1,855,548	-1,720,638
Ganzer GmbH & Co. KG, Stuttgart		100.00	€	31.12.2020	2,000,000	812,607
Gerber GmbH & Co. KG, Stuttgart		100.00	€	31.12.2020	262,235,534	–1,994,161
GLL GmbH & Co. Messeturm Holding KG i.L., Munich		5.97	€	31.12.2020	101,055	–32,063
GMA Gesellschaft für Markt- und Absatzforschung mbH, Ludwigsburg		100.00	€	31.12.2020	1,782,291	–246,111
Immomio GmbH, Hamburg		14.34	New investment in 2021			
IVB – Institut für Vorsorgeberatung Risiko- und Finanzierungsanalyse GmbH, Karlsruhe		100.00	€	31.10.2020	79,857	1,676
IVZ Immobilien Verwaltungs GmbH & Co. Südeuropa KG i.L., Munich		10.00	€	31.12.2020	245,017	–79,421
Keleya Digital-Health Solutions GmbH, Berlin		17.53	€	31.12.2020	0	–782,713
Kinderheldin GmbH, Berlin		7.81	€	31.12.2020	0	–518,633
KLV BAKO Dienstleistungs-GmbH, Karlsruhe		94.60	€	31.12.2020	239,913	8,496
KLV BAKO Vermittlungs-GmbH, Karlsruhe		77.70	€	31.12.2020	250,983	8,994
Rente.de AV GmbH, Stuttgart[2]		100.00	€	31.12.2020	25,000	–
V-Bank AG, Munich		15.00	€	31.12.2020	54,066,528	5,439,388
ver.di Service GmbH, Berlin		50.00	€	31.12.2020	196,880	38,968
W&W Asset Management GmbH, Ludwigsburg[2]	100.00		€	31.12.2020	11,261,185	–
W&W brandpool GmbH, Stuttgart[2]	100.00		€	31.12.2020	3,275,000	–
W&W Gesellschaft für Finanzbeteiligungen mbH, Stuttgart	100.00		€	31.12.2020	59,697,569	288,203
W&W Informatik GmbH, Ludwigsburg[2]	100.00		€	31.12.2020	435,138	–
W&W Interaction Solutions GmbH (formerly treefin GmbH), Munich[2]		100.00	€	31.12.2020	3,382,560	–
W&W Service GmbH, Stuttgart[2]	100.00		€	31.12.2020	100,153	–
Windpark Golzow GmbH & Co. KG, Rheine		100.00	€	31.12.2020	0	–348,435
WL Erneuerbare Energien Verwaltungs GmbH, Stuttgart		100.00	€	31.12.2020	78,253	1,765

List of shareholdings (continued)

Name and domicile of the company	Directly held share of capital in %	Indirectly held share of capital in %[3]	Curr-ency	Reporting date	Equity[1]	Net profit after taxes[1]
WL Renewable Energy GmbH & Co. KG, Stuttgart		100.00	€	31.12.2020	81,269,940	-21,085
WL Sustainable Energy GmbH & Co. KG, Stuttgart		100.00	€	31.12.2020	77,353,638	-3,881,255
Württembergische Akademie GmbH, Stuttgart		100.00	€	31.12.2020	65,020	-34,980
Württembergische Immobilien AG, Stuttgart		100.00	€	31.12.2020	119,965,998	2,664,621
Württembergische Kö 43 GmbH, Stuttgart		89.90	€	31.12.2020	22,273,216	-23,248
Württembergische Krankenversicherung AG, Stuttgart	100.00		€	31.12.2020	51,648,122	5,900,000
Württembergische Lebensversicherung AG, Stuttgart	94.89		€	31.12.2020	491,511,724	18,000,000
Württembergische Logistik I GmbH & Co. KG, Stuttgart		100.00	€	31.12.2020	13,505,575	-3,343,745
Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart		100.00	€	31.12.2020	76,492	-202
Württembergische Versicherung AG, Stuttgart[2]	100.00		€	31.12.2020	392,563,107	42,000,000
Württembergische Vertriebspartner GmbH, Stuttgart[2]		100.00	€	31.12.2020	74,481	–
Württembergische Verwaltungsgesellschaft mbH, Stuttgart		100.00	€	31.12.2020	36,463	-276
Württfeuer Beteiligungs-GmbH, Stuttgart		100.00	€	31.12.2020	974,356	-28,936
WürttLeben Alternative Investments GmbH, Stuttgart[2]		100.00	€	31.12.2020	150,025,000	–
WürttVers Alternative Investments GmbH, Stuttgart[2]		100.00	€	31.12.2020	59,025,000	–
Wüstenrot Bausparkasse AG, Ludwigsburg	100.00		€	31.12.2020	860,663,330	30,099,825
Wüstenrot Grundstücksverwertungs-GmbH, Ludwigsburg	100.00		€	31.12.2020	2,070,158	22,117
Wüstenrot Haus- und Städtebau GmbH, Ludwigsburg	100.00		€	31.12.2020	106,543,392	191,940
Wüstenrot Immobilien GmbH, Ludwigsburg	100.00		€	31.12.2020	5,634,637	1,689,965
France						
Württembergische France Immobiliere SARL, Strasbourg		100.00	€	30.9.2021	15,309,098	1,116,368
Württembergische France Strasbourg SARL, Strasbourg		100.00	€	30.9.2021	46,491,541	2,186,769
Ireland						
W&W Asset Management Dublin DAC, Dublin		100.00	€	31.12.2020	15,969,871	4,370,740
W&W Investment Managers DAC, Dublin		100.00	€	31.12.2020	13,516,478	4,975,279
Austria						
G6 Zeta Errichtungs- und VerwertungsGmbH & Co OG, Vienna		99.90	€	31.12.2020	23,117,754	1,628,159
Kellerwirt Holding GmbH, Schwaz		100.00		New investment in 2021		
Kellerwirt Mountain Health Resort GmbH, Schwaz		100.00		New investment in 2021		
SAMARIUM drei GmbH & Co OG, Vienna		100.00	€	31.12.2020	9,443,240	415,387
Hungary						
Fundamenta-Lakáskassza-Lakástakarékpénztár Zrt., Budapest	11.47		HUF	31.12.2020	63,370,000,000	2,270,000,000

1 This information refers to the last available annual financial statements named under "Reporting date".
2 Profit transfer agreement available.
3 According to Section 16 (4) AktG, indirectly held shares (or shareholding; or equity stake) include shares that belong to an entity controlled by the company or if they belong to another party for the account of the company or for the account of an entity under its control.

Individual income statement disclosures

in € thousands	Gross premiums written		Technical result, net of reinsurance (before claims equalisation reserve)		Technical result, net of reinsurance (after claims equalisation reserve)	
	2021	2020	2021	2020	2021	2020
Fire insurance	90,376	71,147	– 3,776	– 1,919	3,598	– 1,058
Other property insurance	119,796	104,297	– 9,291	1,788	– 11,659	– 2,581
Total fire and other property insurance	**210,172**	**175,444**	**– 13,067**	**– 131**	**– 8,061**	**– 3,639**
Auto insurance	143,599	133,912	– 146	1,566	– 3,602	– 4,112
Liability insurance	41,190	36,939	8,629	6,555	15,337	10,756
Casualty insurance	23,063	22,273	7,849	937	7,849	938
Marine and aviation hull insurance	4,092	3,902	1,259	– 330	1,012	295
Other insurance	32,761	29,974	– 1,507	– 2,465	– 1,596	– 2,363
Total property and casualty insurance business	**454,877**	**402,444**	**3,017**	**6,132**	**10,939**	**1,875**
Life insurance	– 2,169	4,539	7,211	586	7,211	586
Total	**452,708**	**406,983**	**10,228**	**6,718**	**18,150**	**2,461**

Commissions and other compensation paid to insurance agents, personnel expenses

in € thousands	2021	2020
Wages and salaries	41,466	38,503
Social security costs and welfare benefit expenses	7,669	7,355
Cost of old age pensions	2,447	4,245
Total	**51,582**	**50,103**

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.

Stuttgart, 28 February 2022

Jürgen A. Junker

Alexander Mayer

Jürgen Steffan

Jens Wieland

Wüstenrot & Württembergische AG
Auditor’s report

Independent auditor’s report

To Wüstenrot & Württembergische AG, Stuttgart

Report on the audit of the annual financial statements and the combined management report and the ESEF data

Audit opinions

We have audited the annual financial statements of Wüstenrot & Württembergische AG, Stuttgart, comprising the balance sheet as of 31 December 2021, the income statement for the financial year from 1 January to 31 December 2021, 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 2021. In compliance with German law, we did not audit the contents of the declaration on corporate governance and the four illustrated pages “Campus perspectives” pursuant to Section 341a HGB in conjunction with Section 289f HGB contained in the declaration on corporate governance section of the combined management report. 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 2021, and of its results of operations for the financial year from 1 January to 31 December 2021, 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. Our audit opinion on the combined management report does not cover the contents of the above-mentioned declaration on corporate governance, the four illustrated double pages “Campus perspectives” and any information given 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 to 31 December 2021. 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 capital 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 coronavirus pandemic. 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 sample 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".

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 aforementioned declaration on corporate governance and the four illustrated double pages "Campus perspectives". 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,

but not the annual financial statements, not the disclosures from the combined management report included in the substantive audit, and not our associated auditor's report.

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 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 result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of the annual financial statements and combined management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material misstatements, whether due to fraud or error, in the annual financial statements and the combined management report, 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. The risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions, or the suspension 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 (3a) HGB

Audit opinion

Pursuant to Section 317 (3a) 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 (SHA-256-Proof total: f03048b6d7a4e1db17eb5873a345514c1ee42a31925ce311effe96ddd377) 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 2021 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 (10.2021)). Our responsibility in this context is described in further detail in the "Auditor responsibility for auditing the ESEF documents" section. Our audit firm applied the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for quality control 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 consolidated financial statements at the Supervisory Board meeting on 23 March 2021. We were engaged by the Chairperson of the Risk and Audit Committee of the Supervisory Board on 2 June 2021. 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 (mainly related to the introduction of IFRS 17, compliance with regulatory requirements, and a system migration).

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 reproductions 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, 23 March 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Wagner German Public Auditor	Gehringer German Public Auditor

Report of the Supervisory Board Wüstenrot & Württembergische AG

The Supervisory Board performed the duties incumbent upon it under the law, the articles of association and the rules of procedure in the 2021 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 two personnel changes on the Supervisory Board during the 2021 financial year.

Mr Peter Buschbeck passed away on 13 March 2021. His mandate as a shareholder representative on the Supervisory Board ended with his death. On 20 May 2021, the Annual General Meeting elected Dr Frank Ellenbürger to the Supervisory Board as a shareholder representative for the period starting at the end of the Annual General Meeting until the end of the Annual General Meeting approving the actions for the financial year ending on 31 December 2023.

Ms Petra Aicholz resigned from the Supervisory Board as an employee representative as of 30 April 2021. The alternate member elected by the employees, Ms Jutta Eberle, succeeded her as an employee representative on the Supervisory Board as of 1 May 2021.

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 and risk strategie

s 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 meeting was attended by both the head of internal audit and the compliance officer. 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 Supervisory Board meetings of Wüstenrot & Württembergische AG focused on evolving the "W&W Besser!" programme. In addition, the Supervisory Board concerned itself with the first subordinated issue, the severe weather events of 2021 and the associated reinsurance programme and strategy, as well as the risk-bearing capacity of the W&W Group, particularly against the backdrop of the coronavirus pandemic. At the strategy retreat, the Supervisory Board discussed in detail the W&W Group's strategic positioning on sustainability and debated the W&W Sustainability Concept 2025. 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 coronavirus pandemic, progressing digitalisation measures, digital business models and the resulting consequences for the corporate structure, personnel development and IT structure within the group. In addition, the Supervisory Board addressed the future of work and modifications to the governance structure of W&W brandpool GmbH and Adam Riese GmbH. Other issues included the low interest rate environment, increasing regulation and changing customer behaviour. 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 presented by the coronavirus pandemic, 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 and Adam Riese GmbH. Furthermore, the Supervisory Board received a comprehensive report on W&W AG's capital investments. The Supervisory Board also thoroughly discussed the operational planning for 2022 and the further medium-term planning.

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. The Supervisory Board dealt extensively with the changes brought about by the Financial Market Integrity Strengthening Act (FISG) at its September 2021 meeting. The Supervisory Board responded by deciding to amend the rules of procedure for the Supervisory Board. In addition, the Supervisory Board adopted an amendment to the rules of procedure for the Executive Board that reflected changes to the governance structure of the W&W Group.

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 supervisory law/regulation of credit institutions, risk management and new accounting rules under international standard IFRS 17 were implemented in the 2021 financial year. The members of the Supervisory Board conducted another self-assessment in 2021 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 2022 at its December meeting. The self-assessment and development plan were forwarded to the supervisory authority.

The Supervisory Board dealt extensively with the German Corporate Governance Code. It adopted an updated declaration of conformity along with the Executive Board in December 2021. 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.

15 of 16 Supervisory Board members attended all four Supervisory Board meetings in the 2021 financial year. In addition, all eight members of the Risk and Audit Committee attended all three meetings or conference calls of the Risk and Audit Committee. Likewise, all six members of the Nomination Committee attended the two Nomination Committee meetings held in the 2021 financial year. Furthermore, all four members of the Personnel Committee attended both meetings in the 2021 financial year.

There were no reportable conflicts of interest in 2021.

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 2021. The **Personnel Committee** held two ordinary meetings. The **Nomination Committee** held two ordinary meetings. The **Conciliation Committee** held no meetings. 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 rules of procedure of the Supervisory Board, the **Risk and Audit Committee** focused on risk bearing capacity, particularly in the context of the coronavirus pandemic, the IFRS 17 project, the changes brought about by the Financial Market Integrity Strengthening Act (FISG) and the Wirecard/EY case. Organisationally, the guideline for the provision of non-audit services by the auditor and the internal capital investment guideline were revised and amended.

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 22 March 2022, 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 system for the Executive Board, 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.

Audit of annual and consolidated financial statements

The Supervisory Board thoroughly examined the annual financial statements and the consolidated financial statements for the 2021 financial year as well as the combined management report for Wüstenrot & Württembergische AG and the group as of 31 December 2021 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 net profits comports with a consistent accounting policy, taking into account the liquidity situation and the company's 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 2021 financial year and the combined management report for Wüstenrot & Württembergische AG and the group for the 2021 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 21 March 2022 and the Supervisory Board's balance sheet meeting on 30 March 2022. 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 audit of the 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 30 March 2022, 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 30 March 2022. The annual financial statements are thus deemed adopted in accordance with Section 172 sentence 1 AktG.

The Supervisory Board also discussed the solvency balance sheet for W&W AG and the W&W Group as of 31 December 2020 as well as the auditor's report in this regard.

Composition of the Executive Board

There were no personnel changes on the Executive Board in the 2021 financial year.

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.

Stuttgart, 30 March 2022

The Supervisory Board

Hans Dietmar Sauer
Chairman

Glossary

Actuarial interest rate

Interest rate that is used by a life insurance company to calculate the provision for future policy benefits as well as, customarily, premiums, and that is guaranteed for the entire maturity. If a higher amount of interest is earned, customers receive most of this as profit participation.

Additional interest reserve

An additional provision for future policy benefits mandated by statute for life insurance contracts in the new portfolio (see also interest reinforcement for the old portfolio) in order to cover interest obligations in an environment of low interest rates. The legal basis is Section 341f (2) of the German Commercial Code (HGB) in conjunction with Section 5 of the German Policy Benefit Provision Regulation (DeckRV).

Affiliated companies

This term refers to the parent company (Group parent company) and all subsidiaries. Subsidiaries are companies over which the parent company can exercise a controlling influence on business policy. This is the case, for example, where the Group parent company directly or indirectly holds the majority of voting rights or has the right to appoint or remove the majority of the members of the Supervisory Board, or where there are contractual rights of control.

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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