Interim Report as at 30 June 2022

Wüstenrot & Württembergische AG

w&w gruppe

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

Wüstenrot & Württembergische AG

W&W Group (according to IFRS)

Consolidated statement of financial position		30.6.2022	31.12.2021
Total assets	in € billion	67.8	75.2
Capital investments	in € billion	39.8	48.8
Senior debenture bonds and registered bonds	in € billion	5.7	9.0
Senior fixed-income securities	in € billion	19.1	24.9
Building loans	in € billion	24.7	23.8
Liabilities to customers	in € billion	22.7	22.6
Technical provisions	in € billion	32.9	38.4
Equity	in € billion	3.9	4.9
Equity per share	in €	41.93	51.72

Consolidated income statement		1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Net financial result (after credit risk adjustments)	in € million	-349.7	1 323.0
Earned premiums (net)	in € million	2 226.5	2 361.4
Insurance benefits (net)	in € million	-1 095.4	-2 643.1
Earnings before income taxes from continued operations	in € million	124.2	282.6
Consolidated net profit	in € million	96.0	196.2
Total comprehensive income	in € million	-886.1	-129.1
Earnings per share	in €	1.04	2.08

Other disclosures	30.6.2022	31.12.2021
Employees (full-time equivalent head count)	6 264	6 307
Employees (number of employment contracts)	7 375	7 458

Key sales figures		1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Group			
Gross premiums written	in € million	2 649.0	2 731.4
New lending business (incl. brokering for third parties)	in € million	3 981.9	3 374.6
Sales of own and third-party investment funds	in € million	314.0	337.0
Housing segment			
New home loan savings business (gross)	in € million	8 508.1	6 065.3
New home loan savings business (net)	in € million	5 133.6	5 014.3
Life and Health Insurance segment			
Gross premiums written	in € million	1,138.2	1,328.4
New premiums	in € million	343.2	535.5
Property/Casualty Insurance segment			
Gross premiums written	in € million	1,522.1	1,413.8
Annual contribution to the portfolio (new and replacement business)	in € million	210.3	217.3

Wüstenrot & Württembergische AG
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Business environment

Macroeconomic environment

The German economy began 2022 with positive, albeit low, growth. Gross domestic product picked up by 0.2% compared to the previous quarter in Q1. Investments performed better than average, especially in the construction sector. Private consumer demand, on the other hand, continued to suffer under ongoing Covid-19 measures and declined slightly. Preliminary figures from the German Federal Statistical Office indicate that the economy stagnated in the second quarter. The war in Ukraine and an unexpectedly fast increase in inflation stifled consumer spending. For example, inflation in Germany averaged over 7% in the second quarter of 2022, compared to just over 2% in the previous year. The main factors behind this increase were far higher energy and food prices, in part also stemming from the war in Ukraine, ongoing disruption to global supply chains and substantial price increases, especially in the high-contact services sector. The industrial sector was strained by ongoing supply bottlenecks, for example on account of closed ports in China, the labour shortage in many industries and soaring production costs.

Capital markets

Bond markets

Bond markets saw yields increase substantially in the first half of 2022. In the short-term maturity range, for example, the yield on two-year German government bonds climbed from - 0.62% at the end of 2021 to over 1.2% by mid-June 2022. Longer-term interest rates also picked up considerably, with yields on ten-year German government bonds rising from - 0.18% at the end of the year to a high of 1.75% in June. The rise in interest rates was sparked chiefly by the surprisingly dynamic and stubborn increase in inflation, which climbed to record highs. As a result, bond markets in the first half of the year expected leading central banks, including the European Central Bank (ECB), to initiate a major change of monetary policy direction by ending bond purchases and gradually raising rates. Only towards the end of the reporting period did the trend reverse, with yields declining again. This reflected increasing fears among market players that more restrictive monetary policy, high inflation and a potential energy supply shortage due to the war in Ukraine could significantly slow economic growth in the near future. Accordingly, the extent of expected interest rate hikes could ultimately be lower than originally speculated. At the end of June, yields on two-year German government bonds came to 0.65% and ten-year yields to 1.34%.

Equity markets

European equity markets suffered heavy losses in the first half of 2022, with the Euro STOXX 50 down 19.6% and the DAX down 19.5%. This equity market weakness also reflected the range of negative factors. For example, ongoing supply bottlenecks for key intermediate products and repeated restrictions on economic activity in China due to the pandemic depressed growth prospects. The more restrictive monetary policy stance taken by leading central banks also hurt the economic outlook and represented an unfavourable monetary environment for equity markets. Finally, the geopolitical environment, especially the war in Ukraine, took a toll on stock market sentiment.

Industry trends

New home loan savings business (gross) in the sector enjoyed a considerable boost in the first half of 2022, with growth in the double digits. The change in interest rate policy, with the significant increase in construction loan interest, as well as the greater focus on energy efficiency upgrades due to the sharp rise in energy prices, helped shore up new business.

New private residential construction financing was higher than in the previous year in the first half of 2022. Private households took out about €160 billion (previous year: about €145 billion) in residential construction loans. Construction financing business was driven primarily by sustained high demand for housing, very low mortgage rates initially and pre-emptive effects in connection with the rapid increase in mortgage interest rates in the six-month period. Rising interest rates will hamper new business in the second half of the year. Nonetheless, we assume that the private residential construction financing market will be higher than in the previous year in 2022 as a whole.

The following information is based on preliminary sector figures for the first half of 2022 published by the German Insurance Association (GDV).

New premiums in life insurance and pension funds fell by 3.7% in the first half of 2022 to €20.2 (previous year: 21.0) billion. New single-premium business declined by

4.8%, whereas new business with regular premiums rose by 2.7%. Gross premiums written were down 1.4% year on year at €49.5 (previous year: 50.2) billion.

Sentiment in property/casualty insurance remains gloomy on account of geopolitical risks. Inflation-related limit adjustments are increasing the nominal premium momentum. As a result, the GDV's extrapolations show a premium increase of 4.1% for 2022. Especially in motor insurance, however, premium momentum is being curbed by lower new car registrations as a result of ongoing supply shortages.

W&W share

W&W's share price got 2022 off to a good start. After closing 2021 at €17.66, it climbed to a high for the year so far of €19.58 by the start of February. Nevertheless, faced with an extremely weak stock market environment after this time on account of Russia's invasion of Ukraine, W&W's share price declined and briefly fell to below €17 at the start of March. At the end of H1 2022, the W&W share was priced at €16.88 in a still tough market environment, representing a relatively moderate decrease of 4.4%. Taking account of the €0.65 dividend distribution, overall it lost 0.7% in the reporting period. Euro STOXX Banks saw a considerably steeper price dip of 20.3% in the same period, with Euro STOXX Insurance down 13.0%.

Outlook

The outlook for the economy and for capital markets is currently subject to greatly elevated levels of uncertainty in view of the geopolitical and global economic conditions. Growth prospects are determined by further developments in the war in Ukraine, the coronavirus pandemic, inflation and how the central bank responds to these.

The war in Ukraine is a major negative factor. Negative effects on growth result primarily from higher energy and food prices, economic sanctions, disruptions to global supply chains and worse sentiment among economic players. The extent of these effects depends heavily on the duration and future intensity of the conflict. For example, stopping the gas supply from Russia entirely could tip the German economy into a severe recession. In the more favourable scenario of a prompt end to the conflict, the economic outlook would likely improve noticeably.

A second major source of uncertainty is how the coronavirus pandemic will develop globally moving forwards. On the one hand, most restrictions on economic and social life in Europe have been lifted again since spring 2022. This improved conditions generally, especially in the high-contact services sector. On the other hand, however, the pandemic is again causing large-scale lockdowns to be imposed in China, reducing Chinese demand for German exports and once again massively disrupting global supply chains. In addition, it is not possible to entirely rule out new waves again resulting in restrictions on gatherings in Germany, hurting economic activity.

Exceptionally high inflation at present represents a third major negative factor. It puts a strain on private households' real disposable income, especially after deducting higher spending on energy and food, and depresses consumer demand and, in turn, economic growth. Leading central banks are also responding to higher inflation by adopting a more restrictive monetary policy stance. In the medium term, this will also hamper economic growth.

Given these many unknown factors, precise growth forecasts are very uncertain at present. Current Deutsche Bundesbank forecasts are below 2% for this year and below 2.5% for next year – and are trending downwards.

Short-term interest rate trends are likely to remain determined by inflation and the monetary policy outlook for the time being. If the price increases remain at very high levels or even rise further, bond markets will anticipate even bolder interest rate policy at major central banks. In this scenario, we would expect short-term interest rates to increase further. If, on the other hand, inflation settles down and more closely approximates central banks' forecasts, bond markets would have correctly anticipated future monetary policy and we would expect short-term interest rate trends to smooth out again. In the medium term, there is thus a possibility that financial markets will again price in an economic downturn and new initial expansion steps by central banks as a result of more restrictive monetary policy.

Yields on longer-term bonds will likely be determined primarily by future inflation trends and the monetary policy outlook for the time being. As a result, further interest rate hikes cannot be ruled out. However, an escalation in the geopolitical environment, recession risks increasingly anticipated by markets or an unexpectedly sharp decline in inflation could reverse the interest rate trend.

Various scenarios are conceivable for the European bond market outlook moving forwards. The war in Ukraine could go on for a longer period of time. No end to China's extremely strict Covid policy is expected at this time. In addition, the ECB's more restrictive monetary policy is only in its initial stages and the adverse effects of this on the economy will be seen only in the medium term. This means that major negative effects on equity markets will remain for the time being and so further price declines cannot be ruled out. If the war in Ukraine were to escalate, recession risks and investor risk aversion would soar again and price weakness on equity markets could even gain ground. By contrast, in the positive scenario – where the war in Ukraine ends in the near future, a highly-effective Covid-19 vaccination is developed or inflation declines, giving central banks more monetary policy leeway – it is conceivable that prices could recover well. Overall, the outlook for equity markets in 2022/23 remains subject to very high levels of uncertainty.

Ratings

Standard & Poor's (S&P) again reaffirmed the ratings with a stable outlook in June 2022. This means that the core W&W Group companies are still rated "A–", with the holding company W&W AG retaining its "BBB+" rating.

Wüstenrot Bausparkasse AG's short-term rating is unchanged ("A–1").

Standard & Poor's ratings

	Financial strength	Issuer credit rating
W&W AG	BBB+ outlook stable	BBB+ outlook stable
Württembergische Versicherung AG	A– outlook stable	A– outlook stable
Württembergische Lebensversicherung AG	A– outlook stable	A– outlook stable
Wüstenrot Bausparkasse AG		A– outlook stable

As previously, mortgage bonds of Wüstenrot Bausparkasse AG receive the top rating "AAA" with stable outlook.

The subordinated bonds of Wüstenrot Bausparkasse AG and Württembergische Lebensversicherung AG placed on the stock market are still rated "BBB". The subordinated bond of Wüstenrot & Württembergische AG issued in September 2021 is also rated "BBB-".

Development of business and Group position

Development of business

The W&W Group maintained the successful operating business trajectory seen in previous years in the first six months of this year and also increased its market share.

Despite the considerable negative impact of Russia's invasion of Ukraine, the surge in inflation, unusually dynamic interest rate developments, the sharp increase in energy and food prices, increasing natural disasters and uncertainties regarding how the coronavirus pandemic will develop moving forwards, the W&W Group further expanded its business and has advanced in operational terms. However, the sharp increase in interest rates and upheavals on equity markets led to losses from the valuation of capital investments.

In view of these developments, W&W Group generated good, if far lower than the above-average previous year, net profit after taxes of EUR 96.0 million (previous year: EUR 196.2 million) as at 30 June 2022.

Composition of consolidated net profit

in € million	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Housing segment	47.6	24.9
Life and Health Insurance segment	-26.8	28.3
Property/Casualty Insurance segment	77.9	133.4
All other segments	-4.1	15.0
Consolidation/reconciliation	1.4	-5.4
Consolidated net profit after taxes	**96.0**	**196.2**

Sales-related key figures were shaped by significant growth, both in the lending and the new home loan saving business (gross) in the Housing segment, as well as a gratifying increase in premiums written in the Property/Casualty Insurance segment. Premiums in health insurance also increased in the Life and Health Insurance segment.

Premiums written in life insurance declined, primarily due to lower new single-premium business compared to the previous year.

Group key figures

	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021	Change
	in € million	in € million	in %
Gross premiums written (property/casualty insurance)	1,522	1,414	7.7
Gross premiums written (life and health insurance)	1,138	1,328	-14.3
New business total Housing (new lending & new home loan savings business (gross))	12,490	9,940	25.7

Supervisory Board

Hans Dietmar Sauer, Chairman of the Supervisory Board since 2005, Dr Reiner Hagemann and Hans-Ulrich Schulz will resign from the Board for reasons of age on 31 August 2022. Shareholders elected the following successors at the Annual General Meeting of W&W AG on 25 May 2022: Edith Weymayr, Chair of the Executive Board of L-Bank, Dr Michael Gutjahr, until August 2020 member of the Executive Board of W&W AG and Dr Wolfgang Salzberger, Managing Director and Chief Financial Officer of ATON GmbH.

W&W Besser!

Innovation, digitalisation and customer proximity remain mainstays for improving the W&W Group's competitive standing in what remains a tough market environment. The W&W Group is continuing to follow its "W&W Besser!" initiative and focuses on four cornerstones:

- Inspiring customers and employees
- Doubling market growth in profitable lines
- Tapping into new customer groups and providing even better service to existing customers
- Lowering costs to at least the market level.

Once again, there were numerous successes in the first half of 2022. Examples include:

In the **Housing** division, Wüstenrot Bausparkasse AG was named “Germany’s best home loan and savings bank” in a survey by the Cologne rating and ranking agency Service Value GmbH. Wüstenrot’s home loan and savings bank not only again received the highest award here, it also topped the ranking of home loan and savings banks evaluated.

The major project bausparen@wüstenrot (“b@w”) achieved another milestone in the first half of 2022 in its path towards becoming a modern SAP-based core banking system and non-collective financing business began operations at the start of July. With the modular introduction of SAP, b@w will gradually replace Wüstenrot’s mainframe system so that it can respond more rapidly to changing customer needs and market requirements on the basis of flexible IT.

In the **Insurance** Division, the company was awarded the “German Service Prize 2022” by the German Institute for Service Quality. Customers value the on-the-ground consulting provided by the mobile sales force, as well as the services of the back office units in all lines. Digital claims processing and quick settlement, supported by AI, were also praised. An in-house messenger service for claims reporting is now in the test stage as part of the “Schaden.Besser!” project. This aims to help Württembergische Versicherung AG policyholders settle claims more easily in the future using a chat function on their mobile phones.

Württembergische Versicherung AG’s new products focus on sustainability. Household and residential building insurance were redesigned. In the premium line, for example, this includes taking on additional costs for making household goods greener and more sustainable after a claim. Commercial insurance was also further improved by including a range of coverage. In particular, this includes new services for long-term loss repair and prevention measures.

The digital brand Adam Riese continued its growth trajectory and now has more than 300,000 customers. Sales generated by brokers are a key driver of growth. In this context, digital processes in the broker market were expanded through the connection with BiPRO e.V. Other important factors in gaining new customers are stepping up cooperations and ensuring high customer satisfaction.

Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG were named “top 3 providers” in the German Institute for Service Quality’s insurance award. The life insurance company stood out in the “private pension plan, classic” category and the health insurance AG in the area of “health and care – comprehensive private health insurance, standard cover”.

Württembergische Lebensversicherung AG made substantial progress with its consolidation strategy by replacing another existing system.

The W&W Group made gains in the first half of the year in its role as an SME partner, both in property/casualty insurance in business with corporate customers and in occupational pensions and occupational health insurance.

Tandem partnerships were also further expanded. The tandem model pools the expertise of the two mobile sales forces of Wüstenrot and Württembergische and provides holistic advice to customers. Thanks to cross-sales activities and measures to increase cross-selling in the long term, the two major brands reinforce each other. The cooperation model continued to perform well for the sixth year in a role.

Sustainability

Responsible action and social commitment have a long tradition in the W&W Group and are an integral part of our corporate culture. They have been enshrined in the group-wide W&W sustainability strategy and are based on the ESG criteria. Key measures are derived from these and consistently developed. In this context, the focus is increasingly on green product alternatives and components.

A sustainability board was established as an internal body for coordination between divisions and meets on a regular basis. In addition to the sustainability board, the position of sustainability officer was filled in the CEO portfolio in the first half of 2022 as a central point of contact for sustainability issues in the W&W Group.

There are a range of regulatory initiatives in place at present, for example aimed at improving human rights in global supply chains (German Supply Chain Due Diligence Act). A project was launched within the W&W Group to meet the requirements under the Supply Chain Due Diligence Act.

Financial performance

Group comprehensive income

Consolidated income statement

As at 30 June 2022, the consolidated net profit after taxes was €96.0 million (previous year: €196.2 million).

The net financial result decreased significantly, coming in at –€349.7 million (previous year: €1,323.0 million). It comprises the following components:

- Current net income rose to €569.4 (previous year: 524.5) million. Dividend income and distributions increased again, as did the interest surplus. The previous year was negatively affected by a voluntary, extraordinary supplementary payment of €40 million to the Württembergische pension fund. Adjusted for this one-off effect, current net income was on par with the previous year's level.

- Net income/expense from risk provision was –€6.8 (previous year: –8.4) million. Risk provision in customer lending business remained low due to unchanged low default risks and improved compared to the previous year.

- The measurement result was –€1,138.6 (previous year: 355.1) million. The combination of the sharp rise in interest rates and falling equity markets in response to the war in Ukraine and inflation had a negative impact on the market values of shares, fund units and fixed-income securities. The impact of interest rates on the earnings will largely reverse as the securities mature. As a result, impairments also emerged in the valuation of capital investments for the account and risk of policyholders (unit-linked life insurance policies). However, these also reduced net insurance benefits congruently.

- Net income from disposals stood at –€226.2 (previous year: 451.7) million. Especially for fixed-income securities, net income from disposals was lower than in the previous year due to higher interest rates.

Net commission income amounted to –€269.1 million (previous year: –€253.3 million). Here, higher service commissions resulting from the gratifying, all things considered, increase in the property insurance portfolio had an impact, in particular.

Net premiums earned declined to €2,226.5 (previous year: 2,361.4) million. In property/casualty insurance, rates of increase were again significant. In life and health insurance, on the other hand, premiums declined due to fewer new single-premium insurance policies.

Insurance benefits (net) came to €1,095.4 million (previous year: €2,643.1 million). This decrease was essentially the result of life and health insurance, as policyholders share in the declining net financial result through technical provisions. In property/casualty insurance, winter storms led to comparatively substantial natural disaster claims. Despite this, when compared over several years, the claims experience in the first half of 2022 was still gratifying by and large.

General administrative expenses rose only moderately compared to general price trends, increasing by 1.5% to €524.6 (previous year: 516.7) million. This upturn was primarily attributable to material costs, which increased in part due to external claims settlement costs as a result of more natural disasters and increased investment in IT as part of our digitalisation strategy. By contrast, personnel expenses decreased slightly.

Net other operating income picked up substantially to €136.6 (previous year: 11.2) million. As well as income from the disposal of a property in the Housing division, this was the result of income from settlement transactions in connection with home loan savings deposits for the first time. In addition, the far higher contribution to net income by Wüstenrot Haus- und Städtebau GmbH, had a positive impact in 2022.

Consolidated statement of comprehensive income

As at 30 June 2022, total comprehensive income stood at –€886.1 million (previous year: –€129.1 million). It consists of consolidated net profit and other comprehensive income (OCI).

As at 30 June 2022, OCI stood at –€982.1 million (previous year: –€325.3 million). The rapid rise in interest rates over the course of the first half of 2022 worked to lower the market values of fixed-income securities and registered securities. Their unrealised losses amounted to –€1,321.6 million (previous year: –€441.1 million). On the other hand, the rise in interest rates had a positive effect on pension provisions. By contrast, actuarial gains from defined benefit plans amounted to €339.4 million (previous year: €115.8 million).

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

Housing segment

New business

Total new business for housing purposes for urgent financing, modernisation and the accumulation of equity (total from new business (gross) and the new lending business total incl. brokering for third parties) increased sharply by 32.3% to €12.5 billion (previous year: €9.4 billion). New construction financing business was also clearly up on the previous year at €3.0 (previous year: 2.3) billion, again representing a substantial increase in market share.

Gross new business in terms of total home loan savings contracts also achieved the best half-year result in the company’s history at €8,508 (previous year: 6,065) million.

Net new business in terms of total home loan savings contracts also increased to €5,134 (previous year: 5,014) million.

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

New business key figures

	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021	Change
	in € million	in € million	in %
New business total	**12,490**	**9,440**	**32.3**
New lending business (incl. brokering for third parties)	3,982	3,375	18.0
Gross new business	8,508	6,065	40.3

Financial performance

Net income in the Housing segment increased substantially to €47.6 million (previous year: €24.9 million).

The net financial result decreased to €116.3 million (previous year: €193.2 million). This was due to the following factors:

- Current net income rose slightly to €118.5 (previous year: 115.7) million. Lower income from building loans was more than offset by declining interest expenses due to continued portfolio management.
- Net income/expense from risk provision was –€12.1 (previous year: –7.4) million. This was largely attributable to higher risk provision on settlement fee claims as a result of the substantial upturn in gross new business. Risk provision in customer lending business remained low due to unchanged low default risks and improved compared to the previous year.
- The measurement result decreased to €0.0 (previous year: 42.3) million. Interest rate hikes in the first half of the year resulted in negative valuation effects for fixed-income securities and for derivatives concluded to manage the risks of changes in interest rates. This was offset primarily by benefits from measuring the provisions for home loan savings business.
- Net income from disposals declined to €9.9 (previous year: 42.7) million.

Net commission income increased to €9.1 (previous year: 3.0) million as a result of higher commission income from the new home purchase savings rate introduced at the end of 2020.

General administrative expenses came to €168.3 (previous year: 168.2) million, in line with the previous year's figure. Materials costs increased, essentially caused by higher expenses for IT investments. Personnel expenses were lower due to a decrease in pension costs.

Net other operating income climbed significantly to €113.1 (previous year: 9.7) million. As well as income from the disposal of a property, this is the result of income from settlement transactions in connection with home loan savings deposits for the first time.

Life and Health Insurance segment

New business/premium development

Total regular premiums increased slightly to €1,433.5 (previous year: 1,429.7) million. Company pension schemes accounted for €479.3 (previous year: 379.8) million of this figure. This considerable 26.2% upturn reflects the SME partner initiative.

Total premiums for new life insurance business fell to €1,728.4 (previous year: 1,914.3) million. This decline is due to lower single premiums, which had risen considerably in the previous year. Total premiums for our unit-linked insurance policies (including Genius) increased by 11.7% to €806.5 (previous year: 721.7) million.

New business key figures

	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021	Change
	in € million	in € million	in %
New premiums	**343.2**	**535.5**	**-35.9**
Single premiums, life	294.9	484.6	-39.1
Regular premiums	48.3	50.9	-5.1

Net premiums in the Life and Health Insurance segment stood at €343.2 million (previous year: €535.5 million). Single-premium income declined to €294.9 (previous year: 484.6) million, with regular premiums close to the previous year's level at €48.3 (previous year: 50.9) million.

Gross premiums written

	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021	Change
	in € million	in € million	in %
Segment total	**1,138.2**	**1,328.4**	**-14.3**
Life	989.5	1,186.4	-16.6
Health	148.7	142.0	4.7

Gross premiums written decreased to €1,138.2 million (previous year: €1,328.4 million), mainly as a result of lower single-premiums. In contrast, gross premiums written in health insurance increased. Growth in occupational health insurance also contributed to this.

Financial performance

Segment net income stood at –€26.8 million (previous year: €28.3 million).

The net financial result in the Life and Health Insurance segment fell considerably to –€468.2 million (previous year: €1,052.2 million). This was due to the following income components:

- Current net income was on par with the previous year at €389.2 (previous year: 381.2) million. Dividend income from alternative investments picked up. Rental income was also higher. By contrast, interest income from new investments and reinvestments saw a moderate reduction.
- Net income/expense from risk provision increased to €4.6 (previous year: –0.9) million. Increasing the credit quality of the investment portfolio generated income from the reversal of risk provision on bearer bonds.
- The measurement result declined to –€1,098.0 (previous year: 266.6) million. Interest rate hikes, higher inflation and the war in Ukraine created turbulence on the capital markets. Equities, fund units and interest-bearing securities all suffered measurement losses. This development was also evident in the case of investments for unit-linked life insurance policies. These were offset by the effects on net insurance benefits.
- Net income from disposals stood at –€236.1 million (previous year: €405.4 million). This decline reflects

the active restructuring of our bond portfolios, which resulted in higher reinvestment returns.

Net premiums earned decreased to €1,188.5 million (previous year: €1,369.5 million), mainly as a result of falling single-premiums in new business.

Net insurance benefits stood at €582.5 million (previous year: €2,165.5 million). The fall in security prices triggered by higher interest rates and falling share prices led to lower additions to the provision for premium refunds and the provision for unit-linked life insurance policies. Through the regular increase in the additional interest reserve (including interest rate reinforcement), we are already ensuring the fulfilment of future interest obligations and safeguarding benefits to our customers. Additions totalled €62.0 million (previous year: €229.8 million). The additional interest reserve as a whole stood at €3,309.8 million (end of the previous year: €3,247.8million).

General administrative expenses fell to €121.3 million (previous year: €127.9 million). Both personnel expenses and materials costs were reduced.

Property/Casualty Insurance segment

New business/premium development

New business in terms of the annual contribution to the portfolio amounted to €210.3 million (previous year: €217.3 million). While brand new business trended downwards slightly compared with the very strong previous year, replacement business rose. Business with corporate customers grew significantly whereas business with retail customers fell compared with the previous year, which was characterised by factors including acquisitions of new cooperation agreements with brokers. Our digital brand Adam Riese remained successful in terms of sales.

New business key figures

	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021	Change
	in € million	in € million	in %
Annual contribution to the portfolio (new and replacement business)	**210.3**	**217.3**	**-3.2**
Motor	110.8	119.8	-7.5
Corporate customers	57.5	49.1	17.1
Retail customers	42.0	48.4	-13.2

Gross premiums written again experienced above-market growth, increasing by €108.3 million (7.7%) to €1,522.1 million (previous year: €1,413.8 million). An increase was posted in all business segments. Especially in business with corporate customers, Württembergische's position as an SME partner was further expanded to above the market average.

Gross premiums written

	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021	Change
	in € million	in € million	in %
Segment total	**1,522.1**	**1,413.8**	**7.7**
Motor	655.6	639.1	2.6
Corporate customers	441.6	367.7	20.1
Retail customers	424.9	407.0	4.4

Financial performance

Net segment income decreased to €77.9 million (previous year: €133.4 million).

The net financial result stood at –€12.4 million (previous year: €61.4 million). It comprises the following components:

- Current net income came to €44.4 (previous year: 17.1) million. A voluntary, extraordinary supplementary payment was made to the Württembergische pension fund in the previous year, €23.7 million of which was attributable to the Property/Casualty Insurance segment and thus negatively affected current net income. This did not occur this year. Dividend income also increased.

- The measurement result declined to –€43.8 (previous year: 42.4) million. The significant rise in interest rates in the first half of the year and falling equities markets led to substantial measurement losses, especially for equities and investment funds.

- Net income from disposals stood at –€13.7 million (previous year: €1.8 million).

Net premiums earned continued to trend positively. They rose by €42.2 million to €894.5 million (previous year: €852.3 million). All business segments made a contribution to this development.

Net insurance benefits increased by €29.2 million to €434.4 million (previous year: €405.2 million) due to the significantly larger insurance portfolio. The increase is also attributable to higher net claims paid for natural disasters in the first half of the year and the return to normality to a large extent following the travel restrictions imposed in response to coronavirus in the previous year. As a result, the loss ratio (gross) rose to 58.4% (previous year: 55.3%). The expense ratio was unchanged at 27.1% (previous year: 27.1%). The combined ratio (gross) therefore remained at a very positive 85.5% (previous year: 82.4%).

The net commission expense stood at –€153.6 million (previous year: –€128.9 million). The growth of the insurance portfolio as well as an increase in service commissions led to higher commission expenses.

General administrative expenses amounted to €192.7 million (previous year: €185.9 million). Both personnel expenses and materials costs increased slightly. This owed primarily to higher claims settlement costs as a result of more natural disasters, as well as higher travel, training and hospitality expenses as Covid-19 restrictions were eased.

All other segments

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

Net segment expense after taxes amounted to –€4.1 million (previous year: net segment income of €15.0 million).

The net financial result amounted to –€23.1 million (previous year: €29.2 million). The following components were factors in this development:

- Current net income rose to €12.6 (previous year: 6.0) million. This is due primarily to an increase in distributions, including from Württembergische Krankenversicherung AG to the parent company, W&W AG. This company is consolidated in the reconciliation to total comprehensive income.

- The measurement result decreased to –€29.6 (previous year: 21.4) million on account of declining equity markets.

Earned premiums rose to €155.7 million (previous year: €151.6 million). The volume ceded by Württembergische Versicherung AG to W&W AG for reinsurance within the Group increased as a result of positive premium development.

Net insurance benefits rose to €87.8 (previous year: 81.8) million as a result of poorer claims development.

Net commission income improved to –€44.3 million (previous year: –€47.4 million). This was mainly due to lower commission expenses of W&W AG for property and casualty insurance, which were incurred by reinsurance within the Group. The reason for the drop in commission can be found in the claims experience in the Property/Casualty insurance segment.

General administrative expenses came to €42.2 million (previous year: €36.9 million). This rise was prompted by lower IT service revenues within the Group. By contrast, personnel expenses decreased.

Net other operating income rose to €27.2 (previous year: 3.1) million. Construction projects by Wüstenrot Haus- und Städtebau played a significant role in this increase.

Net assets

Asset structure

The W&W Group's total assets came to €67.8 (previous year: 75.2) billion. Assets essentially comprise building loans and investments. While building loans increased to €24.7 (previous year: 23.8) billion thanks to growth in new lending business, investments dropped substantially to €39.8 (previous year: 48.8) billion. This decline, which essentially reflects interest rates, is the result of financial assets at fair value through other comprehensive income, the carrying amount of which as at the reporting date came to €25.3 (previous year: 34.5) billion.

Valuation reserves

Valuation reserves arise when the current fair value of an asset is higher than the amount recognised in the balance sheet (carrying amount).

The W&W Group primarily has valuation reserves for investment property of €769.9 (previous year: 684.5) million. By contrast, reserves for financial assets at amortised cost declined to –€ 301.2 (previous year: 338.5) million.

Financial position

Capital structure

Given its business model as a financial services group, equity and liabilities at the W&W Group are dominated by technical provisions and liabilities to customers.

Technical provisions came to €32.9 (previous year: 38.4) billion. €31.5 (previous year: 31.7) billion of this was attributable to the provision for future policy benefits, €3.0 (previous year: 3.1) billion to the provision for outstanding insurance claims and –€2.2 (previous year: 3.4) billion to the provision for premium refunds. Policyholders' participation in results means that a negative deferred provision for premium refunds is recognised, which is part of the provision for premium refunds. As the W&W Group's personal insurers assume a permanent intention to hold as part of their investment strategy, these are exclusively interest-rate-related, purely temporary unrealised losses that are covered by future positive and gross surpluses relevant under German commercial law.

Most liabilities are liabilities to customers, which come to €22.7 (previous year: 22.6) billion. These primarily comprise home loan savings business deposits of €19.5 (previous year: 19.3) billion.

Group equity

As at 30 June 2022, the W&W Group's equity totalled €3,927.5 million compared to €4,873.6 million as at 31 December 2021.

This includes consolidated net profit as at 30 June 2022 and gains/losses recognised in equity totalling –€886.1 million. This decline is essentially the result of unrealised valuation effects of fixed-income securities due to higher interest rates. In addition, the dividend payment of €60.9 million reduced equity. Other effects increased equity by €0.9 million.

Liquidity

The liquidity of W&W AG and its subsidiaries was assured at all times. We obtain liquidity through our operating insurance and home loan savings business, as well as from financing measures.

In the cash flow statement, operating activities resulted in a cash outflow of €1,862.7 (previous year: 320.0) million and investment activities, including investments, in a cash inflow of €1,905.1 (previous year: 100.4) million. Financing activities generated a cash outflow of €61.9 (previous year: 82.7) million. There was also a cash change of −€19.5 (previous year: −302.3) million in the reporting year.

Exercise of discretion

In view of the ongoing coronavirus crisis, there is still general uncertainty in various areas of the W&W Group and this has to some extent increased further as a result of the Russian invasion of Ukraine in the first half of the 2022 reporting year. This also affects areas such as discretionary management decisions that are relevant to the financial statement and assumptions and estimates made in relation to accounting for assets, liabilities and provisions and, in connection with this, the presentation of the W&W Group's net assets, financial position and results of operations.

Further information on this can be found in the notes in the section "Impact of the war in Ukraine and the coronavirus pandemic".

The discretionary decisions, estimates and assumptions of relevance to the financial statements are based on the management's best knowledge and currently available information. Despite ongoing uncertainty on account of the coronavirus pandemic, which has also increased to some extent in connection with the war in Ukraine, the W&W Group assumes that the assumptions and estimates used appropriately reflect the current situation. Nevertheless, there is a possibility that actual developments may differ from these assumptions as a result of the coronavirus pandemic and the war in Ukraine.

Related party disclosures

Detailed related party disclosures can be found in the notes under Other disclosures.

Opportunity and risk report

Opportunity report

Recognising and exploiting opportunities is a fundamental requirement for the successful evolution of the successful evolution of W&W Group. We thus aim to systematically identify, analyse and evaluate opportunities and initiate suitable measures to capitalise on them. We start with firmly established strategy, planning and control processes. We evaluate market and environmental trends and assess the alignment of our product portfolio, cost drivers and other key success factors, guided by sustainable values.

Opportunities are then identified that are discussed in high-level Executive Board discussions and board meetings and incorporated into the strategic plan. We also have governance and control structures in place in order to evaluate and pursue opportunities based on their potential, investment needs and risk profile.

Risk report

Risk management

The objectives and principles of risk management described in the 2021 annual report continue to apply at the reporting date 30 June 2022. Work is ongoing on planned further developments of the risk models and risk governance processes. This includes:

- Regulations: Adapting to new and changing regulatory requirements,
- Sustainability: Refining how sustainability risks are handled in the W&W Group's risk management system,
- Risk bearing capacity: Continuing measures to ensure risk bearing capacity, further developing risk bearing capacity concepts and models,
- Risk governance of non-financial risks (operational risks etc.): Implementing a comprehensive software

solution for risk management (risk inventory), process management and an internal control system,
- Process and data optimisation: Ongoing optimisation of processes and data processing in risk management.

Our risk management's organisational structures and processes as at 30 June 2022 are unchanged on those structures described in the 2021 annual report.

General conditions

General conditions for the W&W Group are currently dominated by the ongoing coronavirus pandemic, the war in Ukraine and the uncertain macroeconomic situation this entails, with high inflation, significantly higher interest rates and a volatile capital market environment.

In terms of the coronavirus pandemic, case rates are rising again and new sub-variants emerging. There is a considerable level of uncertainty regarding how the pandemic will unfold moving forwards.

The war in Ukraine currently represents one of the greatest risks to macroeconomic development and inflation, as well as to financial market performance. Prices for energy and food have gone up noticeably since the start of the war in Ukraine. Effects from supply chain disruption due to the coronavirus pandemic and the war in Ukraine also drove up prices. Economic prospects have dimmed accordingly, also a result of the risk of energy supply shortages.

Even the W&W Group is unable to escape the negative impact of geopolitical and macroeconomic developments on capital markets. Share prices have been falling since the start of the year. By contrast, interest rates have risen significantly, especially in the short to medium-term range. Major central banks have already raised interest rates to constrain the high inflation and have hinted at further hikes. Spreads, which are still wider than before the pandemic or the war in Ukraine, reflect current uncertainties on capital markets about counterparty credit risks in connection with the economic situation.

For more information on macroeconomic performance and developments on capital markets, see the "Business environment" section of this half-year financial report. Please see the outlook for details about expected development, including of financial performance.

Increasing uncertainty spurred by geopolitical crises and the ongoing coronavirus pandemic affects economic development (including inflation, the risk of recession, escalating global trade disputes and a renewed sovereign debt crisis), developments on capital markets (including volatility, interest rate, credit and share trends) and thus the W&W Group's risk situation. As a result, the W&W Group will continue to be exposed to higher risks in 2022 compared to the years prior to the pandemic and the war in Ukraine.

Current risk situation

The risk areas described in the 2021 annual report continue to apply at the reporting date 30 June 2022.

- Market price risks
- Counterparty credit risks
- Insurance risks
- Operational risks
- Business risks
- Liquidity risks

Under its risk strategy, the W&W Group aims for a economic risk-bearing capacity of over 145% based on a confidence level of 99.5% and over 125% for W&W AG . Calculations at the reporting date 30 June 2022 put risk-bearing capacity above this target quota.

We believe the following risk areas have seen material changes or changed general conditions compared to the risk report in the 2021 Group Management Report due to internal and external factors:

Market price risks

Credit spreads widened in the first half of the year. They are higher than they were before the outbreak of the coronavirus pandemic or the war in Ukraine and reflect uncertainties about potential risks in connection with the economic situation. Wider credit spreads are linked to lower market values of the capital investments affected. Rating downgrades and defaults could prompt a further increase in credit spreads and thus market price risks. The credit spread risk thus remains significant for the W&W Group.

Interest rates surged in the first half of 2022. The 10-year swap rate as at 30 June 2022 was 2.16%, far higher than the 0.30% seen at the end of last year. Higher interest rates hurt the market values of fixed-income capital investments and cause economic reserves to shrink. With interest rates highly dynamic at present, there are still considerable interest rate risks for the W&W Group. Interest rate risks are managed in part by realising valuation reserves, which are dependent on interest rate risks, as well as through interest swaps and restructuring in the securities portfolio. In addition, for example, the duration of Württembergische Lebensversicherung AG's fixed-income investments was reduced in the first half of 2022.

Despite the substantial increase in interest rates, rates are still low by historical standards and continue to present challenges for life insurers, home loan and savings banks and pension funds across the sector – and thus for the W&W Group with its interest-rate-dependent customer business, long-term customer guarantees and capital investments that are largely dependent on interest rates. Low interest rates pose a risk to earnings because new investments and reinvestments can be made only at low interest rates but, at the same time, previous interest rates/interest obligations promised to customers must be upheld. Allgemeine Rentenanstalt Pensionskasse AG will likely have to further increase the additional interest reserve and interest rate reinforcement at the end of the 2022 financial year.

Compared to the end of 2021, the DAX dropped by 19.5%, the Euro Stoxx 50 by 19.6% and the US S&P 500 by 20.6%, which had a negative impact on equity investment performance. Investments in equities, especially within certain funds, were reduced in the first half of the year, thereby also reducing the risk of potential price losses. As a result, the equity ratio of Württembergische Lebensversicherung AG declined by 0.3 percentage points, with that of W&W AG down 3.3 percentage points and Württembergische Versicherung AG's ratio down 3.7 percentage points. Given the levels of uncertainty regarding further economic and geopolitical developments, further declines cannot be ruled out.

As part of strategic asset allocation, the insurance companies within the W&W Group continued to make alternative investments (private equity, private debt and infrastructure), which increased our exposure at market values by 15.2% to €3,077 million in the first half of 2022. Alternative investment performance has so far proved relatively robust compared to the economic and geopolitical environment. Depending on further economic and geopolitical developments, declines cannot be ruled out.

In terms of property, rent arrears due to the coronavirus pandemic were negotiated for most rental agreements signed in this period and for new rental agreements, especially for major commercial tenants in the retail, hotel and hospitality sectors. Depending on how things progress, however, there may be further losses in income due to rent erosion and defaults in connection with the crisis. Current interest rate hikes could affect property markets and cause a decline in market values.

Foreign exchange risks arise as a result of open currency positions in global investment funds, as well as foreign currency bonds or equity instruments at our insurance companies (essentially Württembergische Lebensversicherung AG, Württembergische Versicherung AG). A large portion of our foreign exchange exposure is hedged against exchange rate fluctuations.

Inflation picked up again in the first half of the year. Higher inflation can bring about a rise in liabilities, in part due to higher claims expenses in property/casualty insurance. Furthermore, the macroeconomic consequences of inflation, such as declining purchasing power, asset losses with an impact on new business or a possible wage-price spiral, could adversely affect the net assets, financial position and results of operations of the W&W Group. Higher inflation puts significant strain on private households, especially low and middle-income families. To adequately present these risks and their knock-on effects, an additional risk provision (in the mid-single-digit millions) was recognised in the customer lending business.

Further details on the effects of the coronavirus pandemic and the war in Ukraine on investments can be found in the

“Selected explanatory notes” section under “Impact of the war in Ukraine and the coronavirus pandemic”.

The targets and risk governance measures set out in the 2021 annual report for market price risk still apply.

Due to ongoing uncertainty at present regarding economic and geopolitical developments moving forward and high volatility on capital markets, the W&W Group is still exposed to higher market price risks compared to the years prior to the pandemic and the war in Ukraine. Lower market values of capital investments lead to a reduction in valuation reserves from an accounting perspective. Hidden liabilities and, depending on the accounting categories, write-downs through profit or loss are increasingly required. This creates greater accounting risks.

Counterparty credit risks

Risk governance measures were stepped up in the first half of 2022 in response to the war in Ukraine. New and reinvestment bans were adopted and – within the scope of existing trade restrictions –steps taken to comprehensively reduce the customer portfolio for government bonds of the Russian Federation, Belarus and Ukraine in order to vigorously manage investment risk. As shown in the 2021 annual report, interest-bearing investments continue to focus on ensuring a high credit rating, balanced diversification and a good hedging structure. As at 30 June 2022, 91.6% (31 December 2021: 92.2%) of the portfolio is invested in the investment grade range.

In the customer lending business, Wüstenrot Bausparkasse AG’s credit default rate remained similar to the previous year’s level.

In light of the negative economic effects of the coronavirus pandemic and the war in Ukraine, delayed effects over time could result in a poorer credit quality, credit defaults or impairment in connection with credit ratings, especially for corporate bonds. The impact of reduced supplies of natural gas by Russia on our portfolio of interest-bearing investments held by energy suppliers was analysed. These account for an insignificant share of the overall portfolio. Further details on the effects of the coronavirus pandemic and the war in Ukraine on customer lending business and interest-bearing investments can be found in the “Selected explanatory notes” section under “Impact of the war in Ukraine and the coronavirus pandemic”.

The targets and risk governance measures set out in the 2021 annual report for counterparty credit risk still apply.

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

Insurance risks

The overall loss ratio for the financial year in the Property/Casualty Insurance segment is somewhat higher than in the previous year. In the first half of 2022, the negative effects of storms were somewhat higher than in the previous year. Traffic volumes increased again after the pandemic restrictions were eased, resulting in a normalised claims experience in the motor business as against the previous year.

In a ruling on 26 January 2022 regarding coverage under business closure insurance policies during the Covid-19 pandemic, the Fourth Panel for Civil Matters at the German Federal Court of Justice rejected a lawsuit against another insurance company and subsequently advised the policyholders of Württembergische Versicherung AG to withdraw their appeal. As a result, we do not currently believe that the question of coverage under business closure insurance policies due to the coronavirus pandemic presents any material risks any more and reversed most of the provisions for courtesy claims in the first half of 2022.

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

The targets and risk governance measures set out in the 2021 annual report for insurance risk still apply.

Operational risks

Since the start of the war in Ukraine, there has been an increased risk of cyber attacks in Germany, which the W&W Group is unable to avoid. To improve information security – especially considering the war in Ukraine – measures have been stepped up to proactively manage a potential increase in threats from cyber attacks.

Critical operational risks in business processes related to the pandemic have so far been prevented by suitable measures. However, if the coronavirus pandemic in Germany picks up again, particularly as a result of dangerous virus mutations, it is not possible to rule out operational risks in business processes as a result of staff absences.

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

In light of uncertainties over further developments in the coronavirus pandemic, the war in Ukraine and the repercussions of these, the W&W Group is still exposed to higher operational risk in some cases.

Liquidity risks

According to liquidity planning, liquidity balances at W&W Group and individual company level will be positive for the next 24 months so that sufficient liquidity is available to ensure solvency.

The current situation on capital markets does not indicate any acute material market liquidity risks for the W&W Group's investments. If the coronavirus pandemic or the impact of the war in Ukraine were to worsen again, this could once again increase market liquidity risk.

Business risks

We discuss the development of new and existing business, as well as the net assets, financial position and results of operations, in the "Economic report – development of business and position of the W&W Group" section.

Environmental risks are substantial at this time due to the ongoing coronavirus pandemic and the war in Ukraine. Depending on how the situation develops moving forwards, especially in terms of the economy, it is not possible to rule out a negative impact on new business, income, net assets, the financial position and the risk situation. Moreover, sustained high inflation can result in the risk of cost increases and hurt income in the future.

A task force was established to pool all activities relating to the impact of the war in Ukraine. Environmental risks continue to arise from increasing regulatory requirements.

Summary

The W&W Group and W&W AG enjoyed sufficient economic and regulatory risk-bearing capacity at all times in the first half of 2022. In line with our economic risk bearing capacity model, we had sufficient funds to cover the risks taken with a high degree of assurance.

Further progress was made in integrating sustainability issues into the W&W Group's risk management system as part of an internal project in the first half of 2022.

In June 2022, S&P confirmed the ratings of the core W&W companies (W&W AG, Wüstenrot Bausparkasse AG, Württembergische Lebensversicherung AG and Württembergische Versicherung AG) in an environment that is currently dominated by the pandemic and the war in Ukraine. This confirmation reflects factors including the positive view of the W&W Group's risk management system.

Further developments in and the impact of the coronavirus pandemic and the war in Ukraine remain difficult to assess in terms of their duration and scope. Accordingly, depending on future developments it is not possible to rule out a decline in income and a negative impact on net assets, the financial position and the risk situation, especially if the strain caused by the war in Ukraine and the coronavirus pandemic persists for a longer period of time.

Outlook

The Executive Board is maintaining its target of consolidated net profit of around €250 million for 2022 as a whole. This assumes a capital market level at the end of the year similar to that at the end of the first half of the year. We also assume that there will not be any additional turbulence on capital and financial markets or an economic downturn. Nonetheless, this outlook is subject to higher uncertainty than at the beginning of the financial year.

We expect net income in the Life and Health Insurance and Property/Casualty Insurance segments to be in line with guidance on the whole, with net income for the year as a whole in the Life and Health Insurance segment likely lower than the half-year result. We expect net income in the Property/Casualty Insurance segment to be up on the previous year in 2022. Previous negative capital market effects may be largely offset by expected opposing effects on income, for example for capital investments and in underwriting, by the end of the year.

The Life and Health Insurance segment, which was put under pressure by capital market developments in the first half of the year, will be essentially balanced out by developments in the Property/Casualty Insurance and Housing segments.

We anticipate general administrative expenses on a par with the previous year in the Housing segment while standing by our forecasts for other segments and the Group.

Total premiums for life business are expected to be significantly lower year on year, whereas those for new construction financing business (assumptions) look set to exceed the previous year's figure substantially.

We are standing by our forecast for W&W AG's net profit after taxes in accordance with HGB and expect this to be in line with the previous year. The other outlooks included in the forecast section of the 2021 consolidated annual report continue to apply.

The outlook is subject to future economic, inflation and capital market trends, high uncertainty regarding further developments in the war in Ukraine, a resurgence in the coronavirus pandemic, and further claims performance, especially for natural disasters.

Warning about forward-looking statements

This half-year financial report, including, without limitation, the outlook, contains forward-looking statements and information.

These forward-looking statements constitute estimates that were made on the basis of information that is available at the present time and is considered to be material. They may involve known and unknown risks as well as uncertainties and opportunities. Because of the multitude of factors that influence the companies' business operations, actual results may differ from those currently anticipated.

The company is therefore unable to assume any liability for forward-looking statements.

Wüstenrot & Württembergische AG
Condensed consolidated half-year financial statements

Consolidated statement of financial position

Assets

in € thousands	Cf. Note no.[1]	30.6.2022	31.12.2021
Cash reserve		**46 792**	**72 136**
Non-current assets held for sale and discontinued operations	1	**3 647**	**8 258**
Financial assets at fair value through profit or loss	2	**10 215 912**	**10 721 688**
Financial assets at fair value through other comprehensive income	3	**25 307 496**	**34 492 518**
of which: sold under repurchase agreements or lent under securities lending transactions		619 993	767 810
Financial assets at amortised cost	4	**27 920 461**	**26 171 128**
Subordinated securities and receivables		174 514	180 764
Senior debenture bonds and registered bonds		52 518	42 429
Senior fixed-income securities		9	9
Building loans		24 744 592	23 819 744
Other receivables		3 040 849	2 098 555
Active portfolio hedge adjustment		-92 021	29 627
Positive market values from hedges	5	**2 576**	**6 099**
Financial assets accounted for under the equity method		**103 786**	**90 638**
Investment property	6	**1 876 395**	**1 909 393**
Reinsurers' portion of technical provisions		**367 952**	**416 448**
Other assets		**1 936 051**	**1 324 620**
Intangible assets		118 928	114 398
Property, plant and equipment	7	531 726	511 739
Inventories		151 298	192 560
Current tax assets		35 899	36 208
Deferred tax assets		1 012 906	409 458
Other assets		85 294	60 257
Total assets		**67 781 068**	**75 212 926**

1 See numbered explanations in the notes to the consolidated financial statements starting from page 49.

Equity and liabilities

in € thousands	Cf. Note no.	30.6.2022	31.12.2021
Financial liabilities at fair value through profit or loss		**221 992**	**218 201**
Liabilities	8	**27 591 338**	**27 963 791**
Liabilities evidenced by certificates		1 884 047	1 866 084
Liabilities to credit institutions		2 628 817	2 145 894
Liabilities to customers		22 666 680	22 587 984
Lease liabilities		59 702	66 663
Miscellaneous liabilities		1 167 450	1 327 310
Passive portfolio hedge adjustment		-815 358	-30 144
Negative market values from hedges	9	**31 699**	**–**
Technical provisions	10	**32 855 385**	**38 423 335**
Other provisions	11	**2 060 117**	**2 720 053**
Other liabilities		**441 662**	**372 874**
Current tax liabilities		180 150	212 403
Deferred tax liabilities		234 046	147 401
Other liabilities		27 466	13 070
Subordinated capital	12	**651 407**	**641 098**
Equity	13	**3 927 468**	**4 873 574**
Share in paid-in capital attributable to shareholders of W&W AG		1 486 252	1 485 588
Share in retained earnings attributable to shareholders of W&W AG		2 442 772	3 359 259
Retained earnings		3 478 335	3 441 733
Other reserves (OCI)		-1 035 563	-82 474
Non-controlling interests in equity		-1 556	28 727
Total equity and liabilities		**67 781 068**	**75 212 926**

Consolidated income statement

in € thousands	Cf. Note no.	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Current net income	14	**569 393**	**524 546**
Net interest income		393 258	373 993
Interest income		566 368	622 705
of which: calculated using the effective interest method		507 539	554 080
Interest expenses		-173 110	-248 712
Dividend income		135 184	124 092
Other current net income		40 951	26 461
Net income/expense from risk provision	15	**-6 758**	**-8 350**
Income from credit risk adjustments		67 418	50 199
Expenses for credit risk adjustments		-74 176	-58 549
Net measurement gain/loss	16	**-1 138 580**	**355 078**
Measurement gains		2 999 109	1 441 102
Measurement losses		-4 137 689	-1 086 024
Net income from disposals	17	**226 218**	**451 726**
Income from disposals		442 287	460 786
Expenses from disposals		-216 069	-9 060
of which: gains/losses from financial assets at amortised cost		34	9
Net financial result		**-349 727**	**1 323 000**
of which: net income/expense from financial assets accounted for under the equity method		13 286	2 433
Earned premiums (net)	18	**2 226 491**	**2 361 420**
Earned premiums (gross)		2 326 612	2 438 312
Premiums ceded to reinsurers		-100 121	-76 892
Insurance benefits (net)	19	**-1 095 439**	**-2 643 109**
Insurance benefits (gross)		-1 156 425	-2 679 054
Received insurance premiums		60 986	35 945
Net commission income	20	**-269 132**	**-253 250**
Commission income		176 772	143 365
Commission expenses		-445 904	-396 615
Carryover/transfer		**512 193**	**788 061**

in € thousands	Cf. Note no.	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Carryover/transfer		**512 193**	**788 061**
General administrative expenses		**-524 632**	**-516 689**
Personnel expenses		-319 550	-321 598
Materials costs		-170 225	-156 071
Depreciation/amortisation		-34 857	-39 020
Net other operating income/expense	21	**136 591**	**11 218**
Other operating income		372 471	92 236
Other operating expenses		-235 880	-81 018
Earnings before income taxes from continued operations		**124 152**	**282 590**
Of which sales revenues[1]		3 730 034	3 693 953
Income taxes	22	-28 132	-86 358
Consolidated net profit		**96 020**	**196 232**
Result attributable to shareholders of W&W AG		97 290	195 028
Result attributable to non-controlling interests		-1 270	1 204
Basic (= diluted) earnings per share in €	23	**1.04**	**2.08**
of which: from continued operations in €		1.04	2.08

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

Consolidated statement of comprehensive income

in € thousands	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Consolidated net profit	**96 020**	**196 232**
Other comprehensive income (OCI)		
Elements not reclassified to the consolidated income statement:		
Actuarial gains/losses (–) from pension commitments (gross)	515 763	178 010
Provision for deferred premium refunds	-32 221	-11 435
Deferred taxes	-144 093	-50 755
Actuarial gains/losses (–) from pension commitments (net)	**339 449**	**115 820**
Elements subsequently reclassified to the consolidated income statement:		
Unrealised gains/losses (–) from financial assets at fair value through other comprehensive income (OCI; gross)	-7 128 083	-2 633 812
Provision for deferred premium refunds	5 245 532	1 999 368
Deferred taxes	561 000	193 316
Unrealised gains/losses (–) from financial assets at fair value through other comprehensive income (OCI; net)	**-1 321 551**	**-441 128**
Total other comprehensive income (OCI; gross)	-6 612 320	-2 455 802
Total provision for deferred premium refunds	5 213 311	1 987 933
Total deferred taxes	416 907	142 561
Total other comprehensive income (OCI; net)	**-982 102**	**-325 308**
Comprehensive income for the period	**-886 082**	**-129 076**
Result attributable to shareholders of W&W AG	-855 799	-119 138
Result attributable to non-controlling interests	-30 283	-9 938

Plain for technical reasons

Consolidated statement of changes in equity

	Cf. Note no.	Share in paid-in capital attributable to shareholders of W&W AG	
		Share capital	Capital reserve
in € thousands			
Equity 1.1.2021		**490 231**	**996 232**
Changes to the scope of consolidation		–	–
Comprehensive income for the period			
Consolidated net profit		–	–
Other comprehensive income (OCI)		–	–
Comprehensive income for the period		**–**	**–**
Dividends to shareholders	13	–	–
Treasury shares		-338	-537
Other		–	–
Equity 30.6.2021		**489 893**	**995 695**
Equity 1.1.2022		**489 893**	**995 695**
Comprehensive income for the period			
Consolidated net profit		–	–
Other comprehensive income (OCI)		–	–
Comprehensive income for the period		**–**	**–**
Dividends to shareholders	13	–	–
Treasury shares		237	427
Other		–	–
Equity 30.6.2022		**490 130**	**996 122**

Share in retained earnings attributable to shareholders of W&W AG				Equity attributable to W&W shareholders	Non-controlling interests in equity	Total equity
Retained earnings	Other reserves (OCI)					
	Reserve for pension commitments	Reserve for financial assets at fair value through other comprehensive income (OCI)	Reserve for financial assets accounted for under the equity method			
3 158 949	**-821 498**	**1 218 637**	**106**	**5 042 657**	**42 494**	**5 085 151**
-8 109	–	8 109	–	–	–	–
195 028	–	–	–	195 028	1 204	196 232
–	115 756	-429 922	–	-314 166	-11 142	-325 308
195 028	**115 756**	**-429 922**	**–**	**-119 138**	**-9 938**	**-129 076**
-60 885	–	–	–	-60 885	–	-60 885
-324	–	–	–	-1 199	–	-1 199
-309	309	–	–	–	–	–
3 284 350	**-705 433**	**796 824**	**106**	**4 861 435**	**32 556**	**4 893 991**
3 441 733	**-687 143**	**604 666**	**3**	**4 844 847**	**28 727**	**4 873 574**
97 290	–	–	–	97 290	-1 270	96 020
–	339 268	-1 292 357	–	-953 089	-29 013	-982 102
97 290	**339 268**	**-1 292 357**	**–**	**-855 799**	**-30 283**	**-886 082**
-60 915	–	–	–	-60 915	–	-60 915
227	–	–	–	891	–	891
–	–	–	–	–	–	–
3 478 335	**-347 875**	**-687 691**	**3**	**3 929 024**	**-1 556**	**3 927 468**

Condensed consolidated statement of cash flows

Cash flows from operating activities are determined using the indirect method.

The balance of cash and cash equivalents in the financial year comprises the items cash reserve of €46.8 (previous year: 64.8) million and bank balances available at any time included in Other receivables of €919.7 (previous year: 863.3) million. The cash reserve includes cash, balances at central banks and balances at foreign postal giro offices.

Cash flows from financing activities include cash receipts from the disposal of treasury shares under an employee share ownership programme and cash payments from the repurchase of treasury shares on the market totalling €0.5 (previous year: -1.6) million. The W&W Group can freely access the balance of cash and cash equivalents. The legally required balances at Deutsche Bundesbank, which are subject to the reserves requirement, came to €29.9 (previous year: 28.5) million as at 30 June 2022.

Condensed consolidated statement of cash flows

in € thousands	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Consolidated net profit	96 020	196 232
-/+ increase/decrease in building loans	-1 025 497	-581 804
+/- increase/decrease in technical provisions	-354 640	1 382 180
+/- increase/decrease in securitised liabilities	17 964	-4 354
+/- increase/decrease in liabilities to credit institutions	482 922	-216 563
+/- increase/decrease in liabilities to customers	78 696	168 674
Other changes	-1 149 410	-1 264 371
I. Cash flow from operating activities	**-1 853 945**	**-320 006**
Cash receipts from the disposal of intangible assets and property, plant and equipment	10 759	11 177
Cash payments for investments in intangible assets and property, plant and equipment	-61 565	-74 639
Cash receipts from the disposal of financial assets	8 954 243	6 701 285
Cash payments to acquire financial assets	-6 993 064	-6 537 450
Cash payments to acquire shares in financial assets accounted for under the equity method	-5 287	–
II. Cash flows from investment activities	**1 905 086**	**100 373**
Dividend payments to shareholders	-60 915	-60 885
Transactions between shareholders	459	-1 613
Change in funds resulting from subordinated capital	–	-6 270
Interest payments on subordinated capital	-1 469	-1 469
Cash payments for the reduction of lease liabilities	-8 762	-12 418
III. Cash flows from financing activities	**-70 687**	**-82 655**

in € thousands	2022	2021
Cash and cash equivalents as at 1.1.	**981 068**	**1 202 263**
Net change in cash and cash equivalents (I.+II.+III.)	-19 546	-302 288
Effects of exchange rate/scope of consolidation changes on cash and cash equivalents	5 012	28 176
Cash and cash equivalents as at 30.6.	**966 534**	**928 151**

Selected explanatory notes

General accounting principles and application of IFRS

Disclosure of general information about financial statements

In accordance with the provisions of Section 115 in conjunction with Section 117 no. 2 *Wertpapierhandelsgesetz* (German Securities Trading Act – WpHG), the half-year financial report of Wüstenrot & Württembergische AG comprise condensed consolidated half-year financial statements, a Group Interim Management Report and the responsibility statement in accordance with Section 297 (2) sentence 4 and Section 315 (1) sentence 5 *Handelsgesetzbuch* (German Commercial Code – HGB). The Group Interim Management Report is prepared in accordance with the provisions of the WpHG and German Accounting Standard 16.

The same accounting methods were used as for the consolidated financial statements as at 31 December 2021. The standards applicable for the first time from 1 January 2022 were also applied. The provisions applicable for the first time did not have any material impact on the net assets, financial position and results of operations.

The condensed consolidated half-year financial statements of Wüstenrot & Württembergische AG – comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, condensed consolidated statement of cash flows and selected explanatory notes – are presented in accordance with IAS 34 Interim Financial Reporting and were prepared on the basis of Section 315e HGB in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and contain condensed reporting compared to the consolidated financial statements as at 31 December 2021. The Wüstenrot & Württembergische AG Executive Board authorised the Group's half-year financial report for publication on 9 August 2022.

The W&W Group's half-year financial report is prepared in EUR Amounts stated may differ from each other slightly due to rounding.

Employee share ownership programme

An employee share ownership programme ran again in the first half of 2022 that allowed all eligible employees at W&W Group companies to acquire up to 40 shares in W&W AG at a reduced price of €13.50 (€5.00 discount). The employees must hold these shares for at least three years.

In addition to issuing treasury shares held, another 41,000 share were resold on the market and partly issued for the programme. Employees acquired a total of 85,974 employee shares, with another 360 returned to the market when the programme expired. The employee share ownership programme generated personnel expenses of €0.4 million. As at the reporting date 30 June 2022, W&W AG still held 34,632 treasury shares.

Use of discretionary decisions and estimates

When calculating risk provision under IFRS 9, discretion was exercised and it was decided, contrary to the approach taken in the 2021 consolidated financial statements, to use the macroeconomic information currently available largely unadjusted in the risk provision model. The parameter GDP growth was still based on longer-term stable macroeconomic information. Depending on how the coronavirus pandemic develops moving forward, it may be necessary to again assess the validity of discretionary decisions made in the months ahead. Further disclosures and explanations of the macroeconomic parameters used for this can be found in the Risk provision – financial assets section. To adequately present current economic uncertainties, additional adjustments were made for the risk provision. These are described in more detail in the section on the impact of the war in Ukraine and the coronavirus pandemic.

There were no other material changes to the use of discretionary decisions and estimates compared to the consolidated financial statements as at 31 December 2021.

Impact of the war in Ukraine and the coronavirus pandemic

The Russian invasion of Ukraine and further developments in the coronavirus pandemic influenced the W&W Group's economic environment in the first half of 2022. In particular, the ongoing war in Ukraine is increasing levels of uncertainty in terms of economic, political and geopolitical conditions. The sharp rise in interest rates and prices, economic sanctions, resulting disruptions to global supply chains and worse sentiment among economic players had a particular impact. Moreover, the risk for the security of our IT infrastructure has increased as a result of more intense cyber attacks. At present, it is not possible to rule out the possibility of the current geopolitical situation getting worse, combined with the war in Ukraine spreading to other participants or the coronavirus pandemic picking up speed again, and this could further affect general conditions.

Major central banks have already raised interest rates to constrain the high inflation and have hinted at further hikes. In terms of interest-bearing investments, the sharp rise in interest rates caused a major drop in the fair values of investments held. In the W&W Group, these declines are primarily shown in equity due to the fact that most are categorised through other comprehensive income, which leads to higher deferred taxes. At the same time, issuer credit ratings have seen only minor changes to date. The high share of solvent exposures with investment grade securities continued to reduce the recognition of risk provisions. Higher inflation puts significant strain on private households, especially low and middle-income families. To adequately present these risks and their knock-on effects, the average loss given default (LGD) was adjusted. The average probability of default was also increased in lower rating classes. In the customer lending business, this resulted in an additional risk provision in the mid-single-digit millions. Claims expenses in underwriting are expected to trend upwards as a result of high inflation. We believe there is adequate funding for existing provisions here.

In addition, higher interest rates on the market at present result in opportunity losses for personal insurers. Policyholders' participation in results means that a negative deferred provision for premium refunds is recognised. Please see the consolidated statement of comprehensive income and Note 10 (Technical provisions) for information on changes in the provision for premium refunds.

Higher interest rates also mean a lower pension provisions valuation. The effects of the decline in provisions (mid-triple-digit millions) are recognised in equity through other comprehensive income. No material price declines were reported when measuring investment property.

Capital markets remained very volatile in the first half of the year with prices down considerably. This resulted in through profit or loss losses on measurement and disposal in the low triple-digit millions, especially for equity investments.

The Russian invasion had a direct impact on the W&W Group's capital investments. All government bonds of the countries affected (Ukraine, Russia and Belarus) acquired in previous years were sold in the first half of the year after the war broke out. This decrease in the customer portfolio reduced consolidated net profit by a figure in the low double-digit millions in the 2022 financial year.

The customer lending business, which essentially relates to customer loans and – to a lower extent – mortgage portfolios, has not so far experienced a rise in payment defaults. An additional risk provision was recognised at the start of the coronavirus pandemic based on management's risk expectation at the time. However, no measurably higher counterparty default risks have occurred at the W&W Group since the outbreak of the coronavirus pandemic and so the additional risk provision in connection with the pandemic has now been reversed in full.

In terms of property, there were no rent arrears in the first half of 2022 due to the pandemic, as the government closures and moratoria granted in 2020 are now further in the past. Total past rent arrears were largely reduced in the first half of 2022 by way of negotiations with contractual partners and timely repayments. As part of the risk provision, write-downs of €0.4 million were recognised in the first half of 2022. By contrast, there were no additions to the provisions for the recovery of rent payments made. Instead, these were reversed in the amount of about €0.3 million.

In underwriting, existing provisions of €11.6 million in connection with unexpected expenses under business closure insurance policies were reversed almost in full due to the legal clarity obtained and current developments.

Depending on the duration and progression of the war in Ukraine and the coronavirus pandemic, the net assets, financial position, results of operations and risk situation may continue to deteriorate in the medium term. Further information can be found in the management report.

Accounting policies

Disclosure of changes in accounting policies

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

With the exception of the standards to be applied for the first time described below, the same accounting policies were used as in the consolidated financial statements as at 31 December 2021:

- Amendments to IFRS 3, IAS 16, IAS 37 and the collective standard for improvements 2018-2020 to be applied from the financial year starting 1 January 2022. The amendments contain immaterial changes to the individual standards.

The amendments were adopted in EU law on 28 June 2021. Only individual aspects are affected by the amendments at the W&W Group and these do not have a material impact on the presentation of the W&W Group's net assets, financial position or results of operations.

Accounting requirements that have been published but are not yet mandatory

IFRS 17 Insurance Contracts
The IASB published the standard IFRS 17 "Insurance Contracts" in May 2017. In view of some criticisms, the IASB published "Amendments to IFRS 17" in June 2020, which, among other changes, postpones the date of initial application for IFRS 17 to financial years beginning on or after 1 January 2023. As part of the EU endorsement process in July 2021, an addition was made to the then draft regulation compared to the IASB version. As relief, insurance companies have the option not to apply the annual cohorts requirement for certain contracts. EU endorsement was completed with publication in the Official Journal of the European Union on 23 November 2021 and the IFRS 17 regulations will come into effect on 1 January 2023. In view of efforts to improve the usefulness of comparative information required under IFRS 17, the IAS published a narrow scope amendment to IFRS 17 on 9 December 2021. The amendments stipulate a different classification under FRS 9 Financial Instruments (known as the "classification overlay approach") if certain conditions are met. The classification overlay approach is not relevant for the W&W Group as IFRS 9 has been applied since the 2018 financial year.

IFRS 17 will replace IFRS 4, which has been in place since 1 January 2005, and introduces standardised requirements for the recognition, valuation, presentation and notes on insurance contracts and reinsurance contracts for the first time. In some cases, the W&W Group does not apply IFRS 17 when accounting for products and services that also have both financial and insurance characteristics. As well as financial guarantees for which there is an option under FRS 17.7e, this also applies to policy loans and premium deposits. These are still accounted for in accordance with IFRS 9. In individual cases – where products experience several contract stages with financial and insurance characteristics – the accounting standard to be applied changes over time from IFRS 9 to IFRS 17.

IFRS 17 initially stipulates the general measurement model (GMM), also known as the building block approach (BBA) for measuring groups of insurance contracts. The valuation is based on the expected value of discounted cash flows with an explicit risk adjustment for non-financial risk and a contractual service margin (CSM). The CSM represents the unrealised profit that will be generated from the insurance contracts in the future, that is reversed in stages on the basis of coverage units and recognised in insurance revenue. The standard states that onerous business should be immediately recognised as an expense.

Compared to IFRS 4, instead of premium income in each period the new standard recognises "insurance revenue" as changes arising from the liability to provide insurance cover for which the insurance company receives a fee and the portion of premiums covering acquisition costs. Payments and receipts of savings components are not recognised as revenue/income or expense in the income statement. Only the difference between actual and expected savings components is offset against the CSM and is thus indirectly accounted for in the income statement. Insurance finance income and expenses result from discounting effects and changes to financial risks.

To ensure that the insurance company's net assets, financial position and results of operations are determined reliably, IFRS 17 states that the unit of account (level of aggregation) is to be recognised. For initial recognition, groups of insurance contracts (GIC) that are subject to similar risks and managed together are formed as the unit of account within the portfolio. The portfolios are then divided into (three) profitability groups and into cohorts based on timing. There must not be more than one year between the underwriting dates of insurance contracts allocated to the same group.

A group of insurance contracts issued is recognised for the first time for the purposes of IFRS 17 from the earlier of the date on which this GIC's coverage period begins and the date on which a premium payment in the GIC first falls due or the date of the first premium payment, if there is no due date. In the case of onerous groups of contracts, this applies from the date on which it becomes known that the group is onerous. The coverage period is the period in which the company provides insurance contract services. This period covers all insurance contract services for which premiums were paid within the boundaries of the contract.

Investment components under IFRS 17 are the amounts to which the policyholder is entitled under all circumstances – including the expiry of the contract. There is no investment component only if there is a scenario with commercial substance in which the policyholder does not receive any services.

The yield curve used for discounting under IFRS 17 should reflect the liquidity properties of the insurance contracts and be consistent with interest rates derived from the prices of securities traded on the market. These securities should be comparable with the insurance contracts to be valued in terms of their fixed interest, currency and liquidity.

Effects of changes to financial assumptions can be recognised either in the income statement through profit or loss or in other comprehensive income depending on the portfolio. Changes to the assumptions not relating to interest rates/financial risks are not recognised directly in the income statement and are instead posted against the CSM and distributed with this over the duration of the insurance services still to be provided (during the coverage period). Changes in estimates are recognised immediately in the income statement through profit or loss only for GICs where there is a risk of losses.

IFRS 17 provides an approximation method for short-term contracts (known as the premium allocation approach (PAA) which shows the liability for the provision of insurance cover via the provision for unearned premiums, as previously. Liabilities for insurance claims incurred but still outstanding are discounted at current rates under IFRS 17. IFRS 17 includes a modification of the general measurement model for large parts of the life insurance business with participation contracts. Here, the new standard accounts for the fact that these insurance contracts focus on providing capital investment services that are integrated into the insurance service (known as the variable fee approach (VFA)). The VFA is intended to reflect changes in the value of the insurance contracts' underlying items. It results in the recognition of a liability in the amount of the fair value of the underlying items less a variable fee. Changes in the shareholder portion of the development of the sources of income underlying the participation contracts are recognised in the CSM and distributed over the duration of the services to be provided.

Given the particular importance of the new provisions, the W&W Group has launched an implementation project that will run for several years and that ensures the new standard is applied in the W&W Group as at 1 January 2023. In addition, it monitors current developments at various relevant institutions and bodies (e.g. IFRS IC) relating to IFRS 17. As things stand, all IFRS 17 measurement models are taken into account in the W&W Group and will be applied in the future. The VFA will be applied for participating business in life and health insurance. The PAA is also used in health insurance for short-term contracts. Both the BBA and the PAA are used in property and casualty insurance. The W&W Group will not apply the option under IFRS 17.53a, under which applying the PAA generates results that do not differ materially from the results when using the BBA. For passive reinsurance business, the W&W Group will apply the BBA or the PAA, taking account of the maturities.

IFRS 17 requires taking an individual company perspective to adjusting risks for non-financial risks. At the W&W Group, the legal units individually apply the methods of computation and allocation procedures that are appropriate for their risks and in terms of the timing of calculation requirements. Diversification effects between the units are not taken into account here. Risks are adjusted at the level of the legal units and so diversification effects between the GIC formed are accounted for directly. The risk adjustment is then allocated to the GIC – generally proportionally or on the basis of volume using the undiversified risk capital of the individual groups. The cost of capital approach under Solvency II is applied, which must be modified for IFRS 17 accounting. Compared to the risk margin under Solvency II, in the risk adjustment in accordance with IFRS 17 only insurance risks may be taken into account and the internal risk perspective must be adopted. At the same time, the risk adjustment for primary insurance contracts does not take into account the risk-mitigating effect of reinsurance contracts held. The incoming cost of capital is also calculated individually for each legal unit.

The unit of account used is calculated in the W&W Group at line level (life insurance, health insurance and property and casualty insurance) or according to the type of insurance contracts, depending on the risks insured in the product line and their management. Inclusion in the GIG and thus in the portfolios must be determined at the time of initial recognition and cannot be changed subsequently.

At the W&W Group, suitable coverage units are determined and the decision about potential discounting made in the relevant lines depending on the product, with the remaining CSM systematically distributed in the income statement over the coverage period.

Investment components at the W&W Group are primarily in life insurance primary insurance contracts. This affects products in endowment life insurance, deferred pension insurance, unit-linked insurance policies and hybrid rates. Differences between the expected and actual benefits from the investment components are offset against the CSM and recognised in profit or loss through their reversal.

The W&W Group uses the bottom-up approach as the structure for estimating the yield curve, which is based on a liquid risk-free yield curve derived from market-traded interest rates of securities. The “illiquidity premium” is added to this base yield curve to reflect the different liquidity characteristics of the securities and insurance contracts underlying the base yield curve. To ensure that only liquid interest rates are included in the yield curve, a liquidity measure is established that differentiates between liquid and illiquid securities. The W&W Group uses fixed-for-floating swaps as securities whose interest rates form the base yield curve. The host instrument underlying the fixed-for-floating swap is initially six-month Euribor (for EUR) and six-month Libor (for USD and GBP). Any future replacement of interest rate benchmarks will be considered in due course. Cash flows with a term of up to 120 years are included in the calculation. Interest rates are then provided for fixed interest periods from 1 to 120 years. Any fixed interest rates required during the year are to be determined by interpolating the interest rates in annual tranches. For fixed interest periods of up to two years, fixed interest periods can be supplemented in six-month tranches to make the greatest possible use of market data in accordance with IFRS 17.B78(a).

Regarding the optional exemption as part of the EU endorsement process (EU carve-out option) for recognising annual cohorts under IFRS 17.22, the W&W Group intends to apply this to the VFA portfolio at life insurance and health insurance level. Accordingly, a distinction is made only between the transitional portfolio and new business. Annual cohorts are recognised in property and casualty insurance.

To reduce volatility in the income statement, the W&W Group will apply the OCI option under IFRS 17.88b/89b to allocate the net insurance financial result across all lines and measurement approaches.

Under certain circumstances, joint application of IFRS 9 and IFRS 17 can create measurement discrepancies for insurance companies. To prevent an accounting mismatch, interactions from exercising the IFRS 17 OCI option and the categorisation of the financial assets were analysed. IFRS 17.C29 allows a one-off recategorisation at the date of first-time adoption of IFRS 17. Accordingly, the standard provides the option to amend the IFRS 9 business model allocations when first applying IFRS 17. The W&W Group will most likely not make use of this option.

For insurance companies in the W&W Group whose contract portfolio is primarily valued using the VFA, the accounting policies used for investment property are amended and will be measured at fair value in the future instead of at amortised cost.

Full retrospective application using the full retrospective approach (FRA) is the transitional approach generally applicable under IFRS 17, unless it proves impracticable for the entity concerned within the meaning of IFRS. As part of this, each GIC must be identified, recognised and measured as if IFRS 17 had always applied. The decision as to which transitional approach can be used depends on factors including the date of initial recognition of the relevant GIC. In the case of insurance contracts that have already been in force for a longer period of time, data availability is not comparable with that of recently concluded contracts and so the W&W Group applies the modified retrospective approach (MRA) in particular for the portfolio available as at the transition date 1 January 2022. In this case, evidence must be provided for the GIC that no sufficient data is available. The W&W Group simplifies the identification and classification of GIC, the valuation of the CSM/the loss component for contracts with and without direct participation contracts at the transition date and the allocation of insurance finance income or expenses.

In life insurance, the MRA is used for the primary insurance portfolio available as at the transition date, which is valued using the VFA. Information available as at the transition date 1 January 2022 is used to define the GIC. For the initial valuation of technical provisions at the end of the years from 2019 to 2021, the yield curves available at the start of the year are used for discounting. The CSM is measured as at 31 December 2019 and is further developed in the subsequent valuation at the transition date. The CSM and the loss components for insurance contracts with direct participation features are determined in line with IFRS 17.C17 and the simplification options provided here. By exercising the OCI option IFRS 17.89b, insurance finance income or expenses for direct participation contracts are divided into through profit or loss and through other comprehensive income. The OCI amount is determined at the value recognised for the underlying items at the transition date.

For GIC in health insurance, the MRA is expected to be applied with the exception of short-term property insurance rates and passive reinsurance contracts. By contrast, the FRA can be used in full for short-term rates. The CSM is measured as at 31 December 2018 and is further developed in the subsequent valuation at the transition date. The CSM and the loss components for insurance contracts with direct participation features are determined in line with IFRS 17.C17 and the simplification options provided here. The OCI option is also exercised for participating insurance business and the OCI amount is determined at the value recognised for the underlying items at the transition date.

Based on the remaining coverage, a distinction is drawn between different contract components when accounting for property and casualty insurance contracts Firstly, there are contracts without remaining coverage in 2017 that were in the process of being settled and for which a provision was recognised only for already incurred claims. Secondly, there are contracts with remaining coverage in 2017. Only the MRA is used for the first group. For reasons of simplicity, illiquidity when determining the yield curve is taken into account for the period from 2017 until the transition date. For years prior to 2017, the arithmetic mean of the illiquidity premium from 2017 to 2022 is used in accordance with the relief under IFRS 17.C13. In the case of contracts with remaining coverage, there are portfolios for which the application of the FRA is generally practicable and portfolios for which the MRA is applied. Regardless of this, methodological simplifications are used in determining cost and loss ratios, in risk adjustment and in testing for onerous business.

As part of the project, an IT solution is implemented for the actuarial calculations and processes specific to IFRS 17. New cross-cutting processes and controls are also put in place. The W&W Group assesses the impact of IFRS 17 in connection with this. Applying IFRS 17 tends to result in more volatile Group equity. The transition has both increasing and decreasing effects on Group equity, which are primarily determined by the reclassification of investment property and the amount of technical provisions. We expect the change in the valuation of investment property to increase carrying amounts by a figure in the mid-triple-digit millions. For technical provisions, this tends to result in lower values in property and casualty insurance and higher values in life insurance. Overall, we expect a middle-triple-digit increase in technical provisions in the opening statement of financial position. The transition to IFRS 17 is expected to have a net positive effect on Group equity in the lower-triple-digit millions as a result of offsetting effects, taking account of deferred taxes. This trend statement is based on first test calculations, which have not been audited.

Final figures can still be affected by the specific implementation and the final form of various measurement parameters. As well as further analysis, the opening statement of financial position as at 1 January 2022 and the required prior year figures are currently being prepared and are expected to be finalised in the second half of 2022. The W&W Group will apply IFRS 17 as planned as at 1 January 2023.

Other amendments

The IASB also published the following amendments:

Amendments first applicable for financial years beginning on or after 1 January 2023

- Amendments to IAS 1 (Presentation of Financial Statements) and IFRS Practice Statement 2: Disclosure of Accounting Policies. The amendments provide greater detail on the materiality of accounting policies and disclosures. The requirement to disclose “significant” accounting policies is replaced by a requirement to disclose “material“ accounting policies on the basis of a flow chart. The Practice Statement 2 adds guidelines and illustrative examples to help apply the materiality concept when assessing disclosures of accounting policies.

- Amendments to IAS 8 (Definition of Accounting Estimates) specifies the difference between accounting policies and accounting estimates to make it easier for companies to distinguish these. The distinction is important as changes to accounting policies are generally to be applied retrospectively while changes in estimates are accounted for prospectively.

The amendments were adopted in EU law on 2 March 2022. The amendments are not expected to have any material impact on the presentation of the W&W Group’s net assets, financial position and results of operations.

- 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 clarifies that the classification of liabilities as current depends on the entity’s right as at the reporting date to defer settlement of a liability for at least twelve months. This liability is classified as non-current if the entity is entitled to do so. If it is not, the liability is considered current. The effective date was deferred to 1 January 2023.

- Amendments to IAS 12 (Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction). Under certain circumstances, entities are exempt from recognising deferred taxes if they recognise assets or liabilities for the first time (initial recognition exemption). The amendment now clarifies that the initial recognition exemption does not apply to certain transactions and so deferred taxes are to be recognized.

Early application is allowed but there are no intentions to do so. EU endorsement has not yet been granted for these amendments. The amendments are not expected to have any material impact on the presentation of the W&W Group’s net assets, financial position and results of operations.

Consolidation

Changes to the scope of consolidation

Additions and disposals in the scope of consolidation

There were no material changes in the scope of consolidation in the first half of the year, which is comparable to that of the previous year.

Accounting policies

Calculating the fair value of financial instruments

The following method is used to calculate the fair values of financial instruments, regardless of the category or class to which the financial instrument is assigned and whether the fair value calculated is used for the accounting measurement or the information in the notes.

As a general rule, the class assigned for measuring fair value in accordance with IFRS 13 is the same as the class used for the expanded notes for financial instruments in accordance with IFRS 7. This is expanded by incorporating non-current assets held for sale and discontinued operations and, in line with this, incorporating liabilities from non-current assets held for sale and discontinued operations in order to cover the relevant assets and liabilities.

Given the business models used in the W&W Group and the high relevance of capital investments, a detailed classification is used for financial instruments. They are divided into classes on the basis of characteristics such as the nature of the cash flows underlying the financial instruments and their risks. This includes differentiation based on ranking. The nature of the financial instruments is concisely reflected in the respective class names. The following classes of debt instruments are also explained separately: the class “senior fixed-income securities”, which can be found in the “financial assets at fair value through profit or loss” and “financial assets at fair value through other comprehensive income (OCI)”categories, includes senior (bearer) bonds with mainly fixed interest rates.

In the “financial assets at fair value through other comprehensive income (OCI)” category, the class “subordinated securities and receivables” comprises bonds and other securities and receivables. Based on the class volume, these are essentially floating rate notes or, depending on the contractual structure, bonds with a changing coupon type (e.g. fixed rate to variable).

The class “Fixed-income financial instruments that do not pass the SPPI test” within the “financial assets at fair value through profit or loss” category covers all financial instruments that are not solely cash flows for payments of principal and interest on the principal amount outstanding and so do not meet the SPPI criterion in IFRS 9. This class includes various types of bonds, promissory note loans and other securities and receivables with a range of rankings, which may be subject to several risks. Given the individual contract structure, industrial companies and other financial services providers represent the largest group here.

The “Senior debenture bonds and registered bonds” class in the “financial assets at fair value through other comprehensive income (OCI)” category includes exclusively non-fungible bonds and promissory note loans with fixed coupons. Public institutions and credit institutions account for the majority of issuers here.

The “Derivative financial instruments under assets and equity and liabilities” class essentially includes forward exchange contracts, swaps, other interest rate and currency derivatives and quoted and unquoted equity and index-linked options.

The class “Positive and negative market values from hedges” covers instruments designated as hedges as part of hedge accounting. At the W&W Group, these are generally unquoted interest rate swaps.

The class “Capital investments for the account and risk of life insurance policyholders” primarily contains fund units in which the W&W Group does not participate itself and thus does not bear any risks or opportunities.

The fair value of a financial instrument is the price that the W&W Group would receive on the measurement date in an arm’s length transaction between market participants for the sale of an asset or that it would have to pay to transfer a liability. Fair value is thus a market-based measurement, not an entity-specific measurement.

Further procedures and the principles of measuring fair value are described in the section “Explanations of financial instruments and fair value”.

Risk provision – financial assets

The model for determining risk provision under IFRS 9 is based on expected credit losses and is therefore also referred to as the expected credit loss model. This model requires estimates regarding the extent to which the expected credit losses are affected by changes in economic or macroeconomic factors. This estimate is made on the basis of weighted probabilities.

IFRS 9 regulations on risk provision are applied to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income and loan commitments and financial guarantees issued. For assets measured at amortised cost, the risk provision is recognised directly in the risk provision item for the respective statement of financial position item. For assets measured at fair value through other comprehensive income, the risk provision is recognised through profit or loss by adjusting the reserve for financial assets at fair value through other comprehensive income (OCI). The risk provision for off-balance sheet transactions is recognised through profit or loss as an other provision. This risk provision is calculated in line with the calculation of the risk provision of financial assets. Financial assets at fair value through profit or loss and equity instruments not subject to any credit risk are not covered by the IFRS 9 risk provision model.

Under IFRS 9, the risk provision is determined using a three stage approach. In stage 1, impairment at the time of initial recognition is determined on the basis of 12-month credit defaults. These are expected credit losses due to potential default events within 12 months of the reporting date. If the credit risk (not accounting for securities) has increased significantly as at the measurement date, the financial asset is transferred from stage 1 to stage 2 unless a default event occurs. In stage 2, valuation is based on potential default events over the remaining term of the financial asset (lifetime perspective). If defaults occur over the course of time and thus there are objective indications of credit impairment, the asset is assigned to stage 3. Impairment in stage 3 is calculated in line with stage 2 impairment on the basis of the lifetime perspective, taking account of the certain occurrence of a default event. In stages 1 and 2, interest income is calculated on the basis of the gross carrying amount; in stage 3 interest income is calculated based on the gross carrying amount less the risk provision. The impact of the Ukraine war and the coronavirus pandemic on the risk provision is discussed in detail in the respective section.

It is essentially assumed that contracts in the customer lending business where payment is delayed by 30 or more days are deemed to have a significantly higher credit risk and are allocated to stage 2. This presumption was rebutted only for a small share of the total portfolio, which was still assigned to stage 1 despite being more than 30 days past due.

Significant decrease in credit rating

In the lending business, the change in the probability of default (PD) is used to carry out a quantitative assessment of whether the credit rating has experienced a material decrease since first-time recognition. The quantitative assessment criterion for a decrease in the credit rating is an actual reduction in the internal credit rating for the borrower's contract in question, which is used in the internal assessment of default risk. In addition to empirical values and credit ratings, forward-looking macroeconomic information is also taken into account here on a quantitative basis. This macroeconomic information is generally used based on qualitative considerations in risk management or technical considerations to determine the point-in-time components. Within the meaning of the true and fair view, there is a demonstrated link, which is also considered when determining the risk provision under IFRS 9, between the relevant forward-looking information and the relevant risk parameters. Further details can be found in the section Modelling the point-in-time components.

In the case of building loans, the portfolios are assigned to an internal rating class using a scoring method. Each rating class is associated with a probability of default. At the acquisition date, they are allocated to a rating class using application scoring. Over time, the change in credit quality is reviewed by way of behavioural scoring and the portfolio is assigned to the respective rating class. The question of whether there has been a significant decrease in the credit rating is determined based on the relative change in the probability of default. In addition, a qualitative criterion in the form of the need for forbearance measures is used when ascertaining a significant decrease in the credit rating. Further details can be found in the section "Concessions and renegotiations (forbearance measures)".

In the case of securities, this is based on the external issuer rating and other criteria, such as a change in price (average price for the last six months is permanently 20% lower than the carrying amount, average price for the last 12 months is permanently 10% lower than the carrying amount). Securities with an investment grade issuer ranking are assigned to stage 1. They are transferred to stage 2 if the rating changes from investment grade to non-investment grade. If, in addition to the significantly higher credit risk, there are objective indications that a security is impaired or the issuer experiences a default event, the security is transferred to stage 3.

It is allocated to stage 3 if the impairment trigger or the regulatory definition in accordance with Article 178 CRR is met. In accordance with this, the following criteria are used:

- the W&W Group considers it unlikely that liabilities to the W&W Group will be settled in full without the W&W Group having to take measures such as liquidating securities, and/or
- the receivable is more than 90 days past due.

A write-off is the direct reduction in a financial asset's gross carrying amount due to impairment by the amount that is expected to be uncollectible. A write-off results in the (partial) derecognition of an asset. A write-off is generally recognised only when the remaining receivable is considered uncollectible after successfully liquidating the securities. This amount generally represents the utilisation of a previously recognised risk provision.

The W&W Group does not have any material financial assets that were already impaired upon initial recognition.

Measurement of the expected credit risk/loss

To determine the expected credit loss/expected credit risk, the W&W Group uses a model based on parameters for the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). The expected credit risk is calculated based on existing (one-year) parameters that are used to determine the minimum capital requirement for credit institutions under the internal ratings-based approach (IRB) and adjusted for the requirements of IFRS 9 (e.g. multi-year horizon in the sense of a remaining term perspective and inclusion of macroeconomic factors). As part of this, existing one-year models are used and the term-dependent probability of default is approximated using one-year PDs. The central feature for determining multi-year, conditional PD profiles is the 12-month/one-year default indicator.

In the lending business, probability of default (PD) is calculated using an internal rating system. Within the W&W Group, each loan is assigned a probability of default based on a master scale. The rating is based on specific customer behaviour, taking into account factors such as general customer behaviour (e.g. income, family status), external data (e.g. Schufa information) and payment history.

As part of determining the parameters for calculating the exposure at default (EAD), the contractually agreed payments of interest and principal and optional special repayments are modelled for all products.

When determining the expected percentage loss at the time of default (LGD), multi-year parameters are modelled on the basis of features that vary over time. As well as the EAD stated, these features that vary over time comprise, for example, securities or loan-to-value ratios. Here, a point-in-time component is modelled to recognise macroeconomic effects on the loss ratio. The price index for existing residential properties is relevant for real securities, whereas non-real securities reference the long-term ten-year interest rate for German government bonds. Further details can be found in the section Modelling the point-in-time components.

Cash flows must also be discounted when determining a risk provision under IFRS 9. The effective interest rate is used as the discount factor.

Modelling the point-in-time components (forward-looking information)

Models of point-in-time components should cover forecasts of future economic changes as well as past and current information. Due to the multi-year horizon of these components, information on expected future economic development must therefore be taken into account when assessing the default risk of a loan. Using the macroeconomic factors, forecasts extend up to a maximum of three years into the future.

Making a forward-looking correction of this nature constitutes an adjustment of the probability of default (PD). This forward-looking perspective requires including forecasts of the economic factors relevant to the default rate. First, the effect of the relevant macroeconomic factors on the default rate is determined. The point-in-time correction of the probability of default is then based on the forecast for this default rate. Accordingly, a contract-specific point-in-time corrected settlement LGD is also modelled.

In the customer lending business, the change in the probability of default in relation to macroeconomic factors depends chiefly on the change in the unemployment rate and nominal GDP growth. The probability of default and, in turn, the risk provision, tends to increase when the unemployment rate rises or nominal GDP growth declines. In the customer lending business, the amount of the expected percentage loss in the case of default in relation to macroeconomic factors depends chiefly on developments in the price index for existing residential properties and developments in the ten-year interest rate for German government bonds. The expected percentage loss at the time of default and, in turn, the risk provision, tends to increase if the price index for existing residential properties falls or the long-term ten-year interest rate for German government bonds increases.

The model for calculating the risk provision requires estimates regarding the extent to which the expected credit losses are affected by changes in macroeconomic factors. The forecast for the macroeconomic factors relevant to determining the IFRS 9 risk provision in the individual scenarios was essentially based on internal company planning and the availability of data for the forecasts.

The following scenarios were considered as at 30 June 2022 to calculate the risk provision under IFRS 9 and its sensitivity in the customer lending business. For the base scenario, in light of the coronavirus pandemic GDP growth was smoothed out in the first half of 2022 in order to use stable macroeconomic factors. No changes were made to the other parameters compared to the data as at the reporting date. This discretionary decision is based on the requirements of ESMA. The specific features of the alternative scenarios took account of the latest developments after the reporting date, including the war in Ukraine, and were based on the macroeconomic forecasts. Actual developments may differ from these assumptions as a result of how the war in Ukraine progresses moving forward.

Forecast of relevant macroeconomic factors in the ...

	Basis scenario	Alternative scenario - optimistic	Alternative scenario - pessimistic
Price index for existing residential properties[1]	214.3	225.1	192.6
Unemployment rate in %[2]	3.4	3.1	3.7
Nominal GDP growth in %[3]	6.3	9.1	3.5
Long-term ten-year interest rate for German government bonds in %[4]	1.5	2.7	2.2

1 Base year = 2010, quarterly data from the German Federal Statistical Office forecast over three years
2 Quarterly OECD data forecast over one year
3 Quarterly OECD data forecast over one year
4 Quarterly OECD data forecast over two years.
The macroeconomic factors listed above relate to Germany.

The risk provision in accordance with IFRS 9 in the customer lending business is based exclusively on the base scenario. The risk parameters modelled in the base already account for various model scenarios (including default, no default, recovery and settlement) within the meaning of IFRS 9. In addition, the model data base used covers different economic cycles. In addition, macroeconomic factors are used for the point-in-time correction that result from the weighting of various future economic developments. A purely model scenario-weighted calculation of the risk provision in the customer lending business, taking into account the probability of the individual scenarios occurring, would not result in any material effects on the IFRS 9 risk provision recognised.

In terms of capital investments, risk parameters are derived based on information from ratings agencies and the capital markets, especially when deriving multi-year default parameters taking account of internal measurement yield curves and empirical (multi-year) default rates of unsatisfied bonds, which are regularly published by the rating agencies. Information from ratings agencies is also used when modelling multi-year parameters for the loss given default (LGD). Probabilities of default are adjusted for forward-looking macroeconomic factors in the form of a correction factor based on market-implied probabilities of default, as the macroeconomic factors listed above are implicitly included in the risk provision calculation by way of market participant expectations. This correction factor describes the relationship between current and the long-term capital market investor expectations of debtors' credit ratings, based on the credit spread. If this is greater than 1 in the pessimistic alternative scenario (less than 1 in the optimistic alternative scenario), the capital market assumes a higher (lower) probability of default for an issuer, which then has a corresponding impact on risk provision in line with the correction factor.

In the pessimistic alternative scenario, the risk provision under IFRS 9 for the W&W Group would rise by a total of €69.6 million as at 30 June 2022 for customer lending business and capital investments. In the optimistic alternative scenario, it would decline by €14.9 million for both areas.

Concessions and renegotiations (forbearance measures)

In justified exceptional cases, restructuring agreements are reached with customers. These agreements generally provide for a temporary or permanent reduction in payments of principal with an extended total loan term, which ultimately should end in full repayment. In addition, they include adjusting interest rate conditions to account for the new repayment conditions and generally defer previous interest receivables.

These concessions can be granted to the borrower due to current or expected financial difficulties and generally include favourable conditions for the borrower compared to the original agreement. To identify these exposures at an early stage, the W&W Group regularly reviews all loan exposures to assess whether there are any indications the borrower is in financial difficulties. In particular, dunning-related arrears constitute objective evidence of financial difficulties for the borrower.

Prior to these restructuring and deferral measures, the customer's credit rating is re-reviewed on the basis of current economic circumstances. Measures adopted in the past are included in the decision-making process.

Forbearance measures impact the assignment of stages under IFRS 9. In line with the forward-looking approach to risk provision under IFRS 9, the quantitative criteria for a stage transfer are expanded to include the qualitative transfer criterion with regard to forbearance measures put in place. This ensures that all forbearance measures result in a transfer from stage 1 to stage 2 under IFRS 9.

Loan exposures with a positive credit rating, taking into account an annuity reduction, and that have not previously defaulted are directly changed over to the new repayment conditions. The effects of the modifications made were not material for the W&W Group in the current financial year (non-substantial modifications).

Nonetheless, despite carefully reviewing the credit rating and the targeted measures taken, another default cannot be ruled out. The customer's credit rating will then be re-reviewed on the basis of the new economic circumstances.

In the case of a negative credit rating or a credit default, a decision is made as to whether it seems appropriate, under the circumstances, to restructure the existing loan or even reschedule it as a new loan. Otherwise, the settlement process for defaulting loans is initiated.

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

Segment reporting

The segment information is prepared in accordance with IFRS 8 Operating Segments on the basis of internal reporting, which the chief operating decision maker regularly uses to assess the segments' business performance and make decisions regarding allocating resources to the segments (known as the management approach). The Management Board is the chief operating decision maker in the W&W Group.

The reportable segments are identified on the basis of products and services and regulatory requirements. For this purpose, individual business segments are included in the Life and Health Insurance segment. The products and services used by the reportable segments to generate income are listed below. There is no dependency on individual major customers.

Housing

The reportable Housing segment has one business segment and covers home loan and savings and banking products, essentially for retail customers in Germany, e.g. home loan and savings contracts, advance loans, bridge loans and mortgages.

Life and Health Insurance

The reportable Life and Health Insurance segment has several business segments, all of which have similar characteristics and are comparable in terms of all IFRS 8 aggregation criteria. In particular, the group of persons, sales channels, regulatory framework, underlying actuarial calculations and the product type all have similar economic characteristics.

The reportable Life and Health Insurance segment provides a wide range of life and health insurance products for individuals and groups, including classic and unit-linked life and pension insurance, risk life and health insurance policies, classic and and unit-linked "Riester" pension plans and basic pensions, occupational disability insurance, comprehensive and supplementary private health insurance and care insurance.

Property/Casualty Insurance

The reportable Property/Casualty Insurance segment provides a comprehensive selection of insurance products for retail and corporate customers, including liability, personal accident, motor, household, residential building, legal, transport and technical insurance.

All other segments

All of the W&W Group's other business activities, such as central Group functions, asset management, building developer activities, as these are not directly related to the other reportable segments. This also includes interests in subsidiaries of W&W AG that cannot be consolidated in All other segments because they are allocated to another segment.

Consolidation/reconciliation

Consolidation measures that are necessary for reconciliation to Group figures are shown under the column Consolidation/reconciliation.

As in previous years, each individual segment's performance is measured by net segment income under IFRS. Transactions between the segments are conducted at arm's length conditions.

Measurement principles

The measurement principles used in segment reporting are the same as the accounting policies used in the IFRS consolidated financial statements, with the following exceptions. In line with internal Group reporting and management, IFRS 16 is not applied to leases under the law of obligations within the Group. Interests in the subsidiaries of W&W AG that are not consolidated in All other segments are measured there at fair value through other comprehensive income (OCI, not reclassified to the consolidated income statement).

Segment income statement

in € thousands	Housing 1.1.2022 to 30.6.2022	Housing 1.1.2021 to 30.6.2021	Life and Health Insurance 1.1.2022 to 30.6.2022	Life and Health Insurance 1.1.2021 to 30.6.2021
Current net income	118 538	115 655	389 192	381 167
Net income/expense from risk provision	-12 126	-7 408	4 551	-947
Net measurement gain/loss	-7	42 252	-1 098 033	266 552
Net income from disposals	9 868	42 685	236 120	405 439
Net financial result	**116 273**	**193 184**	**-468 170**	**1 052 211**
of which: net income/expense from financial assets accounted for under the equity method	–	–	6 255	957
Earned premiums (net)	–	–	1 188 505	1 369 501
Insurance benefits (net)	–	–	-582 525	-2 165 536
Net commission income	9 142	2 989	-79 155	-75 739
General administrative expenses[2]	-168 253	-168 181	-121 274	-127 882
Net other operating income/expense	113 125	9 674	29 320	-13 225
Segment net income before income taxes from continued operations	**70 287**	**37 666**	**-33 299**	**39 330**
Income taxes	-22 670	-12 790	6 514	-11 054
Segment net income after taxes	**47 617**	**24 876**	**-26 785**	**28 276**
Other disclosures				
Total sales revenues[3]	419 836	430 987	1 582 939	1 782 644
Of which with other segments	12 143	12 221	12 794	7 704
Of which with external customers	407 693	418 766	1 570 145	1 774 940
Segment assets[4]	29 628 673	30 179 551	32 009 730	38 536 559
Segment liabilities[4]	28 053 274	28 351 538	31 906 167	37 798 665
Financial assets accounted for under the equity method[4]	–	–	43 665	40 122

1 The column “Consolidation/reconciliation” includes the effects of consolidation between the segments and the reconciliation of segment-internal valuations with the Group valuation.
2 Includes service revenues and rental income with other segments.
3 Interest, dividend, commission and rental income from property development business and gross premiums written in insurance.
4 Figures as at 30 June 2022/31 December 2021.

Property/Casualty Insurance		Total for reportable segments		All other segments		Consolidation/reconciliation[1]		Group	
1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
44 426	17 053	552 156	513 875	12 629	5 960	4 608	4 711	569 393	524 546
611	69	-6 964	-8 286	-32	74	238	-138	-6 758	-8 350
-43 793	42 447	-1 141 833	351 251	-29 594	21 415	32 847	-17 588	-1 138 580	355 078
-13 658	1 833	232 330	449 957	-6 108	1 742	-4	27	226 218	451 726
-12 414	**61 402**	**-364 311**	**1 306 797**	**-23 105**	**29 191**	**37 689**	**-12 988**	**-349 727**	**1 323 000**
6 255	2 697	12 510	3 654	776	4 019	–	-5 240	13 286	2 433
894 522	852 334	2 083 027	2 221 835	155 668	151 631	-12 204	-12 046	2 226 491	2 361 420
-434 351	-405 195	-1 016 876	-2 570 731	-87 845	-81 804	9 282	9 426	-1 095 439	-2 643 109
-153 551	-128 892	-223 564	-201 642	-44 322	-47 440	-1 246	-4 168	-269 132	-253 250
-192 708	-185 928	-482 235	-481 991	-42 199	-36 912	-198	2 214	-524 632	-516 689
-3 426	-914	139 019	-4 465	27 188	3 125	-29 616	12 558	136 591	11 218
98 072	**192 807**	**135 060**	**269 803**	**-14 615**	**17 791**	**3 707**	**-5 004**	**124 152**	**282 590**
-20 123	-59 429	-36 279	-83 273	10 562	-2 769	-2 415	-316	-28 132	-86 358
77 949	**133 378**	**98 781**	**186 530**	**-4 053**	**15 022**	**1 292**	**-5 320**	**96 020**	**196 232**
1 657 911	1 550 993	3 660 686	3 764 624	538 680	358 497	-469 332	-429 168	3 730 034	3 693 953
91 390	94 262	116 327	114 187	358 056	314 981	-474 383	-429 168	–	–
1 566 521	1 456 731	3 544 359	3 650 437	180 624	43 516	5 051	–	3 730 034	3 693 953
5 216 375	5 345 205	66 854 778	74 061 315	6 176 532	6 358 807	-5 250 242	-5 207 196	67 781 068	75 212 926
3 443 356	3 623 536	63 402 797	69 773 739	2 526 763	2 582 597	-2 075 960	-2 016 984	63 853 600	70 339 352
63 467	59 926	107 132	100 048	16 457	10 393	-19 803	-19 803	103 786	90 638

Break-down by region (Group)

in € thousands	Sales revenues with external customers[1] 1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021	Non-current assets[2] 30.6.2022	31.12.2021
Germany	3 729 035	3 693 691	2 526 421	2 534 848
Other countries	999	262	627	681
Total	**3 730 034**	**3 693 953**	**2 527 048**	**2 535 529**

1 Sales revenues were allocated in accordance with the operating units' country of residence. Interest, dividend, commission and rental income from property development business and gross premiums written in insurance.
2 Non-current assets include investment property, intangible assets and property, plant and equipment.

Disclosures on the consolidated statement of financial position

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

in € thousands	30.6.2022	31.12.2021
Other assets	3 647	8 258
Non-current assets held for sale and discontinued operations	**3 647**	**8 258**

The assets held for sale as at 30 June 2022 comprise one property for own use in the Property/Casualty Insurance segment. The property is to be sold for reasons of diversification and this sale is set to be completed in the first half of 2023.

Properties for own use from the Housing and Property/Casualty Insurance segments, which were included in assets held for sale as at 31 December 2021, were sold in the reporting period. The properties from the Property/Casualty Insurance segment were sold for reasons of diversification. This resulted in income from disposals of €1.2 million.

The property in the Housing segment is the building of the former Aachener Bausparkasse AG, which served as the main administration building until it was merged with Wüstenrot Bausparkasse AG. The sale generated income from disposals of €1.1 million. It was sold for strategic reasons.

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

in € thousands	30.6.2022	31.12.2021
Participating interests excluding alternative investments	457 656	235 839
Participating interests in alternative investments	2 968 925	2 550 173
Shares	408 705	793 190
Investment fund units	1 273 555	1 420 652
Fixed-income financial instruments that do not pass the SPPI test	2 648 827	2 809 535
Derivative financial instruments	128 452	86 710
Senior fixed-income securities	104 207	66 935
Capital investments for the account and risk of life insurance policyholders	2 225 585	2 758 654
Financial assets at fair value through profit or loss	**10 215 912**	**10 721 688**

Capital investments for the account and risk of life insurance policyholders primarily contains fund units and, to a lesser extent, derivatives such as index options.

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

in € thousands	30.6.2022	31.12.2021
Subordinated securities and receivables	673 299	776 031
Senior debenture bonds and registered bonds	5 684 421	8 933 114
Senior fixed-income securities	18 949 776	24 783 373
Financial assets at fair value through other comprehensive income	**25 307 496**	**34 492 518**

Risk provision per class debt instruments mandatorily measured at fair value through other comprehensive income (OCI)

in € thousands	30.6.2022	31.12.2021
Subordinated securities and receivables	-1 050	-1 260
Senior debenture bonds and registered bonds	-3 603	-3 951
Senior fixed-income securities	-28 014	-31 769
Risk provision	**-32 667**	**-36 980**

(4) Financial assets at amortised cost

	Carrying amount		Fair value	
in € thousands	30.6.2022	31.12.2021	30.6.2022	31.12.2021
Subordinated securities and receivables	174 514	180 764	157 393	193 186
Senior debenture bonds and registered bonds[1]	52 518	42 429	50 738	42 992
Senior fixed-income securities	9	9	9	9
Building loans	24 744 592	23 819 744	24 370 648	24 174 880
Other receivables	3 040 849	2 098 555	3 040 477	2 098 558
Other receivables[1]	2 629 080	1 778 888	2 628 708	1 778 891
Miscellaneous receivables[2]	411 769	319 667	411 769	319 667
Active portfolio hedge adjustment	-92 021	29 627	n/a	n/a
Financial assets at amortised cost	**27 920 461**	**26 171 128**	**27 619 265**	**26 509 625**

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

To improve the depth of information, the table below provides a more detailed break-down of the carrying amounts of assets measured at amortised cost after risk provision:

in € thousands	30.6.2022	31.12.2021
Subordinated securities and receivables	**174 514**	**180 764**
Credit institutions	94 331	94 084
Other financial companies	44 468	46 421
Other companies	35 715	40 259
Senior debenture bonds and registered bonds	**52 518**	**42 429**
Senior fixed-income securities	**9**	**9**
Building loans	**24 744 592**	**23 819 744**
Home loan and savings loans	1 369 629	1 418 079
Advance and bridge financing loans	16 152 580	15 166 033
Other building loans	7 222 383	7 235 632
Other receivables	**3 040 849**	**2 098 555**
Other receivables[1]	2 629 080	1 778 888
Miscellaneous receivables[2]	411 769	319 667
Active portfolio hedge adjustment	**-92 021**	**29 627**
Financial assets at amortised cost	**27 920 461**	**26 171 128**

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

Without accounting for risk provisions, loans and advances to credit institutions included in Other receivables came to €2,044.8 (previous year: 1,315.2) million, €1,726.0 of which (previous year: 960.4) million are payable on demand and €318.7 of which (previous year: 354.8) million are not.

The "Active portfolio hedge adjustment" item is a measurement item from the interest-induced measurement of financial assets at amortised cost designated as part of the fair value hedge portfolio. The change in the hedged item in relation to the hedged risk is recognised here.

Risk provision per class for financial assets at amortised cost

in € thousands	30.6.2022	31.12.2021
Subordinated securities and receivables	-230	-189
Senior debenture bonds and registered bonds	-70	-50
Building loans	-83 909	-87 767
Other receivables	-48 977	-43 739
Miscellaneous receivables	-10 159	-10 329
Risk provision	**-143 345**	**-142 074**

(5) Positive market values from hedges

in € thousands	30.6.2022	31.12.2021
Fair value hedges	**2 576**	**6 099**
Hedge of the interest rate risk	2 576	6 099
Positive market values from hedges	**2 576**	**6 099**

(6) Investment property

The fair value of investment property came to €2,660.6 (previous year: 2,593.9) million.

(7) Property, plant and equipment

There were purchase commitments for property, plant and equipment, resulting primarily from the construction of the campus in Ludwigsburg/Kornwestheim, of €28.3 (previous year: 64.0) million.

The costs of assets under construction for properties for own use came to €39.1 (previous year: 74.7) million.

(8) Liabilities

	Carrying amount		Fair value	
in € thousands	30.6.2022	31.12.2021	30.6.2022	31.12.2021
Liabilities evidenced by certificates	1 884 047	1 866 084	1 680 474	1 831 968
Liabilities to credit institutions	2 628 817	2 145 894	2 603 753	2 149 098
Liabilities to customers	22 666 680	22 587 984	22 639 474	22 620 277
Lease liabilities	59 702	66 663	59 702	66 663
Miscellaneous liabilities	1 167 450	1 327 310	1 167 459	1 327 312
Other liabilities[1]	324 758	406 270	324 767	406 274
Miscellaneous liabilities[2]	842 692	921 040	842 692	921 038
Passive portfolio hedge adjustment	-815 358	-30 144	n/a	n/a
Liabilities	**27 591 338**	**27 963 791**	**28 150 862**	**27 995 318**

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

To improve the depth of information, the following table provides a detailed break-down of liabilities:

in € thousands	30.6.2022	31.12.2021
Liabilities evidenced by certificates	**1 884 047**	**1 866 084**
Liabilities to credit institutions	**2 628 817**	**2 145 894**
Liabilities to customers	**22 666 680**	**22 587 984**
Home loan savings business deposits and savings deposits	19 593 266	19 444 979
Other liabilities	3 073 355	3 143 005
Advances received	59	–
Lease liabilities	**59 702**	**66 663**
Miscellaneous liabilities	**1 167 450**	**1 327 310**
Other liabilities[1]	324 758	406 270
Miscellaneous liabilities[2]	842 692	921 040
Liabilities from reinsurance business	36 011	42 305
Liabilities from direct insurance business	620 141	658 199
Miscellaneous other liabilities	186 540	220 536
Passive portfolio hedge adjustment	**-815 358**	**-30 144**
Liabilities	**27 591 338**	**27 963 791**

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

Other liabilities to credit institutions, which are included in liabilities to credit institutions, totalled €2,540.0 (previous year: 2,096.0) million, of which €49.4 (previous year: 29.0) million were payable on demand and €2,490.6 (previous year: 2,067.0) million were not. These liabilities not payable on demand include securities lending and open market operations and margin liabilities.

Of the Other liabilities from liabilities to customers, €2,190.2 (previous year: 2,216.5) million were payable on demand and €883.2 (previous year: 926.5) million had an agreed term.

Of the liabilities from direct insurance business within Miscellaneous liabilities, €562.2 (previous year: 600.8) million was attributable to policyholders and €58.0 (previous year: 57.4) million to intermediaries.

The “Passive portfolio hedge adjustment” item is a measurement item from the interest-induced measurement of liabilities designated as part of the fair value hedge portfolio. The change in the hedged item in relation to the hedged risk is recognised here.

(9) Negative market values from hedges

in € thousands	30.6.2022	31.12.2021
Fair value hedges	**31 699**	**–**
Hedge of the interest rate risk	31 699	–
Negative market values from hedges	**31 699**	**–**

(10) Technical provisions

	Gross	
in € thousands	30.6.2022	31.12.2021
Provision for unearned premiums	603 872	235 323
Provision for future policy benefits	31 479 778	31 698 159
Provision for outstanding insurance claims	2 958 360	3 054 771
Provision for premium refunds	-2 221 370	3 400 352
Other technical provisions	34 745	34 730
Technical provisions	**32 855 385**	**38 423 335**

Higher interest rates on the market at present result in opportunity losses for personal insurers. Policyholders' participation in results means that a negative deferred provision for premium refunds of €- 3,778 million is recognised, which is part of the provision for premium refunds. As the W&W Group's personal insurers assume a permanent intention to hold as part of their investment strategy, these are exclusively interest-rate-related, purely temporary unrealised losses that are covered by future positive and gross surpluses relevant under German commercial law.

(11) Other provisions

in € thousands	30.6.2022	31.12.2021
Provisions for pensions and other long-term employee benefits	1 217 334	1 746 432
Miscellaneous provisions	842 783	973 621
Other provisions	**2 060 117**	**2 720 053**

The actuarial assumptions regarding the actuarial interest rate on which the pension commitments are based were reviewed in the reporting period in line with market conditions. The actuarial interest rate used to measure the pension commitments rose by 1.0% compared to the figure as at 31 December 2021 to 3.2% as a result. The adjustment of the interest rate is recognised as an actuarial gain, taking account of deferred taxes and the provision for deferred premium refunds, within the reserve for pension commitments through other comprehensive income and is a component of Other comprehensive income (OCI).

Miscellaneous provisions were reversed in the amount of €14.7 (previous year: 9.3) million in the financial year.

(12) Subordinated capital

	Carrying amount		Fair value	
in € thousands	30.6.2022	31.12.2021	30.6.2022	31.12.2021
Subordinated liabilities	649 386	638 991	561 936	665 109
Participation rights capital	2 021	2 107	2 130	2 463
Subordinated capital	**651 407**	**641 098**	**564 066**	**667 572**

(13) Equity

The Annual General Meeting of W&W AG resolved on 25 May 2022 to distribute a dividend of €0.65 (previous year: 0.65) per no-par value registered share in cash from net retained profits under German commercial law of €77.6 (previous year: 80.8) million for the 2021 financial year. The dividend was paid out on 30 May 2022 in the amount of €60,914,807.20.

Disclosures on the consolidated income statement

(14) Current net income

in € thousands	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Interest income	**566 368**	**622 705**
Subordinated securities and receivables	9 972	9 061
Fixed-income financial instruments that do not pass the SPPI test	44 846	35 391
Derivative financial instruments	13 224	32 488
Senior debenture bonds and registered bonds	63 679	91 048
Senior fixed-income securities	211 910	210 213
Building loans	207 964	229 402
Other receivables	7 715	7 141
Other receivables	7 080	6 320
Miscellaneous receivables	635	821
Negative interest on liabilities	7 058	7 961
Interest expenses	**-173 110**	**-248 712**
Liabilities evidenced by certificates	-3 235	-2 943
Deposit liabilities and other liabilities	-110 863	-146 018
Lease liabilities	-259	-391
Reinsurance liabilities	–	-1 492
Miscellaneous liabilities	-811	-40 355
Subordinated capital	-11 777	-8 427
Derivative financial instruments	-31 550	-43 683
Negative interest on receivables	-4 934	-2 662
Other	-9 681	-2 741
Unwinding discounts on provisions	-9 681	-2 741
Pension provisions	-9 737	-4 364
Miscellaneous non-current provisions	56	1 623
Dividend income	**135 184**	**124 092**
Participating interests	103 747	103 789
Shares	12 064	9 260
Fund units	14 594	7 551
Capital investments for the account and risk of life insurance policyholders	4 779	3 492
Other current net income	**40 951**	**26 461**
Net income/expense from financial assets accounted for under the equity method	13 286	2 433
Income	13 286	2 433
Net income from investment property	27 659	24 014
Rental income	61 627	56 800
Depreciation/amortisation	-21 873	-21 181
Repairs, maintenance and management	-12 095	-11 605
Other	6	14
Net income from genuine securities repurchase and lending agreements	6	14
Income from genuine securities repurchase and lending agreements	6	14
Current net income	**569 393**	**524 546**

The interest expenses listed essentially correspond to the W&W Group’s financing expenses.

Net income from investment property includes income from leasing and letting of €61.6 (previous year: 56.8) million. It also includes directly attributable operating expenses for repairs, maintenance and management and for write-downs. €31.7 (previous year: 29.6) million of this is attributable to investment property used to generate rental income and €2.3 (previous year: 3.2) million is attributable to investment property that did not generate any rental income.

(15) Net income/expense from risk provision

in € thousands	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Income from credit risk adjustments	**67 418**	**50 199**
Reversal of risk provision	60 165	43 154
Subordinated securities and receivables	560	303
Senior debenture bonds and registered bonds	1 059	1 448
Senior fixed-income securities	13 969	10 300
Building loans	42 899	30 585
Other receivables	1 678	518
Other receivables	1 504	345
Miscellaneous receivables	174	173
Reversal of provisions in the lending business, for irrevocable credit commitments, for financial guarantees	2 579	2 236
Reversals of write-downs/payments received on securities and receivables written down	4 674	4 809
Expenses for credit risk adjustments	**-74 176**	**-58 549**
Addition to risk provision	-71 046	-55 958
Subordinated securities and receivables	-384	-577
Senior debenture bonds and registered bonds	-733	-255
Senior fixed-income securities	-10 058	-9 355
Building loans	-38 358	-31 121
Other receivables	-21 513	-14 650
Other receivables	-20 955	-13 995
Miscellaneous receivables	-558	-655
Addition to provisions in the lending business, for irrevocable credit commitments, for financial guarantees	-3 130	-2 591
Net income/expense from risk provision	**-6 758**	**-8 350**

(16) Net measurement gain/loss

in € thousands	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Net income from financial assets/liabilities at fair value through profit or loss	**-1 319 309**	**289 855**
Participating interests, shares, investment fund units and participating interests in alternative investments	-221 306	184 577
Senior fixed-income securities	-2 026	-752
Derivative financial instruments	-175 531	-153 051
Capital investments for the account and risk of life insurance policyholders	-512 227	256 877
Fixed-income financial instruments that do not pass the SPPI test	-408 219	2 204
Net income from discounting provisions for home loan savings business	**105 497**	**53 103**
Hedge income[1]	**11 484**	**15 263**
Impairment/reversal of investment property	**-280**	**–**
Currency result	**64 028**	**-3 143**
Participating interests, shares, investment fund units and participating interests in alternative investments	130 669	42 798
Subordinated securities and receivables	–	–
Fixed-income financial instruments that do not pass the SPPI test	84 449	27 905
Senior fixed-income securities	345 496	141 705
Other receivables	72 154	12 247
Derivative financial instruments	-608 708	-239 786
Capital investments for the account and risk of life insurance policyholders	41 201	12 898
Liabilities	-1 233	-910
Net measurement gain/loss	**-1 138 580**	**355 078**

1 Hedge accounting

The measurement result reflects the economic impact of the war in Ukraine in the form of measurement losses resulting from distortions on the capital markets, higher inflation and interest rate hikes. This primarily affected net income from financial assets/liabilities at fair value through profit or loss, chiefly capital investments for the account and risk of life insurance policyholders.

Net income from financial assets/liabilities at fair value included measurement gains of €782.4 (previous year: 655.3) million and measurement losses of €2,101.7 (previous year: 365.5) million. Of this, measurement gains of €553.6 (previous year: 66.8) million and measurement losses of €729.1 (previous year: 219.8) million were attributable to derivatives, which essentially hedged measurement gains and losses on capital investments in connection with interest rates.

Net income from discounting provisions for home loan savings business was the result of higher interest rates in the first half of 2022.

The currency result included gains of €776.8 (previous year: 304.8) million and losses of €712.8 (previous year: 307.9) million. Of this, currency gains of €82.6 (previous year: 60.5) million and losses of €691.3 (previous year: 300.3) million were attributable to currency derivatives that hedged the currency gains and losses on capital investments.

(17) Net income from disposals

in € thousands	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Income from disposals	**442 287**	**460 786**
Subordinated securities and receivables	1 874	2 841
Senior debenture bonds and registered bonds	187 582	238 850
Senior fixed-income securities	235 114	219 087
Other receivables	33	8
Investment property	17 684	–
Expenses from disposals	**-216 069**	**-9 060**
Subordinated securities and receivables	-1 299	-60
Senior debenture bonds and registered bonds	-14 044	–
Senior fixed-income securities	-200 726	-9 000
Net income from disposals	**226 218**	**451 726**

(18) Earned premiums (net)

Life/health insurance

in € thousands	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Gross premiums written	1 128 128	1 318 742
Change in provision for unearned premiums	15 457	17 972
Premiums from the provision for premium refunds	46 117	38 856
Earned premiums (gross)	**1 189 702**	**1 375 570**
Premiums ceded to reinsurers	-11 269	-15 755
Earned premiums (net)	**1 178 433**	**1 359 815**

Property/casualty/reinsurance

in € thousands	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Gross premiums written	1 520 915	1 412 674
Direct	1 516 702	1 409 728
Accepted	4 213	2 946
Change in provision for unearned premiums	-384 005	-349 932
Earned premiums (gross)	**1 136 910**	**1 062 742**
Premiums ceded to reinsurers	-88 852	-61 137
Earned premiums (net)	**1 048 058**	**1 001 605**

(19) Insurance benefits (net)

Net insurance benefits in direct insurance business are recognised without claims settlement costs. These are included in general administrative expenses. The insurance services for accepted business and reinsurers' portion of insurance services can comprise both claims payments and settlement costs.

The change in the provision for deferred premium refunds through profit or loss is also recognised in the item "Change in provision for premium refunds".

Life/health insurance

in € thousands	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Claims paid	-1 078 374	-1 047 725
Gross amount	-1 082 872	-1 055 802
Of which: Reinsurers' share	4 498	8 077
Change in the provision for outstanding insurance claims	4 154	5 118
Gross amount	4 154	4 554
Of which: Reinsurers' share	–	564
Change in provision for future policy benefits	216 936	-917 088
Gross amount	216 936	-916 996
Of which: Reinsurers' share	–	-92
Change in provision for premium refunds	284 106	-196 403
Gross amount	284 106	-196 403
Of which: Reinsurers' share	–	–
Change in other technical provisions	-15	35
Gross amount	-15	35
Of which: Reinsurers' share	–	–
Insurance benefits (net)	**-573 193**	**-2 156 063**
Total gross amount	-577 691	-2 164 612
Of which total: Reinsurers' share	4 498	8 549

Property/casualty/reinsurance

in € thousands	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Claims paid	-535 489	-438 987
Gross amount	-675 714	-458 690
Of which: Reinsurers' share	140 225	19 703
Change in the provision for outstanding insurance claims	13 292	-48 278
Gross amount	97 029	-55 705
Of which: Reinsurers' share	-83 737	7 427
Change in provision for premium refunds	-49	-47
Gross amount	-49	-47
Of which: Reinsurers' share	–	–
Change in other technical provisions	–	266
Gross amount	–	–
Of which: Reinsurers' share	–	266
Insurance benefits (net)	**-522 246**	**-487 046**
Total gross amount	-578 734	-514 442
Of which total: Reinsurers' share	56 488	27 396

Further information insurance benefits can be found in the combined management report.

(20) Net commission income

in € thousands	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Commission income	**176 772**	**143 365**
from home loan savings contracts	106 051	73 780
from home loan savings business	15 091	15 818
from reinsurance	17 748	16 822
from brokerage activities	33 276	32 942
from investment business	1 804	1 836
from other business	2 802	2 167
Commission expenses	**-445 904**	**-396 615**
from insurance	-278 363	-258 955
from bank/home loan savings business	-115 345	-93 274
from reinsurance	-547	-341
from brokerage activities	-10 722	-9 436
from investment business	-14 462	-14 542
from other business	-26 465	-20 067
Net commission income	**-269 132**	**-253 250**

The W&W Group's net commission income in the first half of 2022 was essentially on par with the previous year's level. The rise in commission income from home loan savings contracts was due to the improved income structure thanks to the home savings rate introduced in 2020. The increase in commission expenses from insurance reflects higher service commissions as a result of increasing the property insurance portfolio. The rise in commission expenses from bank/home loan savings business was the result of a significant upturn in home loan and savings and new construction financing business in H1 2022.

(21) Net other operating income/expense

in € thousands	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Other operating income	**372 471**	**92 236**
Income from disposals from inventories (property development business)	143 770	12 429
Reversal of provisions	14 653	9 334
Income from disposals	2 501	62
Other income from foreign exchange translation	33	111
Other technical income	11 171	12 216
Miscellaneous income	200 343	58 084
Other operating expenses	**-235 880**	**-81 018**
Other taxes	-1 388	-1 526
Expenses from inventories (property development business)	-203 637	-49 910
Addition to provisions	-1 436	-1 085
Losses from disposals	-277	-134
Other expenses from foreign exchange translation	-4 812	-2 696
Other technical expenses	-17 477	-21 907
Miscellaneous expenses	-6 853	-3 760
Net other operating income/expense	**136 591**	**11 218**

Net other operating income/expense in the first half of 2022 was essentially determined by net income from property development business and Miscellaneous income.

The increase in income from disposals from inventories (property development business) and expenses from inventories (property development business) was due primarily to construction progress at the Bad Homburg project.

Miscellaneous income increased essentially as a result of income from settlement transactions in connection with home loan savings deposits, as well as income from the disposal of a property for own use.

(22) Income taxes

in € thousands	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Current taxes on income for the reporting period	-125 859	-74 666
Current taxes of prior periods	-2 213	583
Deferred taxes	99 940	-12 275
Income taxes	**-28 132**	**-86 358**

(23) Earnings per share

Basic earnings per share is calculated as the ratio of consolidated net profit to the weighted average number of shares.

		1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Result attributable to shareholders of W&W AG	in €	97 289 412	195 028 197
Number of shares at the beginning of the financial year	Share	93 669 754	93 734 468
Treasury shares held as at the reporting date	Share	-34 632	-79 966
Weighted average shares	Share	93 692 421	93 766 825
Basic (= diluted) earnings per share	in €	**1.04**	**2.08**

There are not any dilutive potential shares at present. Diluted earnings per share is thus equal to basic earnings per share.

Disclosures on financial instruments and fair value

(24) Disclosures on fair value measurement

Calculating the fair value of financial instruments

For reasons of comparability, consistency and measurement quality, a hierarchy is used for the financial instruments measured at fair value in the consolidated statement of financial position that reflects the significance of the inputs used in making the measurements. The inputs used in the measurement process to determine fair value are assigned to three levels and this allocation is applied to all assets and liabilities that are measured at fair value on a regular basis, a one-off basis or for the purposes of preparing the notes. The uniform measures and principles listed below apply here. In conceptual terms, the hierarchy is based on the market-based nature of the inputs. It gives the highest priority to quoted and unadjusted prices in active markets for identical assets and liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3).

The level to which the financial instrument is assigned in its entirety is decided on the basis of the lowest input in the hierarchy that is significant to determining fair value as a whole. For this purpose, the significance of an input is assessed compared to the fair value in its entirety. To assess the significance of an individual input, the specific features of the asset or liability are analysed and regularly reviewed during the reporting period.

Level 1: This level covers financial instruments measured at quoted stock exchange or market prices (unadjusted) in active markets for identical assets or liabilities. Material characteristics of an active market are regular and frequent levels of trading and sufficient transaction volumes that ensure reliable price information.

Level 2: If they are not priced on active markets, the fair value is based on comparable financial instruments or determined by applying generally accepted measurement models using parameters that can be observed directly or indirectly on the market (e.g. interest rate, exchange rate, volatility or indicative prices calculated by third party providers).

Level 3: If financial instruments cannot be measured using stock exchange or market prices or using a measurement model based on inputs that can be observed directly or indirectly on the market or if they cannot be measured in full, the financial instruments are measured using factors that are not based on observable market data (unobservable factors) (level 3). This generally uses a measurement technique that is used by market participants to price a financial instrument and that has been demonstrated to provide a reliable estimate of a price obtained in a market transaction,

If the fair value cannot be reliably determined, the carrying amount is used as an approximation of the fair value. In such event, these financial instruments are allocated to Level 3.

Level classifications are assigned periodically within the reporting period. If there is a change in the relevant inputs, this can result in a reclassification between levels at this time. Financial instruments can be reclassified from Level 1 to

Level 2 if the previously identified active market on which it was quoted ceases to exist. The material features of an active market are a regular trading frequency and sufficiently traded market volumes to ensure reliable price information. The prices used for measurement are monitored daily in conjunction with a price review process. In the event of conspicuous developments in prices, the quality of the source of prices is analysed and the classification can be amended in there is insufficient market liquidity. Accordingly, reclassification from Level 2 to Level 1 is possible once an active market can be identified.

Financial instruments can be reclassified to Level 3 if their fair value can no longer be measured on the basis of observable inputs. However, if observable inputs are identified for financial instruments that had previously been assigned to Level 3, they can be reclassified to Level 1 or Level 2 if there are reliable quoted prices on an active market or inputs observable on the market.

There were no reclassifications between levels in the reporting period or the comparative period.

Unadjusted quoted or market prices are used as Level 1 inputs for financial instruments recognised under “Financial assets at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss” in the statement of financial position. These are essentially quoted equities and derivative financial instruments such as futures that are traded on a regulated market.

The valuation techniques used to calculate fair value in Levels 2 and 3 consist of generally accepted measurement models such as the present value method, where the expected future cash flows are discounted at current interest rates applicable to the corresponding remaining term, credit risks and markets. Here, too, prices used for measurement and inputs are monitored daily in conjunction with a price review process. This valuation technique is used to measure securities, including debt securities, with agreed cash flows that are recognised as “Financial assets at fair value through profit or loss”, “Financial liabilities at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”. The present value method is used to measured unquoted derivative financial instruments such as interest rate swaps and non-optional forward contracts (e.g. currency forwards) in Level 2. These are recognised in “Financial assets at fair value through profit or loss”, “Financial liabilities at fair value through profit or loss”, “Asset hedges” and “Liability hedges”. Fund units and investments for the benefit of life insurance policyholders who bear the investment risk are also essentially allocated to Level 2. The most recently available redemption price for the underlying investment certificate is used in measurement.

The main valuation methods and parameters for measuring the fair value of the individual assets and liabilities in Levels 2 and 3 are presented below.

Overview of valuation techniques used for different classes in Levels 2 and 3

Class	Valuation technique	Main parameters
Non-current assets held for sale and discontinued operations	**In accordance with the respective statement of financial position items**	
Financial assets at fair value through profit or loss		
Equity investments not including alternative investments	Income capitalisation approach Approximation Net asset value method	Discount rate, future net cash inflows
Equity investments in alternative investments	Income capitalisation approach Approximation Adjusted net asset value method	Discount rate, future net cash inflows
Equities	Approximation Adjusted net asset value method	
Investment fund units	Redemption price Approximation Adjusted net asset value method	
Fixed-income financial instruments that do not pass the SPPI test	Present value method	Liquidity and credit spreads, yield curves
Derivative financial instruments	Present value method Black-Scholes model LIBOR market model, Hull-White model	Foreign exchange rates (spot and forward), yield curves Quoted prices/index, volatilities, yield curves, exercise price and remaining term Yield curves, volatilities
Senior fixed-income securities	Present value method	Liquidity and credit spreads, yield curves
Investments for the benefit of life insurance policyholders who bear the investment risk	Redemption price 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, yield curves
Senior debenture bonds and registered bonds	Present value method	Liquidity and credit spreads, yield curves
Senior fixed-income securities	Present value method	Liquidity and credit spreads, yield curves
Positive market values from hedges	**Present value method**	**Yield curves**
Liabilities from non-current assets held for sale and discontinued operations	**In accordance with the respective statement of financial position items**	
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), yield curves Quoted prices/index, volatilities, yield curves, exercise price and remaining term Yield curves, volatilities
Technical provisions		
Benefit reserve for unit-linked life insurance policies	As per corresponding asset item	
Negative market values from hedges	**Present value method**	**Yield curves**

The fair values of options not traded on an exchange are calculated using generally accepted option pricing models appropriate to the types and underlying assets of options and the generally accepted assumptions on which they are based. In particular, the value of options is determined by the value of the underlying asset and its volatility, the agreed exercise price, interest rate or index, the risk-free interest rate and the remaining term of the contract. There are assigned to the class “Derivative financial instruments” under “Financial assets at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss” in the statement of financial position.

Level 3 for “Financial assets at fair value through profit or loss” is defined by non-exchange-traded equities and equity investments, including alternative investments. The fair value is essentially determined on the basis of net asset value (NAV). The net asset value, which is calculated quarterly in line with industry standards, is provided by fund managers and then reviewed by risk controlling units and adjusted if necessary to account for outstanding performance-based remuneration claims. This also applies to indirect property investments that are assigned to “Equity investments not including alternative investments”. The fair value of equity investments not assigned to alternative investments or property investments is typically calculated from the pro rata interest in equity according to the current annual financial statements. Amortised cost is used as an approximate fair value if no information is available.

For all classes, the liquidity and rating spreads observable on the financial market are taken into account when measuring interest-bearing financial instruments that are assets (Level 2). The measurement spread is determined by comparing benchmark curves against the corresponding risk-free money market and swap curves of the financial instrument. Maturity-based spreads that also take into account the issuer’s quality within the various issuer groups within a rating class are used for measurement purposes. The yield curves and rating- and term-based spreads provided by market data providers are automatically updated on an intraday basis. The discounting curve is typically specific to a given currency. Swaps hedged under master agreements are measured using interest rate curves specific to a given tenor in the multi-curve approach.

Measurement gains and losses are largely influenced by the underlying assumptions, including in particular the determination of cash flows and discount rates.

The following table “2022 measurement hierarchy (at fair value)” shows all financial assets and liabilities that were measured at fair value. It shows the level used in the respective items of the statement of financial position.

For accounting purposes, the only financial instruments typically measured at fair value in the W&W Group are those that are assigned to the categories:

- financial assets/liabilities at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- asset/liability hedges.

2022 measurement hierarchy (at fair value)

	Level 1	Level 2	Level 3	Fair value/carrying amount
in € thousands	30.6.2022	30.6.2022	30.6.2022	30.6.2022
Financial assets at fair value through profit or loss	**393 219**	**6,330,145**	**3,492,548**	**10,215,912**
Equity investments not including alternative investments	–	–	457 656	457 656
Equity investments in alternative investments	–	–	2,968,925	2,968,925
Other financial enterprises	–	–	2,843,097	2,843,097
Other enterprises	–	–	125 828	125 828
Equities	377 082	–	31 623	408 705
Investment fund units	–	1,270,547	3 008	1,273,555
Fixed-income financial instruments that do not pass the SPPI test	–	2,620,086	28 741	2,648,827
Derivative financial instruments	16 137	112 315	–	128 452
Interest rate derivatives	74	85 963	–	86 037
Currency derivatives	–	8 016	–	8 016
Equity/index-based derivatives	16 063	18 311	–	34 374
Other derivatives	–	25	–	25
Senior fixed-income securities	–	104 207	–	104 207
Investments for the benefit of life insurance policyholders who bear the investment risk	–	2,222,990	2 595	2,225,585
Financial assets at fair value through other comprehensive income	**–**	**25,307,496**	**–**	**25,307,496**
Subordinated securities and receivables	–	673 299	–	673 299
Senior debenture bonds and registered bonds	–	5,684,421	–	5,684,421
Credit institutions	–	3,620,259	–	3,620,259
Other financial enterprises	–	121 353	–	121 353
Other enterprises	–	51 578	–	51 578
Public authorities	–	1,891,231	–	1,891,231
Senior fixed-income securities	–	18,949,776	–	18,949,776
Credit institutions	–	4,936,728	–	4,936,728
Other financial enterprises	–	1,321,372	–	1,321,372
Other enterprises	–	1,581,728	–	1,581,728
Public authorities	–	11,109,948	–	11,109,948
Positive market values from hedges	**–**	**2 576**	**–**	**2 576**
Total assets	**393 219**	**31,640,217**	**3,492,548**	**35,525,984**

2022 measurement hierarchy (at fair value) Continued

in € thousands	Level 1 30.6.2022	Level 2 30.6.2022	Level 3 30.6.2022	Fair value/carrying amount 30.6.2022
Financial liabilities at fair value through profit or loss	**766**	**221 226**	**–**	**221 992**
Derivative financial instruments	766	221 226	–	221 992
Interest rate derivatives	59	27 888	–	27 947
Currency derivatives	–	190 696	–	190 696
Equity/index-based derivatives	707	2 642	–	3 349
Technical provisions	**–**	**2,225,436**	**–**	**2,225,436**
Benefit reserve for unit-linked life insurance policies	–	2,225,436	–	2,225,436
Negative market values from hedges	**–**	**31 699**	**–**	**31 699**
Total equity and liabilities	**766**	**2,478,361**	**–**	**2,479,127**

2021 measurement hierarchy (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**
Equity investments not including alternative investments	–	–	235 839	235 839
Equity investments in alternative investments	–	–	2,550,173	2,550,173
Other financial enterprises	–	–	2,434,773	2,434,773
Other enterprises	–	–	115 400	115 400
Equities	611 948	–	181 242	793 190
Investment fund units	–	1,417,476	3 176	1,420,652
Fixed-income financial instruments that do not pass the SPPI test	–	2,780,794	28 741	2,809,535
Derivative financial instruments	11 523	75 187	–	86 710
Interest rate derivatives	1 278	44 386	–	45 664
Currency derivatives	–	16 210	–	16 210
Equity/index-based derivatives	10 245	14 503	–	24 748
Other derivatives	–	88	–	88
Senior fixed-income securities	–	66 935	–	66 935
Investments for the benefit of life insurance policyholders who bear the investment risk	–	2,753,736	4 918	2,758,654
Financial assets at fair value through other comprehensive income	**–**	**34,492,518**	**–**	**34,492,518**
Subordinated securities and receivables	–	776 031	–	776 031
Senior debenture bonds and registered bonds	–	8,933,114	–	8,933,114
Credit institutions	–	5,762,456	–	5,762,456
Other financial enterprises	–	153 828	–	153 828
Other enterprises	–	67 292	–	67 292
Public authorities	–	2,949,538	–	2,949,538
Senior fixed-income securities	–	24,783,373	–	24,783,373
Credit institutions	–	6,345,996	–	6,345,996
Other financial enterprises	–	1,644,806	–	1,644,806
Other enterprises	–	2,039,343	–	2,039,343
Public authorities	–	14,753,228	–	14,753,228
Positive market values from hedges	**–**	**6 099**	**–**	**6 099**
Total assets	**623 471**	**41,592,745**	**3,004,089**	**45,220,305**

2021 measurement hierarchy (at fair value) Continued

	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 derivatives	596	117 218	–	117 814
Currency derivatives	–	83 461	–	83 461
Equity/index-based derivatives	9 520	7 406	–	16 926
Technical provisions	**–**	**2,758,654**	**–**	**2,758,654**
Benefit reserve for unit-linked life insurance policies	–	2,758,654	–	2,758,654
Negative market values from hedges	**–**	**–**	**–**	**–**
Total equity and liabilities	**10 116**	**2,966,739**	**–**	**2,976,855**

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

in € thousands	Equity investments not including alternative investments	Equity investments in alternative investments (other financial enterprises)	Equity investments in alternative investments (other enterprises)
As at 1.1.2021	**217 009**	**1,621,910**	**128 521**
Total comprehensive income for the period	3 053	123 213	9 564
Income recognised in the consolidated income statement[1]	4 475	173 695	13 494
Expenses recognised in the consolidated income statement[1]	-1 422	-50 482	-3 930
Purchases	599	291 348	1 506
Sales	-1 167	-119 663	-2 615
Reclassifications	–	75 908	-6 655
Changes in consolidated group	–	7 408	–
As at 30.6.2021	**219 494**	**2,000,124**	**130 321**
Income recognised in the consolidated income statement as at the end of the reporting period[2]	4 475	173 695	13 494
Expenses recognised in the consolidated income statement as at the end of the reporting period[2]	-1 422	-50 482	-3 930
As at 1.1.2022	**385 440**	**2,434,773**	**115 400**
Total comprehensive income for the period	46 908	152 496	13 454
Income recognised in the consolidated income statement[1]	50 188	224 706	16 163
Expenses recognised in the consolidated income statement[1]	-3 280	-72 210	-2 709
Purchases	26 356	462 543	8 063
Sales	-1 048	-206 714	-11 089
Reclassifications	–	–	–
Changes in consolidated group	–	–	–
As at 30.6.2022	**457 656**	**2,843,098**	**125 828**
Income recognised in the consolidated income statement as at the end of the reporting period[2]	50 188	224 706	16 163
Expenses recognised in the consolidated income statement as at the end of the reporting period[2]	-3 280	-72 210	-2 709

1 Income and expenses are essentially included in net gains/losses on remeasurement in the consolidated income statement.
2 Income and expenses for the period for assets still in the portfolio at the end of the reporting period.

		Financial assets at fair value through profit or loss			Total
	Equities	Investment fund units	Fixed-income financial instruments that do not pass the SPPI test	Investments for the benefit of life insurance policyholders who bear the investment risk	
	106 700	**172 332**	**28 836**	**6 071**	**2,281,379**
	-217	-374	–	3 053	138 292
	–	11	–	3 053	194 728
	-217	-385	–	–	-56 436
	16 891	2 245	–	2 771	315 360
	-462	-209	–	-3 697	-127 813
	–	-69 253	–	–	–
	–	-101 339	–	–	-93 931
	122 912	**3 402**	**28 836**	**8 198**	**2,513,287**
	–	11	–	3 053	194 728
	-217	-385	–	–	-56 436
	31 641	**3 176**	**28 741**	**4 918**	**3,004,089**
	-18	17	–	-2 997	209 860
	–	504	–	–	291 561
	-18	-487	–	-2 997	-81 701
	–	–	3	3 552	500 517
	–	-185	-3	-2 878	-221 917
	–	–	–	–	–
	–	–	–	–	–
	31 623	**3 008**	**28 741**	**2 595**	**3,492,549**
	–	504	–	–	291 561
	-18	-487	–	-2 997	-81 701

Description of the measurement processes used and effects of alternative assumptions for Level 3 financial instruments

The income capitalisation method, the adjusted net asset value method and approximations are typically used in the measurement process to determine fair value.

In the income capitalisation method, which is applied uniformly throughout the Group, future net cash inflows and distributions are discounted by Controlling on the basis of internal planning values and estimates applying risk parameters derived from the market.

The adjusted net asset value method is based on the net asset value, whose individual investments are calculated outside the Group using recognised measurement methods such as the DCF, multiplier and income capitalisation methods. Measurement is typically based on the IPEV Valuation Guidelines. The pro rata net asset value is adjusted for, among other things, the fund manager's outstanding performance-based remuneration claims. The W&W Group then verifies and validates the net asset values provided by the relevant fund companies and, if necessary, reviews the key portfolio companies held by each of the fund companies. It also monitors the carrying amounts, fair values, distributions, payment and additional funding obligations. An exception to the external delivery of the pro rata net asset value is made for self-measured equity investments in properties that are assigned to "Equity investments not including alternative investments".

When using approximations, amortised cost is typically used to measure fair value for reasons of simplicity. This method is used, for example, when there are no quoted prices or the financial instruments are immaterial.

Level 3 securities essentially comprise unquoted interests in equity investments including alternative investments, which in turn include private equity, private debt and infrastructure projects. The fair values of these Level 3 holdings are usually calculated by the management of the respective company. The fair value for most of the interests measured by third parties (€3,117.6 million; previous year: €2,587.1 million) is determined on the basis of the net asset value. By contrast, the net asset value of equity investments not including alternative investments is calculated internally in all cases. Unquoted equities and fund certificates account for €209.1 million (previous year: € 152.2 million) of all interests measured by third parties while equity investments in alternative investments account for €2,908.5 million (previous year: €2,434.9 million). The net asset value of these interests measured by third parties is calculated based on specific information that is not publicly available and that the W&W Group cannot access. A sensitivity analysis is therefore not an option.

In the W&W Group, net asset values of €184.2 million (previous year: €183.1 million) are measured internally for property equity investments that are assigned to "Equity investments not including alternative investments". The value of the properties in this category is calculated using income-based present value methods. These accepted measurement methods are based on discount rates of 3.19% to 5.69% (previous year: 2.95% to 5.52%), which largely determine the properties' fair values. A change in discount rates of +100 basis points assumed in conjunction with a sensitivity analysis results in a reduction in fair value to €167.8 million (previous year: €167.3 million), while a change in discount rates of -100 basis points results in an increase to €202.4 million (previous year: €200.6 million).
The most significant measurement parameters for interests measured internally using the income capitalisation approach of €54.3 million (previous year: €48.5 million) are the risk-adjusted discount rate and future net inflows. A significant increase in the discount rate reduces fair value, while a reduction in this factor increases the fair value. However, a change in these measurement parameters of 10% has only a minor impact on the presentation of the financial position and financial performance of the W&W Group.
In addition, as an exception for certain interests, amortised cost is considered an appropriate approximation of fair value. Here, too, a sensitivity analysis is not possible given the lack of the specific parameters used.
All changes in the "Financial assets at fair value through profit or loss" category in Level 3 are reflected in the consolidated income statement. Meanwhile, there are no financial assets at fair value through other comprehensive income in Level 3.

The measurement methods used are listed in the table below (Quantitative information on fair value measurement in Level 3).

Quantitative information on fair value measurement in Level 3

	Fair value		Valuation techniques	Unobservable inputs	Range in %	
in € thousands	30.6.2022	31.12.2021			30.6.2022	31.12.2021
Financial assets at fair value through profit or loss	**3,492,548**	**3,004,089**				
Equity investments not including alternative investments	457 656	235 839				
	33 192	25 902	Income capitalisation approach	Discount rate, future net cash inflows	6.85 to 13.10	6.85 to 13.10
	26 151	19 626	Approximation	n/a	n/a	n/a
	398 313	190 311	Net asset value method	n/a	n/a	n/a
Equity investments in alternative investments	2,968,925	2,550,173				
Other financial enterprises	2,843,097	2,434,773				
	26 969	83 100	Approximation	n/a	n/a	n/a
	2,816,128	2,351,673	Adjusted net asset value method[1]	n/a	n/a	n/a
Other enterprises	125 828	115 400				
	21 120	22 594	Income capitalisation approach	Discount rate, future net cash inflows	3.24	3.24
	104 708	92 806	Adjusted net asset value method[1]	n/a	n/a	n/a
Equities	31 623	181 242				
	31 455	31 455	Approximation	n/a	n/a	n/a
	168	149 787	Adjusted net asset value method[1]	n/a	n/a	n/a
Investment fund units	3 008	3 176	Adjusted net asset value method[1]	n/a	n/a	n/a
Fixed-income financial instruments that do not pass the SPPI test	28 741	28 741	Approximation	n/a	n/a	n/a
Investments for the benefit of life insurance policyholders who bear the investment risk	2 595	4 918	Black-Scholes model	Index weighting, volatility	n/a	n/a

1 The net asset values provided are calculated for the individual investments outside the Group using recognised measurement methods such as the DCF, multiplier and income capitalisation methods. Measurement is typically based on the IPEV Valuation Guidelines. A range has not been disclosed as the calculation of the net asset values incorporates a variety of investments and the information on the measurement methods and parameters used (including, for example, adjustments for the fund manager's outstanding performance-based remuneration claims) is either incompletely or inconsistently available.

Other disclosures

(25) Revenue from contracts with customers

The following table shows a breakdown of revenue by type and its reconciliation to the respective reporting segment.

2022

	Housing	Life and Health Insurance	Property/Casualty Insurance	All other segments	Consolidation/reconciliation	Total
in € thousands	1.1.2022 to 30.6.2022	1.1.2022 to 30.6.2022	1.1.2022 to 30.6.2022	1.1.2022 to 30.6.2022	1.1.2022 to 30.6.2022	1.1.2022 to 30.6.2022
Commission income	**45 953**	**8 680**	**8 701**	**21 195**	**-31 556**	**52 973**
from home loan savings business	15 091	–	–	–	–	15 091
from brokering activities	29 058	8 680	8 701	527	-13 690	33 276
from investment business	–	–	–	19 670	-17 866	1 804
from other business	1 804	–	–	998	–	2 802
Net other operating income/expense	**117 862**	**232**	**4 600**	**149 751**	**-1 522**	**270 923**
Income from disposals of inventories (property development business)	–	–	–	143 770	–	143 770
Income from disposals of property, plant and equipment	1 143	–	2 080	154	–	3 377
Income from disposals of intangible assets	–	–	–	–	–	–
Other revenues	116 719	232	2 520	5 827	-1 522	123 776
Net income from disposals	**–**	**56 351**	**–**	**–**	**–**	**56 351**
Income from disposals of investment property	–	56 351	–	–	–	56 351
Total	**163 815**	**65 263**	**13 301**	**170 946**	**-33 078**	**380 247**
Type of revenue recognition						
at a point in time	150 347	65 263	13 301	150 275	-20 051	359 135
over time	13 468	–	–	20 671	-13 027	21 112
Total	**163 815**	**65 263**	**13 301**	**170 946**	**-33 078**	**380 247**

2021

in € thousands	Housing 1.1.2021 to 30.6.2021	Life and Health Insurance 1.1.2021 to 30.6.2021	Property/Casualty Insurance 1.1.2021 to 30.6.2021	All other segments 1.1.2021 to 30.6.2021	Consolidation/reconciliation 1.1.2021 to 30.6.2021	Total 1.1.2021 to 30.6.2021
Commission income	**46 452**	**7 851**	**8 836**	**22 056**	**-32 432**	**52 763**
from home loan savings business	15 818	–	–	–	–	15 818
from brokering activities	28 729	7 851	8 836	547	-13 021	32 942
from investment business	–	–	–	21 247	-19 411	1 836
from other business	1 905	–	–	262	–	2 167
Net other operating income/expense	**3 726**	**212**	**2 485**	**16 991**	**-1 389**	**22 025**
Income from disposals of inventories (property development business)	–	–	–	12 429	–	12 429
Income from disposals of property, plant and equipment	–	–	–	60	–	60
Income from disposals of intangible assets	–	–	–	–	–	–
Other revenues	3 726	212	2 485	4 502	-1 389	9 536
Net income from disposals	**–**	**–**	**–**	**–**	**–**	**–**
Income from disposals of investment property	–	–	–	–	–	–
Total	**50 178**	**8 063**	**11 321**	**39 047**	**-33 821**	**74 788**
Type of revenue recognition						
at a point in time	36 526	8 063	11 321	20 650	-21 857	54 703
over time	13 652	–	–	18 397	-11 964	20 085
Total	**50 178**	**8 063**	**11 321**	**39 047**	**-33 821**	**74 788**

(26) Currency gains and losses

Currency translation – with the exception of the currency translation of financial instruments at fair value through profit or loss – generated total currency income of €82.2 million (previous year: €16.3) million and currency expenses of €16.1 million (previous year: €7.5 million).

(27) Contingent assets, contingent liabilities and other obligations

in € thousands	30.6.2022	31.12.2021
Contingent liabilities	**2,159,611**	**2,155,127**
from deposit guarantee funds	297 808	297 706
from letters of credit and warranties	10 129	10 133
from uncalled capital	1,799,056	1,744,132
from contractual obligations to buy and to build investment property	26 301	37 351
from contractual obligations to buy and to build property, plant and equipment	25 936	64 013
Other contingent liabilities	381	1 792
Other commitments	**1,990,197**	**1,617,230**
Irrevocable loan commitments	1,990,197	1,617,230
Total	**4,149,808**	**3,772,357**

The nominal amount of irrevocable loan commitments is equal to the potential remaining obligations under loans and overdrafts granted but not yet or not yet fully utilised and is an appropriate approximation of the fair value.

The provisions for irrevocable loan commitments amounted to €3.3 million on 31 December 2021 and €3.8 million on 30 June 2022.

(28) Related party disclosures

Parent company

The ultimate controlling company is Wüstenrot & Württembergische AG, Stuttgart.

Transactions with related persons

Natural persons considered to be related parties in accordance with IAS 24 are members of management in key positions (the Management Board and the Supervisory Board of W&W AG) and their close relatives.

Transactions were performed with related persons of W&W AG in the course of the normal operating activities of Group companies. These essentially related to business relationships in the areas of home loan savings business and life, health and property insurance.

All transactions were at arm’s length.

Receivables from related persons amounted to €340 thousand (previous year: €387 thousand) as at 30 June 2022. Liabilities to related persons amounted to €769 thousand (previous year: €750 thousand) as at the end of the reporting period. In the first half of 2022, interest income from loans to related persons amounted to €4 thousand (previous year: €5 thousand), while interest expenses for savings deposits of related persons amounted to €16 thousand (previous year: €0 thousand). Premiums of €62 thousand (previous year: €50 thousand) were paid by related persons for insurance policies in the areas of life, health and property insurance) in the first half of 2022.

Transactions with related companies

Subsidiaries of W&W AG and other related companies
There are various service agreements, including in the area of investment management, between the W&W Group and subsidiaries of W&W AG as well as other related companies of W&W AG. There is a brand transfer and use agreement between Wüstenrot Holding AG and W&W AG. As at 30 June 2022, there is a remaining financial liability to Wüstenrot Holding AG under this agreement of €8.6 million (previous year: €10.9 million). W&W AG pays Wüstenrot Holding AG a fixed annual amount (principal and interest) of €2.5 million plus statutory VAT.

The charity Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e. V., Wüstenrot Holding AG, WS Holding AG and Pensionskasse der Württembergischen VVaG are reported under “Other related parties” as the post-employment benefit plan for employees.

Württembergische Versicherung AG sold a property to Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e. V. in the 2021 financial year. Ownership of the property was transferred in the first quarter of 2022.

The transactions were at arm’s length.

The outstanding balances of transactions with related companies are as follows as at the end of the reporting period:

in € thousands	30.6.2022	31.12.2021
Financial assets from related companies	**211 770**	**242 653**
Subsidiaries	184 783	216 854
Associates	4	–
Other related parties	26 983	25 799
Financial liabilities to related companies	**72 109**	**184 409**
Subsidiaries	35 122	81 632
Associates	–	70 181
Other related parties	36 987	32 596

As at the end of the reporting period, the outstanding transactions with related companies of W&W AG in its capacity as the parent company of the Group comprised receivables of €0.5 million (previous year: €0.7 million) and liabilities of €11.8 million (previous year: €14.1 million).

The income and expenses from transactions with related companies are as follows:

in € thousands	1.1.2022 to 30.6.2022	1.1.2021 to 30.6.2021
Income from transactions with related companies	**25 635**	**25 961**
Subsidiaries	24 701	24 821
Associates	45	64
Other related parties	889	1 076
Expenses from transactions with related companies	**-39 358**	**-74 939**
Subsidiaries	-26 006	-26 552
Associates	-26	-161
Other related parties	-13 326	-48 226

In the previous year, expenses from transactions with related companies to other related parties included a voluntary supplementary payment to Pensionskasse der Württembergischen VVaG of €40.0 million.

In the reporting period, the income from transactions with related companies of W&W AG in its capacity as the parent company of the Group amounted to €0.6 million (previous year: €0.7 million) with expenses of €2.5 million (previous year: €4.6 million).

(29) Number of employees

The W&W Group had 6,264 employees (full-time equivalents) as at 30 June 2022 (previous year: 6,307). Its headcount by employment contracts was 7,375 as at the end of the reporting period (previous year: 7,458).

The average number of employees over the past twelve months was 7,430 (previous year: 7,532). This average is calculated as the arithmetic mean of the end-of-quarter headcounts between 30 September 2021 and 30 June 2022 and the respective prior-year period. The Group's headcount breaks down by segment as follows:

Average number of employees over the year by segment

	30.6.2022	31.12.2021
Housing	2 173	2 210
Life and Health Insurance	561	607
Property/Casualty Insurance	3 668	3 704
All other segments	1 028	1 011
Total	**7 430**	**7 532**

(30) Events after the reporting period

There were no material reportable events after the end of the reporting period.

The W&W Group
Responsibility statement

To the best of our knowledge and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material risks and opportunities associated with the expected development of the Group for the remaining months of the financial year.

Stuttgart, 9 August 2022

Jürgen A. Junker

Alexander Mayer

Jürgen Steffan

Jens Wieland

W&W Group
Auditor‘s review report

To Wüstenrot & Württembergische AG, Stuttgart

We have reviewed the condensed consolidated half-year financial statements – consisting of the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, condensed consolidated cash flow statement, and select notes – and the interim group management report of Wüstenrot & Württembergische AG, Stuttgart, for the period from 1 January to 30 June 2022, which form part of the half-year financial report pursuant to Section 115 of the German Securities Trading Act (WpHG). The preparation of the condensed consolidated half-year financial statements in accordance with IFRS applicable to interim reporting, as adopted by the EU, and of the interim group management report in accordance with the provisions of the WpHG applicable to interim group management reports is the responsibility of the company's management. Our responsibility is to issue a review report on the condensed consolidated half-year financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated half-year financial statements and the interim group management report in accordance with generally accepted German standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the review in such a way that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated half-year financial statements were not prepared in all material respects in accordance with the IFRSs applicable to interim reporting, as adopted by the EU, and that the interim group management report was not prepared in all material respects in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to the questioning of company employees and analytical procedures and there-fore does not provide the assurance attainable through an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit of financial statements, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated half-year financial statements were not prepared in all material respects in accordance with the IFRSs applicable to interim reporting, as adopted by the EU, or that the interim group management report was not prepared in all material respects in accordance with the provisions of the WpHG applicable to interim group management reports.

Stuttgart, 10 August 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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Investor Relations

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In case of any divergences, the German original is legally binding.

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