Interim Report as at 30 June 2023

Wüstenrot & Württembergische AG

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

Wüstenrot & Württembergische AG

Overview of key figures of W&W Group (according to IFRS)

Consolidated balance sheet		30/6/2023	31/12/2022
Total assets	in € billion	67.4	66.6
Capital investments	in € billion	38.0	37.5
Senior debenture bonds and registered bonds	in € billion	4.1	4.7
Senior fixed-income securities	in € billion	18.3	17.6
Building loans	in € billion	26.0	25.4
Liabilities to customers	in € billion	23.3	22.9
Technical provisions	in € billion	31.1	30.3
Equity	in € billion	5.0	4.9
Equity per share	in €	52.97	51.91

Consolidated income statement		1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Total net financial result	in € million	348.2	149.6
Technical result	in € million	136.0	159.6
Earnings before income taxes from continued operations	in € million	258.6	192.4
Consolidated net profit	in € million	180.7	145.7
Total comprehensive income	in € million	160.9	-91.9
Earnings per share	in €	1.92	1.55

Other disclosures	30/6/2023	31/12/2022
Employees (full-time equivalent head count)	6,356	6,306
Employees (number of employment contracts)	7,456	7,390

Key sales figures		1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Housing segment			
New business volume (New lending and home loan savings business)	in € million	12,660.6	12,490.0
Life and Health Insurance segment			
Total premiums in new life insurance business	in € million	1,609.1	1,728.4
Property/Casualty Insurance segment			
Annual contribution to the portfolio (new and replacement business)	in € million	260.1	210.3

Wüstenrot & Württembergische AG
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Macroeconomic environment

The German economy slipped into a technical recession in the winter half of 2022/23. According to data from the German Federal Statistical Office, the situation stabilised in the second quarter and economic output stagnated. Private consumer household demand in particular was lower than expected. Sustained very high inflation eroded consumers' real disposable income, reducing spending. Government spending also declined significantly at the start of the year.

Inflation now seems to be gradually easing. The total rate of inflation, which was as high as 8.8% in November 2022, fell to 6.4% by June 2023. Core inflation, which excludes volatile energy and food prices, was somewhat lower but once again reached a multi-year high of 5.8% in June 2023, an indication that high fundamental price pressures remain.

Capital markets

Bond markets

After significant interest rate hikes in the previous year, changes in yields on the German bond market were somewhat more moderate in the first half of 2023. In the short-term maturity range, for example, the yield on two-year German government bonds rose from 2.76% at the beginning of the year to 3.20% at the end of June. This was the result of further increases in key rates by the European Central Bank, which increased the deposit rate to 3.5% at the end of June. In the long-term maturity range, the first half of the year saw interest rates decline slightly. The yield on ten-year German government bonds, for example, decreased moderately from 2.57% at the start of the year to 2.39% after six months. Potential causes of this include the decline in inflation and recessionary trends in the German economy.

Equity markets

European equity markets enjoyed significant price hikes in the first half of 2023 thanks to an excellent start to the year. Both the DAX and the Euro STOXX 50 were up 16.0%. Equity markets thus proved robust despite further rate hikes by the European Central Bank, a subdued economy and the ongoing war in Ukraine.

Industry trends

The macroeconomic environment was also reflected in sector development:

Gross new home loan savings business in the industry picked up again in the first half of 2023 thanks to far higher construction loan interest rates and the greater focus on energy efficiency upgrades after an already very strong previous year, reporting an increase in terms of unit numbers and total home loan savings contracts.

At €1.57 trillion, private residential construction financing in June 2023 was up on the previous year (€1.53 trillion). On the other hand, the market volume of residential construction loans granted was lower than in the previous year in H1. This decline was the result in part of increased financing costs.

Insurers' business expectations were influenced by restrained economic growth and still high inflation, combined with declining real income. Bank savings also became increasingly attractive as interest rates rose as a result of inflation.

According to provisional industry numbers published by the German Insurance Association (GDV), new premiums in life insurance and pension funds declined by 14.7% in the first half of 2023 to €17.3 (previous year: 20.2) billion. New single-premium business declined by 17.3% and new business with regular premiums by 1.0%. Sustained inflation hurt private households here and also made fixed-term deposits more appealing. Gross premiums written were down 6.4% year on year at €46.8 (previous year: 50.1) billion.

In property and casualty insurance, sentiment improved slightly despite the geopolitical and global economic risks. Inflation-related coverage adjustments and rising demand for natural disaster cover are increasing premium momentum. As a result, the GDV's extrapolations show a premium increase of 6.6% for 2023. Property insurance in particular is expected to see very high premium growth. in motor insurance, on the other hand, premium momentum is being curbed by still low new car registrations. Nevertheless, the pace of growth in claims paid is also expected to pick up – also a result of inflation.

W&W share

The W&W share also got off to a bullish start in 2023 and, starting from €15.44 at the end of 2022, rose to its high for the year of €17.70 by the beginning of March. European shares in the finance sector also came under pressure during the banking crisis that briefly flared up in the US in March. By the start of April, the W&W share had returned to around the €16 mark. After recovering until mid-May, the W&W share price at the end of June came to €15.68, including due to the ex-dividend markdown. This translated into a moderate 1.6% rise in the first half of 2023. Taking into account the dividend distribution of €0.65, overall performance was 5.8% in the reporting period. EURO STOXX Banks posted a rise of 12.0% for the same period, while EURO STOXX Insurance saw a price increase of 4.0%.

Ratings

Standard & Poor's (S&P) again reaffirmed the ratings with a stable outlook in June 2023. 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").

Ratings Standard & Poor's

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

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

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

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

Development of business

The economic environment remained challenging in the first half of 2023 on account of high inflation, rising interest rates and geopolitical tensions. Equity markets performed surprisingly well and bond markets were calm. There was also a special effect in the Housing segment. In this environment, the W&W Group increased its IFRS earnings to €180.7 (previous year: 145.7) million.

The W&W Group maintained the successful operating business trajectory seen in previous years and also further increased its market share.

Composition of consolidated net profit

in € million	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Housing segment	89.6	71.2
Life and Health Insurance segment	14.5	28.5
Property/Casualty Insurance segment	60.4	49.8
All other segments	27.7	-5.4
Consolidation/reconciliation	-11.5	1.6
Consolidated net profit after taxes	**180.7**	**145.7[1]**

1 Retrospective adjustment under IAS 8 due to the introduction of IFRS 17 as well as in the housing segment because of adjustment of the amortisation of the separate line items from the portfolio fair value hedge.

The W&W Group also saw continued success in new business. In gross new home loan savings business, it achieved the best half-year figure in the company's history. The decline in life insurance was due among other things to lower single-premium business. In property/casualty insurance, the growth trajectory continued.

Group key figures

	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022	Change
	in € million	in € million	in %
New business total Housing (new lending & new home loan savings business (gross))	12,661	12,490	+1.4
Total premiums in new business (Life insurance)	1,609	1,728	-6.9
Annual contribution to portfolio (new and replacement business; property/casualty insurance)	260.1	210.3	+23.7

Disclosure of changes in accounting policies

The W&W Group has applied the new standard IFRS 17 Insurance Contracts since 1 January 2023. The previous year's figures have been restated accordingly. IFRS 17 replaces IFRS 4 Insurance Contracts, which had been in effect since 1 January 2005, in full and for the first time introduces standardised requirements for the recognition, valuation, presentation and notes on insurance contracts and reinsurance contracts issued or held by the W&W Group's insurance companies. Further details of the introduction of IFRS 17 can be found in the notes in the section "Disclosure of changes in accounting policies".

W&W Besser!

The W&W Group is continuing its digital transformation process with "W&W Besser!". The strategic projects were successfully advanced in the first half of 2023.

The W&W Group took another major step forwards when it launched a new finance platform across the Group in May. The long-standing SAP-ERP (Enterprise Resource Planning) platform was replaced by the new, also SAP-based S/4HANA finance system. Quality, efficiency and faster accounting processes are the main advantages of the new application.

The new "employees and skill sets" project develops strategic human resources planning with early warning indicators to tackle the challenges of demographic change. Through the three topics staff recruitment & retention, employer brand & appeal and strategic personnel planning & upskilling, we support our employees' key skill sets.

The W&W Group has promoted the tandem model – where a mobile sales force partner of Wüstenrot and a general agent of Württembergische combine their financial planning expertise to provide better advice to customers – since 2016 with a tandem model. Overall, sales partners work in 782 tandem partnerships.

In the **Housing** division, the Cologne-based rating and ranking agency Service Value GmbH in cooperation with WELT TV awarded Wüstenrot Bausparkasse the title of "greatest innovative strength", putting it top of the leadership board among all other home loan and savings banks surveyed.

Service Value GmbH also gave Wüstenrot Bausparkasse AG the "highest responsibility rating" in the area of sustainable commitment in the industry and rated it the "most sustainable home loan and savings bank" in collaboration with Deutschland Test. Sustainability means taking account of social, environmental and economic factors.

Under the "Wohnen 4.0" initiative, the digital application process for Bausparen Digital was successfully launched for our cooperation partner. Functions are being further expanded and optimisation is underway. A digital application process for time and overnight deposits was also successfully introduced. The two digital application processes mean that our mobile sales force can process home loan and savings and deposit products entirely digitally.

In the Insurance division, both Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG received the "top financial strength" award in a FOCUS-MONEY survey. Various products also received awards, especially in Life and Health Insurance, such as all private annuity products of the WürttLeben Group (Genius, IndexClever, KlassikClever), which were given the top rating "excellent".

In addition, Württembergische insurance companies received the rating "top customer advice" in a study conducted by Service Value GmbH on behalf of Handelsblatt.

Further progress was made on expanding Württembergische as an SME partner. More than 600 mobile sales force colleagues have now qualified for the title "SME partner".

Adam Riese, the W&W Group's digital brand, further expanded its product portfolio towards (e-)mobility with a new bicycle and e-bike insurance policy.

Sustainability

Responsible action and social commitment have a long tradition in the W&W Group and are an integral part of its strategic orientation. It is based on an understanding of long-term, stability-focused corporate governance that in turn has its roots in the foundation ideals of W&W AG's main shareholder. We have voluntarily joined initiatives such as the Principles for Sustainable Insurance (PSI) or the Principles for Responsible Investment (PRI) and are committed to increasingly implementing and continuously developing sustainable principles in our business activities.

There are various European regulatory requirements on transparency and disclosure of sustainability information. At present, W&W Group's implementation activities are focused on the European Sustainability Reporting Standards (ESRS). These will apply to the W&W Group for the first time for the 2024 financial year and replace previous non-financial reporting.

In June, employees had the opportunity to learn about the wide range of health services provided during Health Days. Following on from the Energy-Saving Days, the Health Days were the second in the series of events relating to sustainability at the new W&W Campus. The aim was to raise awareness of health issues among the W&W Group's employees and thus to reduce illness-related staff absences.

Financial performance

Total comprehensive income

Consolidated income statement
As at 30 June 2023, the consolidated net profit after taxes was €180.7 million (previous year: €145.7 million).

With the new accounting standard IFRS 17, part of the consolidated net financial result is attributable to insurance contracts with direct participation features (in life and health insurance). This part of the net financial result is allocated to the technical result. Previously, the net financial result amounted to €912.9 (previous year: -205.8) million.

- This increase is primarily attributable to the far better measurement result of €183.4 (previous year: -1,008.8) million, which benefited from the stabler capital markets than in the previous year.

- The current net financial result came to €638.7 million (previous year: €601.0 million). Rising refinancing costs were more than compensated for by a prior-period non-recurring effect in the Housing segment.

- On the other hand, net income from disposals declined to €103.9 million (previous year: €209.0 million). Especially for fixed-income securities, net income from disposals was lower than in the previous year due to higher interest rates in the prior year.

After the allocation, the net financial result still grew to €348.2 million (previous year: €149.6 million).

The technical result (net) decreased to €136.0 million (previous year: €159.6 million). Despite several large losses, the technical result (net) in property/casualty insurance was unchanged on the previous year. In life and health insurance, on the other hand, it decreased as a result in part of one-off income in the previous year.

Net commission expense amounted to –€24.8 million (previous year: –€6.7 million). This decrease is primarily attributable to the positive development of new home loan savings business, which led to higher commission expenses.

General administrative expenses (gross) increased by around 6% to €560.7 million (previous year: €528.7 million). Marketing initiatives and investments in our IT infrastructure resulted in higher materials costs. Personnel expenses saw a moderate increase of around 3% on account of inflation-driven pension adjustments and collectively bargained salary increases. As already described with regard to the net financial result, cost components attributable to the technical result were also allocated to general administrative expenses (in both life and health insurance and property and casualty insurance). This put general administrative expenses (net) at €262.4 million (previous year: €245.6 million).

Net other operating income came to €61.6 million (previous year: €135.4 million). Among other things, this was the result of lower income from settlement transactions in connection with home loan savings deposits.

Consolidated statement of comprehensive income
As at 30 June 2023, total comprehensive income stood at €160.9 million (previous year: €91.9 million). It consists of consolidated net profit and other comprehensive income (OCI).

OCI as at 30 June 2023 was -€19.8 (previous year: -237.6) million. The slight decline in interest rates in the first half of 2023 had a positive effect on the market values of fixed-income securities and registered securities. Their unrealised gains, which were recognised in OCI, came to €168.8 (previous year: -5,003.5) million. This was countered by the decline in interest rates for the valuation of technical provisions under IFRS 17. The resulting unrealised losses amounted to -€165.2 (previous year: 4,403.8) million. Actuarial losses from defined benefit plans amounted to -€24.5 million (previous year: €362.1 million). Interest had also increased significantly in the previous year and led to correspondingly high unrealised gains and losses.

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 and IFRS 17. It essentially reflects the interest rate sensitivity of the assets side of our balance sheet and of underwriting on the liabilities side. The application of the new standard to account for insurance contracts, IFRS 17, significantly reduced measurement discrepancies.

Housing segment

New business

New business for housing purposes for urgent financing, modernisation and the accumulation of equity (total from new business (gross) and the new lending business total including brokering for third parties) increased sharply by €171 million to €12,661 million (previous year: €12,490 million).

Gross new business in terms of total home loan savings contracts and net new business achieved the best half-year figures in the company's history. Gross new business rose to €10,833 (previous year: 8,508) million and net new business soared by 82.0% to €9,345 (previous year: 5,134) million.

As a result of the difficult economic conditions, the new lending business total developed in line with the market and declined on the very strong prior year to €828 million (previous year: €3,982 million).

Wüstenrot Bausparkasse AG rigorously continued its growth course in the home loan savings business. It continued to grow more strongly than the sector and further expanded its market share.

New business key figures

	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022	Change
	in € million	in € million	in %
New business volume	**12,661**	**12,490**	**+1.4**
New lending business volume (including brokering for third parties)	1,828	3,982	-54.1
Gross new business home loan and savings	10,833	8,508	+27.3

Financial performance

Net income after taxes in the Housing segment increased to €89.6 million (previous year: €71.2 million).

The net financial result climbed to €298.8 million (previous year: €150.2 million). This was due to the following factors:

- The current net financial result rose to €161.9 (previous year: 118.5) million. It benefited from the reversal of the additional liabilities recognised as part of the purchase price allocation of the former Aachener Bausparkasse AG for acquired contracts with customers in the home loan and savings pool, which ran into the double-digit millions. The reversal resulted from the revaluation due to the rise in interest rates and the gradual shift in customer behaviour. Net interest income of the interest rate swaps used to manage the interest rate book and higher refinancing expenses had a negative impact, albeit to a lesser extent.
- Net income/expense from risk provision declined to -€ 15.3 (previous year: -12.1) million, in part due to the full reversal in the first half of 2022 of the risk provision recognised for the potential consequences of the coronavirus pandemic.
- The measurement result was €48.8 (previous year: 33.9) million. In the previous year, the rise in interest rates had a negative impact on the market values of derivatives concluded to manage the risks of changes in interest rates. As a result of this effect, the measurement result increased year-on-year. This was offset chiefly by poorer net income from discounting provisions for home loan savings business and lower hedge income.
- Net income from disposals stood at €103.4 million (previous year: €9.9 million). It resulted from restructuring in connection with asset/liability management.

Net commission income declined to -€18.3 million (previous year: €8.9 million). This development was primarily driven by the removal of account maintenance fees in the savings phase and higher commission expenses as a result of the significantly increased new home loan savings business.

General administrative expenses amounted to €178.3 million (previous year: €167.5 million). As a result of our digitalisation initiatives, materials costs and depreciation on capitalised acquisition costs for major IT projects increased. Personnel expenses decreased as a result of the coronavirus-related special payments made to our employees in the previous year.

Net other operating income declined to €27.0 (previous year: 112.3) million. This was mainly the result of lower income from settlement transactions in connection with home loan savings deposits.

Life and Health Insurance segment

New business/premium development

Total premiums for new life insurance business rose to €1,609 million (previous year: €1,728 million). The decline was due among other things to fewer single-premium insurance policies. By contrast, in the area of company pension schemes, we were able to boost total premiums by 6.8% to €564 million (previous year: €528 million).

Total premiums in new life insurance business

	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022	Change
	in € million	in € million	in %
Total premiums in new business	**1,609**	**1,728**	**-6.9**
Total premiums in new business (not including company pension schemes)	1,045	1,200	-12.9
Total premiums in new business for company pension schemes	564	528	+6.8

In health insurance, annual new premiums increased to €4.3 million (previous year: €2.6 million). New business reported growth in full-coverage premium rates as well as supplementary rates.

Financial performance

Segment net income after taxes stood at €14.5 million (previous year: €28.5 million).

With the new accounting standard IFRS 17, almost all the net financial result is attributable to contracts with direct participation features. This share of the net financial result is recognised in the technical result and taken into account in the adjustment of the contractual service margin through other comprehensive income. Before the allocation, the net financial result in the Life and Health Insurance segment amounted to €555.0 million (previous year: -€358.2 million). This was due to the following income components:

- The current net financial result was €420.1 (previous year: 420.8) million. Interest income from new investments and reinvestments increased as a result of higher interest rates. Rental income was also higher. Distributions from alternative investments declined.
- The measurement result was €124.8 (previous year: -1,002.1) million. In the previous year, higher inflation resulted in measurement losses for interest-bearing securities, fund units and equities. This year, on the other hand, there were measurement gains on interest-bearing securities and shares. This development was also evident in the case of investments for unit-linked life insurance policies.
- Net income from disposals stood at €8.3 million (previous year: €218.8 million). Interest rate hikes resulted in lower sales volumes of bonds.

The technical result (net) fell to €43.5 million (previous year: €59.3 million). Insurance revenue (technical income) rose to €573.1 (previous year: 546.7) million. The previous year's increase in interest rates led to growth in the contractual service margin (CSM) of around 32% compared to 30 June 2022 and thus higher revenue in the first half of 2023. Technical expenses increased to €522.8 million (previous year: €482.2 million). In the previous year, the increase in interest rates resulted in one-off income for our pension fund.

Gross general administrative expenses (before the attribution of components of profit or loss attributable to the technical result) increased to €129.8 million (previous year: €121.4 million). Increased materials costs were offset by lower personnel expenses. After the allocation to the technical result, net general administrative expenses amounted to €21.8 million (previous year: €15.2 million).

Property/Casualty Insurance segment

New business/premium development

New business in terms of the annual contribution to the portfolio amounted to €260.1 million (previous year: €210.3 million). Both brand new business and replacement business were increased compared with the previous year. There was significant growth in the corporate customer and motor businesses. Business with retail customers was higher than planned but lower than in the previous year.

New business key figures

	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022	Change
	in € million	in € million	in %
Annual contribution to the portfolio (new and replacement business)	**260.1**	**210.3**	**+23.7**
Motor	148.7	110.8	+34.2
Corporate customers	75.2	57.5	+30.8
Retail customers	36.2	42.0	-13.8

Financial performance

Segment net income after taxes rose to €60.4 (previous year: 49.8) million.

The net financial result stood at €20.4 million (previous year: -€12.8 million). It comprises the following components:

- The current net financial result came to €31.4 million (previous year: €44.4 million). Both interest income and interest expenses, especially current interest expenses from pension provisions, increased in connection with higher interest rates. Distributions, on the other hand, declined.
- The measurement result rose to €2.4 (previous year: -43.8) million. While the previous year saw considerable measurement losses on account of the substantial interest rate hikes, there were measurement gains in the current financial year, especially for equities and investment funds.
- Net income from disposals stood at –€4.4 million (previous year: -€13.7 million).

The technical result (net) fell slightly to €94.1 million (previous year: €97.4 million). All in all, the insurance portfolio grew well thanks to the good new and replacement business. Large losses in the first half of the year depressed the technical result. However, the participation of reinsurers outside the Group in the losses significantly reduced the impact of these on net income. The combined ratio (net) in accordance with IFRS 17 stood at 92.5% (previous year: 91.2%).

General administrative expenses (gross) came to €223.5 (previous year: 204.7) million. Both materials costs and personnel expenses increased. This was due primarily to increased expenses for marketing. In addition to collectively bargained wage increases, the increase in personnel expenses is primarily due to the increased payment to the Württembergische pension fund as a result of the inflation-driven pension adjustments. After the allocation to the technical result, net general administrative expenses amounted to €33.2 million (previous year: €27.7 million).

All other segments

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

Segment net income after taxes amounted to €27.7 million (previous year: -€5.4 million).

Net financial result stood at €44.2 million (previous year: -€23.5 million). The following components were factors in this development:

- The current net financial result picked up to €29. million (previous year: €12.6 million), primarily due to higher distributions.
- The measurement result increased to €18.3 (previous year: -29.6) million. Declining capital markets in the previous year led to measurement losses for shares and investment funds, which did not occur in the first half of 2023.

Net commission income increased slightly to €19.4 (previous year: 17.6) million.

General administrative expenses amounted to €43.2 million (previous year: €41.1 million). Personnel expenses rose as a result of higher wages and salaries. Higher write-downs were also recognised on account of our investment in digitalisation initiatives and in the campus buildings.

Net other operating income declined to €7.4 million (previous year: €27.4 million). The previous year saw higher income from construction projects at Wüstenrot Haus- und Städtebau GmbH.

Net assets

Asset structure

The W&W Group's total assets came to €67.4 (previous year: 66.6) billion. Assets essentially comprise building loans and investments.

Building loans rose to €26.0 billion (previous year: €25.4 billion). This upturn is due primarily to the higher number of advance and bridge financing loans.

Capital investments totalled €38.0 (previous year: 37.5) billion. Unlike in the previous year, there were no material fluctuations in value because interest rates declined only slightly in 2023.

Financial position

Capital structure

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

Technical liabilities (technical provisions) came to €31.1 (previous year: 30.3) billion. €27.4 (previous year: 27.1) billion of this was attributable to life insurance, €2.3 (previous year: 2.0) billion to property/casualty insurance and €1.4 (previous year: 1.3) billion to health insurance.

Most liabilities are liabilities to customers, which come to €23.3 (previous year: 22.9) billion. They largely comprise deposits from the home loan savings business and savings deposits amounting to €19.8 billion (previous year: €19.7 billion).

The carrying amount of subordinated capital was €651.8 (previous year: 641.5) million. It was issued by W&W AG, Wüstenrot Bausparkasse AG and Württembergische Lebensversicherung AG.

Consolidated equity

As at 30 June 2023, the W&W Group's equity totalled €4,993.7 million compared to €4,894.3 million as at 31 December 2022. This includes consolidated net profit as well as results incorporated in equity totalling €160.9 million. The dividend distribution reduced equity by €61.4 million.

Liquidity

The W&W Group had sufficient liquidity at all times in the year under review. For more information on liquidity management, please see the risk report.

In the cash flow statement, operating activities resulted in a cash outflow of -€335.1 (previous year: -1,853.9) million and investment activities, including investments, in a cash inflow of €49.0 (previous year: 1,905.1) million. Financing activities generated a cash outflow of -€71.8 (previous year: 70.7) million. Overall, cash and cash equivalents experienced a net change of -€359.5 million in the year under review (previous year: -€14.5 million). Further information is provided in the cash flow statement in the notes.

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 2022 annual report continue to apply at the reporting date 30 June 2023. Our risk management's organisational structures and processes as at 30 June 2023 are unchanged on those structures described in the 2022 annual report.

General conditions

General conditions for the W&W Group are still dominated by the uncertain macroeconomic and geopolitical situation associated with the war in Ukraine (including sustained high inflation, significantly higher interest rates and a volatile capital market environment). Germany's economic output is stagnating/declining slightly.

Monetary policy around the world responded to high inflation by increasing interest rates substantially. Despite financial market turbulence, central banks maintained their course. Further interest rate rises are on the horizon in the coming months. 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. Inflation, higher interest rates and recessionary trends are putting increasing strain on companies and individuals, which may result in poorer credit quality and a greater risk of payment defaults. Capital investments in commercial property are exposed to price correction risk on account of declining demand caused by the sharp rise in interest rates and economic dependency on rental income.

The World Health Organisation (WHO) declared the end of the international public health emergency in connection with the coronavirus pandemic in May 2023.

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

Current risk situation

The risk areas, targets and risk governance measures described in the 2022 annual report continue to apply at the reporting date 30 June 2023.

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 2023 put risk-bearing capacity above this target quota and higher than the ratio as at 31 December 2022.

Macroeconomic developments, especially high inflation, effect multiple risk areas and can, for example, depress growth opportunities due to a decrease in new business or an increase in contract cancellations as a result of the loss of private purchasing power or reduced consumption, a deterioration in the cost position due to rising operating costs, increasing claims expenses or the potential need for additional provisions in pension reserves.

We believe the following risk areas have seen material developments or changed general conditions compared to the risk report in the 2022 Group Management Report due to internal and external factors:

Market price risks

After widening significantly, credit spreads declined again as at 30 June 2023 compared to the end of 2022. For example, the Itraxx Senior Financials 5Y came to 86.2 basis points as at 30 June 2023, 13.2 points lower than at the end of 2022. This is still high, a reflection of uncertainties about potential risks in connection with the economic situation. In this context, there is still a risk of a further widening of credit spreads, which are linked to lower market values of the capital investments affected.

With interest rates highly dynamic at present, there are still considerable interest rate risks for the W&W Group. Interest rate risks will continue to be closely managed in view of the inverse yield curve and uncertainty regarding the further development of capital markets, including through the effects of reallocations on earnings and the realisation of valuation reserves and the use of interest-rate-based hedging instruments (e.g. (forward) swaps and swaptions), forward sales and duration management.

The upwards trend that began on equity markets in 2022 initially continued. The DAX and the Euro STOXX 50 reported significant price gains as at the reporting date compared to the end of 2022. The W&W Group's equity ratio was 1.3% as at 30 June 2023, unchanged on the end of the previous year.

In March, the banking crisis triggered a temporary collapse in share prices, with bank shares particularly badly affected. The direct impact of the US regional banking crisis and the crisis at Credit Suisse at the start of 2023 is immaterial for the W&W Group. Very low holdings of shares in the Silicon Valley Bank Financial Group, Signature Bank and First Republic Bank and low bond investments at Credit Suisse limit the direct risk.

In alternative investments, market valuations were largely stable on the whole as at the end of the reporting period. The market value of investments in private equity and private debt holdings and in infrastructure totalled €3,358.4 million as at 30 June 2023 (31 December 2022: €3,136.2 million). Higher interest rates mean higher financing costs in the future and, combined with ongoing uncertainty on the market, could result in a low transaction level. Depending on further economic and geopolitical developments, declines cannot be ruled out. With regard to private debt holdings, the probability of default at financed companies could also increase in the event of a recession.

For existing properties, high inflation and rising interest rates with stricter financing conditions pose devaluation risks and risks to rental income. On the other hand, inflation had a particularly positive impact on inflation-linked leasing. To manage risks, we closely monitor the market and any potentially critical lessees and operate a selective underwriting policy when purchasing land and properties.

Counterparty credit risks

As shown in the 2022 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 2023, 90.5% (31 December 2022: 90.3%) of the portfolio is invested in the investment grade range. Nonetheless, there may be increasing rating downgrades and credit defaults in view of the existing economic risks.

In the customer lending business, Wüstenrot Bausparkasse AG's credit default rate remained low at -0.01%, similar to at the end of 2022.
Nonetheless, there may be increasing rating downgrades and credit defaults in view of the existing economic risks.

Underwriting risks

In view of portfolio growth, still high inflation and higher deductibles in reinsurance, the W&W Group's underwriting risks from property/casualty insurance saw a moderate increase as at 30 June 2023 compared to the end of 2022.

The overall loss ratio for the financial year in the Property/Casualty Insurance segment increased year on year. As well as numerous larger fire and loss of earnings claims, this reflected the increase in motor claims and the average claims paid in motor.

We are continuing to address higher claims expenses caused by inflation with a cautious premium calculation, defensive reserves policy and premium adjustments.

There are no significant inflation and interest-related effects on contract cancellations. The cancellation rate of Württembergische Lebensversicherung AG in terms of annual premium came to 3.9% in the first half of 2023 (previous year: 3.8%).

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 strengthen information security, measures were further expanded to proactively manage the potential rise in threats from cyber attacks. For example, the security operation centre was further reinforced to professionalise the early detection of new cyber attack patterns and assessment of the cyber risk situation.

Liquidity risks

According to liquidity planning, liquidity balances at W&W Group will be positive for the next 24 months so that sufficient liquidity is available to ensure solvency. Refinancing is secured at present. Wüstenrot Bausparkasse AG has higher refinancing requirements in the medium term on account of the planned growth. Measures taken to strengthen the liabilities side and current business performance (see business risks) have a positive impact on liquidity. The current situation on capital markets does not indicate any acute material market liquidity risks for the W&W Group's investments.

Business risks

The picture is more varied for new business development. While new home loan savings business is doing well and property/casualty insurance is also continuing to generate premium growth, construction financing and life insurance saw lower new business compared to the previous year, in part the result of the uncertain environment.

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.

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 2023. In line with our economic risk bearing capacity model, we have sufficient funds to cover the risks taken with a high degree of assurance.

In June 2023, S&P confirmed the ratings of the W&W core companies W&W AG, Wüstenrot Bausparkasse AG, Württembergische Lebensversicherung AG and Württembergische Versicherung AG.

This confirmation reflects factors including the positive view of the W&W Group's risk management system.

Further developments in and the impact of the war in Ukraine remain difficult to assess in terms of their duration and scope. Accordingly, depending on future developments (especially the economy) 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 persists for a longer period of time.

Outlook

Macroeconomic outlook

Various negative factors also indicate that the German economy will be rather subdued over the rest of the year.

Inflation will likely ease over the course of the year. Firstly, energy and raw materials prices have decreased again recently and supply shortages for intermediate products have also improved. Secondly, wages in Germany are currently increasing at above-average rates. In addition, the transition to a more carbon neutral economy will push up prices. As a result, inflation is expected to decline in 2023 but it will likely remain noticeably higher than before the coronavirus pandemic for the time being.

Still high inflation will continue to squeeze private household consumption. Government spending will also likely depress growth as special programmes implemented during the pandemic expire. The ECB's more restrictive monetary policy is also weighing on sectors that are more sensitive to interest rates such as corporate and construction investment. Geopolitical conditions as well as sluggish growth in key target markets such as the USA suggest that export growth will be modest. The most likely scenario is therefore that German economic output will see a moderate decline in 2023. The German Bundesbank, for example, has forecast a decline in gross domestic product of 0.3%.

On the bond market, short-term interest rates track key interest rates closely. The ECB maintained its strategy of gradually raising rates over the year to date and after its last meeting again indicated that high inflation would likely make further rate hikes necessary. A likely scenario for the rest of 2023 is therefore a slight increase in short-term interest rates. In July 2023, the ECB raised its key rates by 25 basis points to 3.75% (deposit rate) and 4.25% (rate for main refinancing operations). In terms of the outlook for long-term interest rates, still higher-than-average inflation, even higher interest rates and negative real interest rates suggest that yields on long-term bonds will rise further. On the other hand, inflation is trending downwards and there is increasing political pressure from the ECB to end the cycle of key rate hikes. This, together with the expected weak economy, could put long-term interest rates under pressure again towards the end of the year.

Various scenarios are conceivable for the European bond market outlook moving forwards. Share prices are negatively affected by further increases in key rates by leading central banks. Price drops are also conceivable as a result of disappointing company figures in a challenging economic environment. The geopolitical situation also seems likely to remain tense and so investor risk appetite and willingness to buy shares could be limited.

On the other hand, equity markets have proved extremely robust over the course of the year so far. As they often anticipate future economic developments, the expected easing of inflation and end to interest rate hikes by leading central banks could help stabilise prices in the second half of the year. Towards the end of the year, market participants may start looking ahead to the following year and a long-awaited economic recovery. Finally, positive geopolitical developments, e.g. an end to the fighting in Ukraine, could still happen as a possible favourable equity market scenario.

Company forecasts

Despite the non-recurring effect in the Housing segment, we still expect consolidated net profit to be within the target range of between €220 million and €250 million for 2023 as a whole.

The Group's general administrative expenses are expected to see a moderate year-on-year increase.

In new construction financing business (assumptions), we anticipate a significantly lower level compared to the previous year, while we think that net new home loan and savings business will exceed the previous year substantially.

Contrary to the planned increase, we expect total premiums for life business to remain on par with the previous year in 2023.

In the Property/Casualty Insurance segment, we anticipate significant growth in new and replacement business (annual contribution to the portfolio) in 2023.

We are standing by our forecast for W&W AG's net profit after taxes in accordance with HGB and expect this to be around €120 million.

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

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.	30/6/2023	31/12/2022
Cash reserve		**39,200**	**116,167**
Non-current assets held for sale and discontinued operations	1	**–**	**3,647**
Financial assets at fair value through profit or loss	2	**10,210,542**	**10,276,031**
Financial assets at fair value through other comprehensive income (OCI)	3	**23,004,039**	**22,878,366**
of which: sold under repurchase agreements or lent under securities lending transactions		552,699	465,270
Financial assets at amortised cost	4	**28,817,658**	**27,791,396**
Subordinated securities and receivables		208,606	185,625
Senior debenture bonds and registered bonds		60,742	49,899
Senior fixed-income securities		9	9
Building loans		25,957,668	25,424,927
Other receivables		2,587,792	2,244,111
Active portfolio hedge adjustment		2,841	–113,175
Positive market values from hedges	5	**2,598**	**522**
Assets from insurance business	6	**390,922**	**344,811**
Insurance contracts issued that are assets		83,908	71,364
Reinsurance contracts held that are assets		307,014	273,447
Financial assets accounted for under the equity method		**102,132**	**109,604**
Investment property	7	**2,496,157**	**2,440,442**
Other assets		**2,358,499**	**2,628,412**
Intangible assets		137,148	127,788
Property, plant and equipment	8	514,012	538,494
Inventories		136,038	157,293
Current tax assets		22,438	55,648
Deferred tax assets		1,493,685	1,709,376
Other assets		55,178	39,813
Total assets		**67,421,747**	**66,589,398**

1 see numbered disclosures in the appendix.

Equity and liabilities

in € thousands	Cf. Note no.	30/6/2023	31/12/2022
Financial liabilities at fair value through profit or loss		**40,993**	**40,462**
Liabilities	9	**27,475,054**	**27,299,037**
Liabilities evidenced by certificates		2,376,039	1,885,306
Liabilities to credit institutions		1,921,850	2,697,422
Liabilities to customers		23,314,800	22,932,498
Lease liabilities		52,589	53,455
Miscellaneous liabilities		533,569	598,457
Passive portfolio hedge adjustment		−723,793	−868,101
Negative market values from hedges	10	**24,218**	**25,466**
Technical liabilities	11	**31,056,164**	**30,298,791**
Insurance contracts issued that are liabilities		31,053,174	30,297,396
Reinsurance contracts held that are liabilities		2,990	1,395
Other provisions	12	**1,883,105**	**1,905,562**
Other liabilities		**1,296,717**	**1,484,336**
Current tax liabilities		163,035	161,960
Deferred tax liabilities		1,121,884	1,314,240
Other liabilities		11,798	8,136
Subordinated capital	13	**651,780**	**641,468**
Equity	14	**4,993,716**	**4,894,276**
Share in paid-in capital attributable to shareholders of W&W AG		1,486,190	1,486,252
Share in retained earnings attributable to shareholders of W&W AG		3,473,374	3,376,312
Retained earnings		4,181,004	4,061,795
Other reserves (OCI)		−707,630	−685,483
Non-controlling interests in equity		34,152	31,712
Total equity and liabilities		**67,421,747**	**66,589,398**

Consolidated income statement

in € thousands	Cf. Note no.	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Current net financial result	15	**638,702**	**600,992**
Net interest income		458,997	393,263
Interest income		697,830	560,275
of which: calculated using the effective interest method		560,526	507,538
Interest expenses		−238,833	−167,012
Dividend income		125,114	135,184
Other current net income		54,591	72,545
Net income/expense from risk provision	16	**−13,129**	**−6,927**
Income from credit risk adjustments		42,239	67,244
Expenses for credit risk adjustments		−55,368	−74,171
Net measurement gain/loss	17	**183,402**	**−1,008,790**[2]
Measurement gains		2,398,113	3,133,085[2]
Measurement losses		−2,214,711	−4,141,875
Net income from disposals	18	**103,925**	**208,957**
Income from disposals		175,022	424,928
Expenses from disposals		−71,097	−215,971
of which: gains/losses from financial assets at amortised cost		-112	34
Net technical financial result	19	**−564,691**	**355,401**
Insurance finance income or expenses from insurance contracts issued (gross)		−565,991	354,461
of which: Insurance finance expenses from reinsurance contracts held		1,300	940
Total net financial result		**348,209**	**149,633**[2]
of which: net income/expense from financial assets accounted for under the equity method		−7,472	13,286
Technical result (net)	20	**135,963**	**159,592**
Technical result (gross)		116,651	205,591
Technical income		1,824,937	1,670,808
Technical expenses		−1,708,286	−1,465,217
Net result from reinsurance contracts held		19,312	−45,999
Net commission income	21	**−24,754**	**−6,693**
Commission income		159,116	151,001
Commission expenses		−183,870	−157,694
Carryover		**459,418**	**302,532**

in € thousands	Cf. Note no.	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Carryover		**459,418**	**302,532**
General administrative expenses (net)		**−262,405**	**−245,596**
General administrative expenses (gross)		−560,718	−528,741
Personnel expenses		−329,582	−319,266
Materials costs		−187,915	−174,171
Depreciation, amortisation and write-downs		−43,221	−35,304
General administrative expenses attributable to the technical result		298,313	283,145
Net other operating income/expense	22	**61,606**	**135,426**
Other operating income		144,426	364,871
Other operating expenses		−82,820	−229,445
Earnings before income taxes from continued operations		**258,619**	**192,362**[2]
of which sales revenues[1]		2,943,309	2,726,135
Income taxes	23	−77,885	−46,675[2]
Consolidated net profit		**180,734**	**145,687**[2]
Result attributable to shareholders of W&W AG		180,124	144,876[2]
Result attributable to non-controlling interests		610	811
Basic (= diluted) earnings per share in €	24	**1.92**	**1.55**[2]
of which: from continued operations in €		1.92	1.55[2]

1 Interest, dividend, commission and rental income from property development business and technical income
2 Previous year's figure restated in accordance with IAS 8.41.

Consolidated statement of comprehensive income

in € thousands	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Consolidated net profit	**180,734**	**145,687[1]**
Other comprehensive income (OCI)		
Elements not reclassified to the consolidated income statement:		
Actuarial gains/losses (-) from pension commitments (gross)	–34,950	515,763
Deferred taxes	10,416	–153,695
Actuarial gains/losses (-) from pension commitments (net)	**–24,534**	**362,068**
Unrealised gains on the remeasurement of property, plant and equipment (gross)	1,597	–
Deferred taxes	–476	–
Unrealised gains on the remeasurement of property, plant and equipment (net)	**1,121**	**–**
Elements subsequently reclassified to the consolidated income statement:		
Unrealised gains/losses (-) from financial assets at fair value through other comprehensive income (OCI; gross)	240,293	–7,128,083
Deferred taxes	–71,455	2,124,596
Unrealised gains/losses (-) from financial assets at fair value through other comprehensive income (OCI; net)	**168,838**	**–5,003,487**
Unrealised insurance finance income or expenses from insurance contracts issued (gross)	–226,865	6,237,781
Unrealised insurance finance income or expenses from reinsurance contracts held (gross)	5	35,152
Deferred taxes	61,634	–1,869,100
Unrealised insurance finance income or expenses (net)	**–165,226**	**4,403,833**
Total other comprehensive income (OCI; gross)	–19,920	–339,387
Total deferred taxes	119	101,801
Total other comprehensive income (OCI; net)	**–19,801**	**–237,586**
Total comprehensive income for the period	**160,933**	**–91,899[1]**
Result attributable to shareholders of W&W AG	157,977	–96,577[1]
Result attributable to non-controlling interests	2,956	4,678

1 Previous year’s figure restated in accordance with IAS 8.41.

Consolidated statement of changes in equity

in € thousands	Cf. Note no.	Share in paid-in capital attributable to shareholders of W&W AG	
		Share capital	Capital reserve
Equity 31/12/2021		**489,893**	**995,695**
Effect of initial application of IFRS 17		–	–
Equity 1/1/2022		**489,893**	**995,695**
Total comprehensive income for the period			
Consolidated net profit		–	–
Other comprehensive income (OCI)		–	–
Total comprehensive income for the period		**–**	**–**
Dividends to shareholders	14	–	–
Treasury shares		237	427
Other		–	–
Equity 30/6/2022		**490,130**	**996,122**

1 Previous year's figure restated in accordance with IAS 8.41.

Equity 1/1/2023		**490,130**	**996,123**
Total comprehensive income for the period			
Consolidated net profit		–	–
Other comprehensive income (OCI)		–	–
Total comprehensive income for the period		**–**	**–**
Dividends to shareholders	14	–	–
Treasury shares		1	–64
Equity 30/6/2023		**490,131**	**996,059**

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 the remeasurement of property, plant and equipment	Reserve for financial assets at fair value through other comprehensive income	Reserve for technical finance income or expenses	Reserve for financial assets accounted for under the equity method			
3,441,733	**−687,143**	**–**	**604,666**	**–**	**3**	**4,844,847**	**28,727**	**4,873,574**
448,675	−36,833	–	711,213	−833,442	−49	289,564	−2,303	287,261
3,890,408	**−723,976**	**–**	**1,315,879**	**−833,442**	**−46**	**5,134,411**	**26,424**	**5,160,835**
144,876[1]	–	–	–	–	–	144,876[1]	811	145,687[1]
–	360,748	–	−4,790,067	4,187,866	–	−241,453	3,867	−237,586
144,876[1]	**360,748**	**–**	**−4,790,067**	**4,187,866**	**–**	**−96,577[1]**	**4,678**	**−91,899[1]**
−60,915	–	–	–	–	–	−60,915	–	−60,915
227	–	–	–	–	–	891	–	891
−2,071	–	–	–	–	–	−2,071	−2	−2,073
3,972,525[1]	**−363,228**	**–**	**−3,474,188**	**3,354,424**	**−46**	**4,975,739[1]**	**31,100**	**5,006,839[1]**
4,061,795	**−330,206**	**–**	**−4,678,164**	**4,323,631**	**−744**	**4,862,565**	**31,712**	**4,894,277**
180,124	–	–	–	–	–	180,124	610	180,734
–	−24,440	1,064	158,680	−157,451	–	−22,147	2,346	−19,801
180,124	**−24,440**	**1,064**	**158,680**	**−157,451**	**–**	**157,977**	**2,956**	**160,933**
−60,915	–	–	–	–	–	−60,915	−516	−61,431
–	–	–	–	–	–	−63	–	−63
4,181,004	**−354,646**	**1,064**	**−4,519,484**	**4,166,180**	**−744**	**4,959,564**	**34,152**	**4,993,716**

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 €39.2 (previous year: 46.8) million and bank balances available at any time included in Other receivables of €801.5(previous year: 919.7) 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: 0.5) 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 €36.5 (previous year: 29.9) million as at 30 June 2023.

Condensed consolidated statement of cash flows

in € thousands	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Consolidated net profit	180,734	145,687[1]
-/+ increase/decrease in building loans	−621,930	−1,025,497
+/- increase/decrease in technical liabilities	530,513	−491,143
+/- increase/decrease in securitised liabilities	490,733	17,964
+/- increase/decrease in liabilities to credit institutions	−775,572	482,922
+/- increase/decrease in liabilities to customers	382,303	78,696
Other changes	−521,848	−1,062,574[1]
I. Cashflow from operating activities	**−335,067**	**−1,853,945**
Cash receipts from the disposal of intangible assets and property, plant and equipment	14,795	10,759
Cash payments for investments in intangible assets and property, plant and equipment	−31,536	−61,565
Cash receipts from the disposal of financial assets	6,270,094	8,954,243
Cash payments to acquire financial assets	−6,204,389	−6,993,064
Cash payments to acquire shares in financial assets accounted for under the equity method	–	−5,287
II. Cashflows from investment activities	**48,964**	**1,905,086**
Dividend payments to shareholders	−60,915	−60,915
Dividend payments to minority interests	−516	–
Transactions between shareholders	−487	459
Interest payments on subordinated capital	−1,457	−1,469
Cash payments for the reduction of lease liabilities	−8,440	−8,762
III. Cashflows from financing activities	**−71,815**	**−70,687**

1 Previous year's figure restated in accordance with IAS 8.41.

in € thousands	2023	2022
Cash and cash equivalents as at 1.1.	**1,200,250**	**981,068**
Net change in cash and cash equivalents (I.+II.+III.)	−357,918	−19,546
Effects of exchange rate changes on cash and cash equivalents	−1,627	5,012
Cash and cash equivalents as at 30.6.	**840,705**	**966,534**

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 2022. The standards applicable for the first time from 1 January 2023 were also applied. IFRS 17 Insurance Contracts was applied for the first time retrospectively as at 1 January 2022. Please see the section “Disclosure of changes in accounting policies” for information on the material effects of applying IFRS 17 on financial position and financial performance.

The condensed consolidated half-year financial statements of Wüstenrot & Württembergische AG – comprising the consolidated balance sheet, consolidated income statement, consolidated balance sheet, 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 2022. The Wüstenrot & Württembergische AG Executive Board authorised the Group’s half-year financial report for publication on 12 September 2023.

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 2023 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 €11.28 (€5.00 discount). The employees must hold these shares for at least three years.

In addition to issuing treasury shares held, another 84,898 shares were resold on the market and partly issued for the programme. Employees acquired a total of 85,195 employee shares. The employee share ownership programme generated personnel expenses of €0.4 million. As at the reporting date 30 June 2023, W&W AG still held 34,335 treasury shares.

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 2022.

Initial application of IFRS 17 Insurance Contracts
The W&W Group has applied the new accounting provisions of IFRS 17 Insurance Contracts in accordance with IFRS 17.C3 retrospectively since 1 January 2023. The comparative figures are restated from the transition date 1 January 2022. The material impact of the transition is discussed below under Effects of the initial application, on the basis of the consolidated balance sheet as at 1 January 2022. In addition, the Group’s material accounting principles used to account for insurance contracts under IFRS 17 are described below.

Before the first-time application of IFRS 17 Insurance Contracts, insurance-specific business transactions were – as described in the 2022 annual report – recognised in line with IFRS 4 Insurance Contracts for domestic Group companies in accordance with the relevant rules of commercial law pursuant to Sections 341 et seqq. HGB and the regulations based on them, as IFRS did not include any specific rules for these. IFRS 17 replaces IFRS 4, which had been in effect since 1 January 2005, in full and for the first time introduces standardised requirements for the recognition, valuation, presentation and disclosure on insurance contracts and reinsurance contracts issued or held by the W&W Group's insurance companies. In some cases, the W&W Group does not apply IFRS 17 when accounting for products and services that also have both financial and insurance characteristics. As well as financial guarantees for which there is an option under FRS 17.7(e), this also applies to policy loans and premium deposits. These are still accounted for in accordance with IFRS 9.

Under IFRS 17, the same regulations apply to assumed reinsurance business as for primary insurance contracts. Together, these are referred to as insurance contracts issued. IFRS 17 includes some modified regulations for reinsurance contracts held. Accordingly, the accounting principles outlined below apply to both insurance and reinsurance contracts. Cases where IFRS 17 sets different regulations for reinsurance contracts are explicitly addressed.

Recognition
The insurance contracts are aggregated in the W&W Group at line level – life insurance, health insurance and property and casualty insurance – in accordance with the requirements of the new standards on the **unit of account** (level of aggregation). Groups of insurance contracts (GIC) that are subject to similar risks and managed together are formed as the unit of account. The insurance contracts are 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 (annual cohort). In addition to the annual cohort regulation in IFRS 17.22, as part of the EU endorsement process an addition was made compared to the IASB version that gives EU companies the option to exempt certain contracts. The W&W Group applies the EU carve-out option at life insurance and health insurance level to groups of insurance contracts with direct participation features.

A group of insurance contracts issued is recognised **for the first time** for the purposes of IFRS 17 from the earlier of the date on which this GIC's coverage period begins and the date on which a premium payment in the GIC first falls due or the date of the first premium payment, if there is no due date. The **coverage period** is the period in which the company provides insurance contract services and for which premiums were paid within the boundaries of the contract. In the case of onerous groups of contracts, initial application applies from the date on which it becomes known that the group is onerous. The date of first-time recognition for a group of reinsurance contracts held depends on the beginning of their coverage period and the date of first-time recognition for the onerous underlying insurance contracts. Regardless of this, the first-time recognition of reinsurance contracts with proportionate coverage (as for quota share reinsurance contracts) is postponed until the date at which an underlying insurance contract was recognised for the first time if this date is after the start of the reinsurance contracts' coverage period.

Measurement
The W&W Group applies the IFRS 17 measurement models discussed below.

IFRS 17 initially stipulates the general measurement model (GMM), also known as the **building block approach** (BBA) for measuring groups of insurance contracts. The carrying amount of a GIC is measured as the sum of **fulfilment cash flows** and the **contractual service margin** (CSM). Fulfilment cash flows are the present value of expected future cash flows taking account of an explicit risk adjustment for non-financial risk. The CSM is the unrealised expected future profit from the insurance contracts. In accordance with the core principle of IFRS 17, the company does not earn this until the services are provided over the coverage period. By contrast, the expected loss from business expected to be onerous at initial recognition is recognised immediately as an expense. The CSM cannot assume a negative value for insurance contracts issued. In this case, it is recognised at zero in the balance sheet and a **loss component** is formed that is reduced in stages over the coverage period.

At the end of a reporting period, the carrying amount of a GIC comprises the following technical liabilities / provisions:

- the **provision for future policy benefits (liability for remaining coverage)**, which comprises fulfilment cash flows for remaining coverage and the adjusted CSM; and
- the **provision for outstanding insurance claims (liability for incurred claims)**, which represents fulfilment cash flows for expected cost and claims payments over the settlement period.

Under the BBA, the CSM is adjusted to account for the effects of new business, changes in fulfilment cash flows for future service, the unwinding of the discount using the interest rate at the time of initial recognition and, where applicable, the effects of any exchange rate differences. The CSM is then released through profit or loss on a pro rata basis for the services provided during the reporting period.

Regarding the subsequent measurement of the CSM, IFRS 17 applies a modified BBA for certain insurance contracts with direct participation features. The **variable fee approach** (VFA) is mandatory for the valuation of insurance contracts if all the following three criteria are met:

- the policyholders contractually participate in a clearly identified pool of underlying items;
- the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items;
- the entity expects a substantial proportion of the amounts to be paid to the policyholder to vary depending on changes in fair value of the underlying items.

In the W&W Group, all primary insurance business in life insurance and a large share of health insurance business meet these criteria and are measured as business with direct participation features in accordance with IFRS 17 under the VFA.

Compared to the BBA, measurement under the VFA features an additional adjustment of the CSM to account for changes to the entity's share of the fair value of the underlying items. This is considered part of the variable fee that the entity withholds in the future over the coverage period of the insurance contract in exchange for settling its obligations to the policyholder. Fulfilment cash flows are determined based on contractual options and guarantees on a market-consistent basis as part of a risk-neutral valuation. As underlying items generally generate higher income, differences arise in comparison to the risk-neutral valuation in the VFA. These are taken into account in the amount of the entity's share in the CSM, resulting in a systematic increase in the variable fee. In order to recognise the service appropriately, the entity's share of the excess return expected for the past reporting period is therefore released through profit or loss as part of the subsequent measurement.

The underlying items based on contracts with direct participation features in the W&W Group's life and health insurance are shown at fair value in Note (27). A special structure applies if an underlying item is a participation in a fully consolidated subsidiary. Here, net assets are not measured at fair value in the consolidated financial statements (after consolidation) but instead result from the measurement of the subsidiary's individual assets and liabilities under the relevant IFRS. In this case, the fair value of the participation / share in affiliated companies is used as the underlying item. The difference between net assets and the fair value of the participation is recognised in the W&W Group in other comprehensive income (OCI option) under IFRS 17.89(b) (see further information on the option under Use of discretionary decisions and estimates). Measurement discrepancies resulting from the joint application of IFRS 9 and IFRS 17 thus affect other comprehensive income (OCI), not the consolidated income statement.

IFRS 17 allows the use of approximations (known as the **premium allocation approach**, PAA) for measuring the provision for future policy benefits for short-term contracts. Presentation of the provision for future policy benefits is simplified using the provision for unearned premiums. In addition, the PAA can be applied for groups of insurance contracts for which the entity can reasonably expect the PAA to result in a measurement of the provision for future policy benefits that does not differ materially from the measurement under the BBA. When measuring the provision for outstanding insurance claims, the simplification procedure is applied in accordance with IFRS 17.59(b), whereby it is not necessary to discount expected future cash flows if claims are settled within one year or less from the date the claims are incurred.

The W&W Group uses the PAA for short-term contracts in health insurance. In property and casualty insurance, primary insurance business is measured according to the BBA. The PAA is also used in both of the cases described above. This also applies to reinsurance business held in health insurance and property and casualty insurance. Reinsurance business in the area of life insurance is measured according to the BBA.

Presentation and disclosure

Portfolios of insurance contracts that the W&W Group considers assets as at the end of the reporting period are included in the balance sheet under **Technical assets**, with insurance contracts issued and reinsurance contracts held recognised separately. On the assets side, these portfolios replace the previous IFRS 4 items Receivables from direct insurance business (under IFRS 4 part of Other receivables / Financial assets carried at amortised cost) and reinsurers' portion of technical provisions. In line with this, portfolios of insurance contracts that the W&W Group considers liabilities are shown under **Technical liabilities**, separately for insurance contracts issued and reinsurance contracts held. Under equity and liabilities, these replace the previous IFRS 4 items Liabilities from direct insurance business (under IFRS 4 part of Other liabilities / Financial liabilities measured at amortised cost) and Technical provisions. For more details, please see the consolidated balance sheet under the section Effects of the initial application.

The **Technical result** comprises technical income and technical expenses, which are shown separately for insurance contracts issued and reinsurance contracts held. The amounts recognised in the consolidated income statement as Earned premiums and Insurance benefits under IFRS 4 are, under IFRS 17, part of the cash flows included in the measurement of all insurance contracts in accordance with IFRS 17.29 et seqq. Based on the provisional IFRS Interpretations Committee (IFRS IC) decision (March 2023), this also applies to cash flows in connection with brokers. In comparison to IFRS 4, insurance revenue is recognised as changes from the provision for future policy benefits in relation to the services provided in the period as opposed to premium income in each period. Under IFRS 17, payments and receipts of investment components are not directly recognised in technical income or expenses. The difference between actual and expected investment components is offset against the CSM and is indirectly accounted for in the income statement as a result of their reversal over the coverage period. The same applies for changes to assumptions not relating to interest rates or financial risks. Where they relate to future insurance coverage, these are initially posted against the CSM and distributed with this over the remaining coverage period as insurance revenue in the income statement. Changes in estimates are recognised immediately in insurance expenses through profit or loss only for GICs where there is a risk of losses.

Exercising the option under in IFRS 17.86, technical income or expenses from a group of reinsurance contracts held are recognised in the consolidated income statement as a net amount under the item net result from reinsurance contracts held.

Technical finance income or expenses are the result of the effects of the time value of money and financial risks and the impact of a change in the time value of money and financial risks.

As is typical in the industry, the banks' income statements are usually prepared in accordance with the nature-of-expense method, whereas those of insurance companies are prepared using the cost of sales method, based on the insurance business's functional areas. W&W AG's consolidated income statement essentially includes income and expenses, both of Wüstenrot Bausparkasse AG as a special institution and of companies that conduct insurance business. To ensure standardised presentation of the Group's financial performance, the nature-of-expense method was applied in the consolidated financial statements prior to applying IFRS 17. This presentation of the income statement is no longer possible following introduction of IFRS 17, as recognising a technical result is mandatory under IFRS 17.83 et seqq. The nature-of-expense method as it stands is not suitable for this, as under IFRS 17 technical expenses are allocated to the technical result. For this reason, the following modifications were made in the reporting of income and expenses:

- The item Net commission income previously included performance figures from the insurance business, primarily expenses for concluding and maintaining insurance contracts. These expenses are now recognised in the technical result in accordance with IFRS 17.28A et seqq.
- The item General administrative expenses (gross) still includes all of the Group's administrative expenses, calculated using the nature-of-expense method. Expenses of insurance companies included in this item and that are also included as part of the technical result due to their insurance nature are reported separately as "deductions" under "General administrative expenses" ("General administrative expenses attributable to the technical result"). These are expenses for managing insurance contracts, managing capital investments (provided business measured using the VFA is affected), concluding insurance contracts and settling insurance claims, surrenders and recoveries.

For further quantitative disclosures on the technical result and on technical finance income or expenses, please see Note (30), Note (31) and the consolidated income statement.

In comparison to IFRS 4, IFRS 17 contains extensive changes and additions to the quantitative and qualitative information in the **notes** to the consolidated financial statements. The aim is to increase transparency regarding the effects of primary and reinsurance contracts on the reporting entity's net assets, financial position and financial performance and risk situation. Please refer to the section "Explanatory notes on insurance contracts" for information on the amended and new quantitative disclosures in accordance with the requirements of IFRS 17. The disclosures are shown at the level of the W&W Group's reportable segment breakdown in accordance with IFRS 8 after consolidation. W&W AG reinsures Württembergische Versicherung AG and passes the risks on to the reinsurance market (demand reinsurance). As underwriting risks are managed within the Württembergische insurance group, demand reinsurance is presented directly at Württembergische Versicherung AG (Property/Casualty Insurance segment) as opposed to at W&W AG (All other segments). In connection with this, the internal Group reinsurance relationship between Württembergische Versicherung AG and W&W AG in the Property/Casualty Insurance and All other segments and cross-segment consolidation is no longer reported. W&W AG assumed reinsurance business outside the Group covered by the scope of IFRS 17 is included in the non-reportable "All other segments" segment. This is of minor significance as reinsurance business outside the Group is limited, is in the process of being wound up and no further external business is being concluded. Accordingly, it is recognised in the notes combined with the tables for "property/casualty insurance". More information on the definition and structure of the segments can be found in the W&W Group's annual report.

Use of discretionary decisions and estimates

The presentation of insurance-specific business transactions in accordance with the new principles of IFRS 17 Insurance Contracts is subject to various discretionary judgements by management that may materially influence the consolidated half-year financial statements of the W&W Group. The new measurement approaches also require assumptions and estimates that affect the carrying amount of the W&W Group's insurance and reinsurance contracts and the resulting net income in the income statement / in other comprehensive income (OCI). The significant discretionary judgements and assumptions and estimates applied by the W&W Group for the valuation and presentation of insurance contracts under IFRS 17 are discussed below.

The W&W Group uses the **year-to-date concept** in accordance with IFRS 17.B137 for measurement. Under this approach, the entire GIC is remeasured at each reporting date, regardless of whether contracts were added to the group in the last or a preceding quarter.

When determining **expected future cash flows**, the W&W Group considers all cash flows within the boundaries of the contract and thus directly related to meeting contractual obligations. In particular, these include payments to policyholders, commission payments and other payments for the purposes of fulfilling the contract. With the transition to IFRS 17, the W&W Group also treats cash flows in connection with brokers as future cash flows within the scope of insurance contracts. This approach is consistent with the provisional IFRS Interpretations Committee (IFRS IC) decision (March 2023), according to which both the regulations of IFRS 17 and those of IFRS 9 can be applied for these cash flows.

All reasonable and supportable information available as at the reporting date is used when generating the cash flows. The estimates reflect the W&W Group's own current assessment of future developments that may have a significant impact on cash flows. Expectations regarding future changes in the law that would amend or replace an existing obligation or create obligations from existing contracts are not taken into account until these take effect.

Where necessary, the W&W Group uses stochastic modelling methods that project future cash flows using a high number of potential economic scenarios for market variables (such as interest rates and equity returns). These methods are used to account for the customary options and guarantees included, in particular, in life insurance. The cash flows are allocated to closing activities, other settlement activities and other activities by way of process cost accounting methods. Cash flows allocated to closing and other settlement activities are allocated to groups of contracts using methods that are systematically applied appropriately and consistently to all costs with similar features. In the projection, assumptions are made from current company-specific and line-specific perspectives, relating to areas including actuarial bases (interest rates, biometrics and costs), policyholder behaviour when exercising contractual option rights (such as dynamic premium option, lump-sum payment, call-up and annuity commencement, cancellation) and the internal management of the transaction. These assumptions are consistent with those of the ORSA (own risk and solvency assessment) under Solvency II, provided IFRS 17 does not require deviations from these. A deterministic projection was applied in health insurance. The W&W Group believes that this model gives sufficient consideration to the value of options and guarantees that are customary for German health insurance business, as changes in the capital market have already been essentially compensated via an appropriate premium structure. Furthermore, in health insurance, a modification of the contract that would have to be modelled as new business in accordance with the annual cohort arrangement is represented in a simplified manner by a rate change probability as part of the premium adjustment. In property and casualty insurance, premium cash flows are determined on the basis of premium amounts and maturities from individual contract information and, where necessary, adjusted on the basis of empirical observations. Actuarial techniques/economic business models are used to estimate cash flows from future claims/claims already incurred. Here, basic losses, large losses and losses from natural events (such as storms, earthquakes, flooding and hail) are modelled separately to suitably present the differences in amount and frequency. Annual parameterisation is based on established actuarial procedures. The simulated expected loss ratios in the modelling risk model are validated by way of back testing.

Estimates of cash flows within the boundaries of the contract also cover cash flows of the **investment components**. Under IFRS 17, these are the amounts to which the policyholder is entitled under all circumstances – including the expiry of the contract. There is no investment component only if there is a scenario with commercial substance in which the policyholder does not receive any services. Investment components at the W&W Group are primarily in life insurance primary insurance contracts. These are often linked to the underlying insurance contract and thus not recognised separately.

In addition, costs attributable to underwriting must be projected for the future. Cost cash flows to determine the provision for future policy benefits include cash flows for future claim adjustment, contract administration and acquisition costs. Service commissions as part of administrative costs and, for direct participating business, asset management costs are considered separately here. On the other hand, provisions for outstanding insurance claims include exclusively provisions for claim adjustment costs. As a simplification, the W&W Group assumes that **acquisition costs** are incurred with the first premium. Accordingly, corresponding receivables are not capitalised before the initial recognition of an allocated GIC. Instead, the acquisition costs are taken into account directly in the estimated cash blows at the time of initial recognition in the VSM without offsetting in accordance with IFRS 17.38(c)(i) and are systematically distributed in the income statement over the coverage period of the GIC. The W&W Group exercises the option in accordance with IFRS 17.59(a) to recognise acquisition costs directly in the income statement for GICs that include insurance contracts with a coverage period of no more than one year and that are measured using the PAA.

The W&W Group uses the bottom-up approach for estimating the **yield curve**, which is based on a liquid risk-free yield curve derived from market-traded interest rates of securities. From a last liquid point, the yield curve is determined using the weighted average between the interest rates still observable on the market and the interest rates extrapolated to the ultimate forward rate using the Smith-Wilson method. The ultimate forward rate reflects the interest rate expected in the long term that changes if significant changes are made to long-term expectations. The "illiquidity premium" is added to this base yield curve to reflect the different liquidity characteristics of the securities and insurance contracts underlying the base yield curve. For this, a liquidity measure is established that differentiates between liquid and illiquid securities. The premium for the illiquidity of insurance contracts is calculated as the product of a liquidity spread based on the investments underlying the insurance contracts and an application ratio that reflects the illiquidity of the insurance contracts. The W&W Group uses fixed-for-floating swaps as securities used to determine the base yield curve. The host instrument underlying the fixed-for-floating swap is initially six-month Euribor (for EUR) and an interest rate benchmark equivalent for foreign currencies (USD and GBP). Interest rates are provided for fixed interest periods of up to 120 years. Any fixed interest rates required during the year are determined by interpolating the interest rates in annual tranches. For fixed interest periods of up to two years, fixed interest periods can be supplemented in six-month tranches to make the greatest possible use of market data in accordance with IFRS 17.B78(a).

A discount was applied to the credit risk of the market interest rates used (credit risk adjustment) when determining the yield curve used for discounting on account of the crisis in Ukraine and the sustained increase in the capital market spread from the second quarter of 2022 onwards.

The following table shows the (base) yield curve used at the reporting date in question:

(Base) yield curve

	1 year		5 years		10 years		15 years		20 years	
in %	30/6/2023	31/12/2022	30/6/2023	31/12/2022	30/6/2023	31/12/2022	30/6/2023	31/12/2022	30/6/2023	31/12/2022
EUR	4.02	3.16	3.25	3.13	2.99	3.11	2.93	3.04	2.80	2.84
GBP	6.24	4.39	5.41	4.10	4.65	3.69	4.44	3.66	4.31	3.58
USD	5.37	4.88	3.95	3.79	3.57	3.60	3.52	3.56	3.47	3.49

The (base) yield curve shown is adjusted to account for the illiquidity premium. At both reporting dates, this was between 0.37% - 0.51% for life and health insurance companies and 0.46% for property/casualty insurance.

The **risk adjustment for non-financial risks** is the compensation requested for bearing the uncertainty about the amount and timing of the technical cash flows when fulfilling insurance contracts. Pursuant to the requirements under IFRS 17, the W&W Group incorporates the entity's own perspective when quantifying the risk adjustment and takes account only of the risks identified as underwriting risks in line with the entity's own risk and solvency assessment (ORSA). The legal units individually apply the methods of computation and allocation procedures that are appropriate for their risks and in terms of the timing of calculation requirements. Diversification effects between the units are not taken into account here. The risk adjustment is initially determined at the level of the legal units and so diversification effects between the GICs formed are accounted for directly. The risk adjustment is then allocated to the GIC – generally proportionally or on the basis of volume using the undiversified risk capital of the individual groups. The capital cost method was selected as the method for calculating the risk adjustment. Under this method, the required one-year risk capital at the 99.5% quantile is calculated at each measurement date to fulfil future obligations under the insurance contracts. The cost of capital, which is calculated using the company-specific cost of capital, is applied to this risk capital and used for present value calculation to determine the risk adjustment. For Life and Health Insurance, the risk capital projection from Solvency II was used, which involves making the required adjustments based on specific requirements under IFRS 17. The company's own economic business model is used in property/casualty insurance.

Applying a confidence level method, net income corresponds to a **confidence level** as at 31 December 2022 and as at 30 June 2023 in life and health insurance within the range of 90% to 95% for Württembergische Lebensversicherung AG. The confidence level for companies in property/casualty insurance ranged from 75% to 80% and from 95% to 100% for all other companies.

Changes to the risk adjustment for non-financial risks are generally to be broken down into the technical result and insurance finance income and expenses (such as the effects from the change in the discount rate). However, IFRS 17.81, allows the entire change in the risk adjustment to be recognised in the technical result. The W&W Group makes use of this option in Life and Health Insurance.

The CSM is realised on the basis of **coverage units**. At the W&W Group, these are determined in the relevant area depending on the product. For insurance contracts with direct participation features, the coverage unit in life insurance comprises two components: Investment-related services are measured at the amount of capital under management. Either risk capital or the insured pension is used for insurance services, depending on the nature of insurance coverage. These components are weighted based on expert evaluations and reviewed each year. In health insurance, earned premiums are used to measure insurance and investment-related services. In addition, the entity's share of the excess return expected for the past reporting period is taken into account when reversing the CSM in life and health insurance through profit or loss. For contracts without direct participation features, earned premiums are used as the coverage unit. The coverage unit for the passive reinsurance business is based on the coverage unit for the underlying primary insurance business, taking account of the cover ratio. The expected reversal through profit or loss of the remaining CSM at the reporting date is presented in Note (26) using appropriate time bands.

For VFA portfolios, as described above, the **other comprehensive income (OCI) option** in accordance with IFRS 17.89(b) provides the option to divide technical finance income or expenses between the consolidated income statement and Other comprehensive income (OCI). Under this option, the amount is to be recognised in the consolidated income statement through profit or loss is the amount that eliminates measurement discrepancies for the income and expenses of the underlying items recognised through profit or loss. The remaining amount is recognised through other comprehensive income (OCI). The W&W Group applied the OCI option to all VFA portfolios. In accordance with IFRS 17.88(b), this option also applies to the effects from insurance contracts without direct participation features resulting from changes to financial assumptions. To reduce volatility in the income statement, the W&W Group applies the OCI option described to all portfolios within the scope of the IFRS 17 measurement models in life and health and property/casualty insurance.

In addition, pursuant to IFRS 17.C29 there is the option to redesignate financial assets under IFRS 9 on initial application of IFRS 17. Based on analyses of the categorisation of financial assets under IFRS 9 in connection with interactions from the OCI option under IFRS 17, the W&W Group decided not to exercise the redesignation option.

Measurement at the transition date

Full retrospective application using the **full retrospective approach** (FRA) is the transitional approach generally applicable under IFRS 17, unless it proves impracticable for the entity concerned within the meaning of IFRS. As part of this, each GIC must be identified, recognised and measured as if IFRS 17 had always applied. The decision as to which transitional approach can be used depends on factors including the date of initial recognition of the relevant GIC. In the case of insurance contracts that have already been in force for a longer period of time, data availability is not comparable with that of recently concluded contracts and so the W&W Group applies the **modified retrospective approach** (MRA) in particular for the portfolio available as at the transition date 1 January 2022. In this case, evidence must be provided for the GIC that no sufficient data is available. Within the framework of the MRA, the W&W Group simplifies the identification and classification of GIC, the valuation of the CSM/the loss component for contracts with and without direct participation contracts at the transition date and the allocation of insurance finance income or expenses. The W&W Group did not use the **fair value approach** (FVA), which can be used for groups of insurance contracts with direct participation features as an alternative to MRA if the FRA is impracticable or if the requirements of IFRS 17.C5A are met.

In life insurance, the MRA was 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 was used to define the GIC. In accordance with IFRS 17.C10, no annual cohorts were formed. For the initial valuation of technical liabilities (technical provisions) at the end of the years from 2019 to 2021, the yield curves available at the start of the year were used for discounting. The CSM was measured under the MRA as at 31 December 2019 and was further developed in the subsequent valuation at the transition date. For GIC in health insurance, the MRA was applied with the exception of short-term property insurance rates and passive reinsurance contracts. The same approach was taken to recognising the GIC as in life insurance. By contrast, the FRA was used in full for short-term rates. The CSM and the loss components for insurance contracts with direct participation features in life and health insurance was determined in line with IFRS 17.C17 and the simplification options provided here. By exercising the OCI option IFRS 17.89(b), insurance finance income or expenses for direct participation contracts are divided into through profit or loss and through other comprehensive income. The OCI amount was determined at the value recognised for the underlying items at the transition date.

Based on the remaining coverage, a distinction was 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. Contracts without remaining coverage with more than one year between the underwriting dates were measured as one GIC within the corresponding portfolio using the MRA in line with IFRS 17.C10. For reasons of simplicity, illiquidity when determining the yield curve was 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 was used in accordance with the relief under IFRS 17.C13. The FRA was used for contracts with remaining coverage. Regardless of this, methodological simplifications were used in determining cost and loss ratios, in risk adjustment and in testing for onerous business.

Effects of the initial application
The following table shows a condensed version of the consolidated balance sheet as at 1 January 2022 under IFRS 17 Insurance Contracts compared to the corresponding consolidated balance sheet under IFRS 4. Selected items were added to the condensed balance sheet that show the material effects of the initial application of IFRS 17.

Effects of the initial application of IFRS 17 Insurance Contracts

in € thousands	IFRS 4 1/1/2022	IFRS 17 1/1/2022	Effects of the application of IFRS 17 1/1/2022
W&W consolidated balance sheet			
Assets			
Cash reserve	72,136	72,136	–
Non-current assets held for sale and discontinued operations	8,258	8,258	–
Financial assets at fair value through profit or loss	10,721,688	10,721,688	–
Financial assets at fair value through other comprehensive income (OCI)	34,492,518	34,492,518	–
Financial assets at amortised cost	26,171,128	25,872,928	-298,200
Positive market values from hedges	6,099	6,099	–
Assets from insurance business	416,448	509,660	93,212
Reinsurers' portion of technical provisions	416,448	–	-416,448
Insurance contracts issued that are assets	–	116,435	116,435
Estimation of the present value of future cash flows	–	224,754	224,754
Risk adjustment for non-financial risks	–	-13,688	-13,688
Contractual service margin (CSM)	–	-94,631	-94,631
Premium allocation approach (PAA)	–	–	–
Reinsurance contracts held that are assets	–	393,225	393,225
Estimation of the present value of future cash flows	–	–	–
Risk adjustment for non-financial risks	–	–	–
Contractual service margin (CSM)	–	–	–
Premium allocation approach (PAA)	–	393,225	393,225
Financial assets accounted for under the equity method	90,638	90,638	–
Investment property	1,909,393	2,541,392	631,999
Other assets	1,324,620	1,611,709	287,089
of which deferred tax assets	409,458	728,135	318,677
Total assets	**75,212,926**	**75,927,026**	**714,100**

Effects of the initial application of IFRS 17 Insurance Contracts

in € thousands	IFRS 4 1/1/2022	IFRS 17 1/1/2022	Effects of the application of IFRS 17 1/1/2022
Equity and liabilities			
Financial liabilities at fair value through profit or loss	218,201	218,201	–
Liabilities	27,963,791	27,258,663	-705,128
of which miscellaneous liabilities	921,040	215,885	-705,155
Negative market values from hedges	–	–	–
Technical liabilities	38,423,335	39,128,921	705,586
Technical provisions	38,423,335	–	-38,423,335
Insurance contracts issued that are liabilities	–	39,112,804	39,112,804
Estimation of the present value of future cash flows	–	36,155,384	36,155,384
Risk adjustment for non-financial risks	–	551,193	551,193
Contractual service margin (CSM)	–	1,317,319	1,317,319
Premium allocation approach (PAA)	–	1,088,908	1,088,908
Reinsurance contracts held that are liabilities	–	16,117	16,117
Estimation of the present value of future cash flows	–	253,272	253,272
Risk adjustment for non-financial risks	–	-4,596	-4,596
Contractual service margin (CSM)	–	-234,317	-234,317
Premium allocation approach (PAA)	–	1,758	1,758
Other provisions	2,720,053	2,720,053	–
Other liabilities	372,874	799,255	426,381
of which deferred tax liabilities	147,401	573,782	426,381
Subordinated capital	641,098	641,098	–
W&W consolidated equity	**4,873,574**	**5,160,835**	**287,261**
Share in paid-in capital attributable to shareholders of W&W AG	1,485,588	1,485,588	–
Share in retained earnings attributable to shareholders of W&W AG	3,359,259	3,648,823	289,564
Retained earnings	3,441,733	3,890,408	448,675
of which initial application reserve (IFRS 17)	–	448,675	448,675
Other reserves (OCI)	-82,474	-241,585	-159,111
Reserve for pension commitments	-687,143	-723,976	-36,833
Reserve for financial assets at fair value through other comprehensive income (FVOCI)	604,666	1,315,879	711,213
Reserve for financial assets accounted for under the equity method	3	-46	-49
Reserve for technical finance income or expenses (IFRS 17 OCI option)	–	-833,442	-833,442
Non-controlling interests in equity	28,727	26,424	-2,303
Total equity and liabilities	**75,212,926**	**75,927,026**	**714,100**

As shown in the table below, the initial application of IFRS 17 as at 1 January 2022 both increased and decreased Group equity. Overall, Group equity rose by €287 million after tax at the transition date.

In property and casualty insurance, the effects of initial application led to a decrease in technical provisions (after reinsurance). Accordingly, Group equity in the initial application reserve (IFRS 17), including Other reserves (OCI), increased by €533 million. This is primarily because IFRS 17 reflects the economic value of the insurance contracts as fulfilment cash flows in the sense of the best estimate and at the time of initial application, it adjusted the reserves established under IFRS 4 in accordance with the prudence principle of German commercial law.

In life and health insurance, on the other hand, the effects of initial application of IFRS 17 resulted in a decline in Group equity in the initial application reserve (IFRS 17) including Other reserves (OCI) of €246 million. This is partly because, under the variable fee approach (VFA), all hidden assets/liabilities for the underlying items are now accounted for in full as part of technical provisions. In this context, the investment property underlying the insurance contracts was measured at fair value retrospectively as at 1 January 2022 in accordance with IAS 40.32A (see “Investment property” section). This avoided an accounting mismatch and limited the decline in Group equity in life and health insurance. The carrying amount of investment property rose by €632 million to €2,541 million. Other reserves (OCI) include the reserve for pension commitments and the reserve for financial assets at fair value through other comprehensive income (FVOCI), which reflect the reversal of the deferred provision for premium refunds under IFRS 4. This is countered by the use of the OCI option under IFRS 17. At the transition date, the recognition of the contractual service margin (CSM) under IFRS 17 meant that gains from retained earnings recognised under IFRS 4 had to be reclassified to the CSM.

Additional amendments to be applied for the first time

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

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

- Amendments to IAS 12 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction. Under certain circumstances, entities are exempt from recognising deferred taxes when recognising assets or liabilities for the first time (initial recognition exemption). The amendments stipulate that the exemption does not apply if the transaction gives rise to equal deductible and taxable differences. In these cases, entities must recognise deferred taxes for these transactions.

The amendments were adopted in EU law on 2 March and the latter on 11 August 2022. The amendments have no material impact on the presentation of the W&W Group’s net assets, financial position and financial performance.

Accounting requirements that have been published but are not yet mandatory

Other amendments

The IASB also published the following amendments:

Amendments with initial application for financial years beginning on or after 1 January 2023

Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules include a temporary exemption from the requirement to recognise deferred taxes resulting from the implementation of global minimum taxation by the countries in question and explicit disclosure requirements.

EU endorsement has not yet been granted for the amendment. The recognition exception is to be applied immediately after publication of the amendment. The amendments affecting the notes are applicable to financial years beginning on or after 1 January 2023. The developments and impact are currently being further analysed and the regulations will be implemented on time.

Amendments with initial application for financial years beginning on or after 1 January 2024

- Amendments to IAS 1 Presentation of Financial Statements:
  - Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date: The amendment clarifies that the classification of liabilities as current depends on the entity's right as at the reporting date to defer settlement of a liability for at least twelve months. This liability is classified as non-current if the entity is entitled to do so. If it is not, the liability is considered current. The effective date was deferred from 1 January 2023 to 1 January 2024.
  - Non-current Liabilities with Covenants: Clarifies that, for non-current liabilities, covenants are to be taken into account for the classification as current or non-current where these must be complied with on or before the reporting date.
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback provides additional details about the subsequent measurement of the lease liability as a result of a sale and leaseback transaction. It states that the lease liability is to be subsequently measured in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.
- Amendments to IAS 7, Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements supplement existing disclosure requirements for supplier finance arrangements and improve entities' understanding of the effects these have on liabilities, cash flows and liquidity risks.

EU endorsement has not yet been granted for these amendments. The amendments are not expected to have any material impact on the presentation of the W&W Group's net assets, financial position and financial performance.

Changes in estimates

Recalibration of option adjusted spread

Improvements to the model for calculating the option adjusted spread (OAS) resulted in a change in estimates when measuring technical liabilities. Credit spread volatility was added to the existing standard measurement model used on the market as the second factor for calculating the OAS. There was a shift within the technical liabilities item in the high single-digit millions. This reduced the risk adjustment for non-financial risks and increased the contractual service margin (CSM). The model improvement did not have any material impact on the income statement.

Change in expected customer behaviour in collective business (former Aachener Bausparkasse AG)

A hidden liability was determined for customer contracts in collective business in connection with the acquisition of the former Aachener Bausparkasse AG as at 1 January 2020. Under IFRS, this was a component of home loan savings deposits classified as liabilities to customers and was measured at amortised cost. The sharp rise in interest rates in the first half of 2023 resulted in a significant shift in expected customer behaviour. Estimated incoming and outgoing payments were revised as a result of this change and amortised cost adjusted accordingly to the present value of estimated future contractual cash flows. The additional amount recognised as a liability as part of the purchase price allocation for acquired contracts with customers in collective business was thus reversed through profit or loss. The W&W Group saw a high double-digit million benefit as a result of this reversal.

Amendment in accordance with IAS 8.41

Separate line items

Until the second half of 2022, the associated separate line items (SLI) of hedged items still in the portfolio whose cash flows were reallocated to other maturity bands as part of the monthly redesignation process due to interest rate changes were derecognised on a pro rata basis. As the SLIs were to be derecognised only for hedged items that had actually been disposed of, this process was not in line with IFRS requirements. As a result of the flat yield curve, this had immaterial effects by the end of the 2021 financial year.

Given the sharp rise in interest rates combined with high interest volatility, this effect was more pronounced in the 2022 financial year and so a material correction was required after publication of the 2022 half-year financial report. In the second half of 2022, the system of amortisation and derecognition of separate line items from the portfolio fair value hedge in the hedged items was therefore retrospectively modified for the entire 2022 financial year so that no corrections were required in the financial statements as at 31 December 2022.

The half-year result was understated by €23.8 million due to this correction requirement. It was restated retrospectively in this report. The restated amounts were identified in the comparative disclosures with the foot note “Previous year’s figure restated”.

In the half-year financial report as at 30 June 2022, the “passive portfolio hedge adjustment” item was overstated by €33.6 million and “active portfolio hedge adjustment” was understated by €0.3 million.

Restated amounts in the consolidated income statement 1/1/2022 to 30/6/2022

in € thousands	Before restatement 1/1/2022 to 30/6/2022	Reclassifications	After restatement 1/1/2022 to 30/6/2022
(...)			
Net measurement gain/loss	**-1,042,685**	**33,895**	**-1,008,790**
(...)			
Total net financial result	**115,738**	**33,895**	**149,633**
(...)			
Earnings before income taxes from continued operations	**158,467**	**33,895**	**192,362**
Income taxes	-36,574	-10,101	-46,675
Consolidated net profit	**121,893**	**23,794**	**145,687**

Restated amounts in the consolidated statement of changes in equity 1/1/2022 to 30/6/2022

in € thousands	Before restatement	Reclassifications	After restatement
Equity 1/1/2022	**5,160,835**	**–**	**5,160,835**
(...)			
Consolidated net profit (1/1/2022 to 30/6/2022)	121,893	23,794	145,687
(...)			
Total comprehensive income for the period (1/1/2022 to 30/6/2022)	**–115,693**	**23,794**	**–91,899**
(...)			
Equity 30/6/2022	**4,983,045**	**23,794**	**5,006,839**

Restated amounts in the condensed consolidated cash flow statement 1/1/2022 to 30/6/2022

	Before restatement	Reclassifications	After restatement
in € thousands	1/1/2022 to 30/6/2022		1/1/2022 to 30/6/2022
Consolidated net profit	121,893	23,794	145,687
(...)			
Other changes	–1,038,780	–23,794	–1,062,574
(...)			
I. Cashflow from operating activities	**–1,853,945**	**–**	**–1,853,945**

Changes to the scope of consolidation

Additions and disposals in the scope of consolidation

City Immobilien GmbH & Co. KG der Württembergischen was merged with Württembergische Lebensversicherung AG in the first half of 2023.

The change to the scope of consolidation had no effect on the comparability with the previous year.

Methods and rules

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. In the case of assets at amortised cost, the risk provision is recognised directly in the risk provision position associated with the respective balance sheet item. In the case of assets at fair value through other comprehensive in-come, the risk provision is recognised in the income statement by adjusting the reserve for financial assets at fair value through other comprehensive income, which is recognised in equity. The risk provision for off-balance-sheet business is recognised as an expense under “Other provisions”. This risk provision is essentially calculated the same way as that for financial assets. Financial assets at fair value through profit or loss and equity instruments not subject to any credit risk are not covered by the IFRS 9 risk provision model.

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

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

Significant decrease in credit rating

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

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

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

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

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

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

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

Measurement of the expected credit risk/loss

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

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

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

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

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

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

Models of point-in-time components should cover forecasts of future economic changes as well as past and current information. Due to the multi-year horizon of these components, information on expected future economic development must therefore be taken into account when assessing the default risk of a loan. Using the macroeconomic factors, forecasts extend up to a maximum of three years into the future.
Making a forward-looking correction of this nature constitutes an adjustment of the probability of default (PD). This forward-looking perspective requires including forecasts of the economic factors relevant to the default rate. First, the effect of the relevant macroeconomic factors on the default rate is determined. The point-in-time correction of the probability of default is then based on the forecast for this default rate. Accordingly, a contract-specific point-in-time corrected settlement LGD is also modelled.

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

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

The following scenarios were considered as at 30 June 2023 to calculate the risk provision under IFRS 9 and its sensitivity in the customer lending business. The specific features of the alternative scenarios took account of the latest developments after the reporting date, including the war in Ukraine and the global economic environment, 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 and other developments and events affecting the global economy.

Forecast of relevant macroeconomic factors in the ...

	Basis scenario	Alternative scenario – optimistic	Alternative scenario – pessimistic
Price index for existing residential properties[1]	208.0	229.3	166.4
Unemployment rate in %[2]	3.0	2.5	4.0
Nominal GDP growth in %[3]	4.5	6.5	2.5
Long-term ten-year interest rate for German government bonds in %[4]	2.3	3.3	0.3

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 €54.3 million as at 30 June 2023 for customer lending business and capital investments. In the optimistic alternative scenario, it would decline by €16.6 million for both areas.

Investment property

Investment property in Life and Health Insurance measured using the cost model in these consolidated financial statements for the 2022 reporting year were accounted for at fair value in accordance with IAS 40.32A in connection with the initial application of IFRS 17. The aim of this change is to avoid inconsistencies that would result when measuring insurance contracts with direct participation features under the VFA and underlying property under the original cost model. Applying the fair value model involves recognising annual changes in fair value of the properties in the measurement result through profit or loss. They are not written down. As the properties are included in the measurement as underlying items under the VFA, offsetting technical finance income or expenses are recognised that correspond to the expenses and income from the measurement in accordance with IAS 40.32A.

The fair value of investment property is essentially determined using the discounted cash flow method, with deposits and withdrawals planned in detail. In this regard, significant non-observable inputs are used, for which reason this method for investment property is allocated to Level 3 in the measurement hierarchy for determining fair value.

In connection with determining fair value, expected future cash inflows (rents, other revenues) and cash outflows (maintenance, non-apportionable operating expenses, vacancy costs, costs for re-leasing) are discounted to present value for a 10-year forecast period and planned in detail.

Cash inflows and outflows are considered on an individual basis, i.e. each lease and each construction measure is planned separately. Likewise, vacancy periods, real estate agent costs, etc. in the commercial area are viewed separately for each rental unit. With regard to residential properties, market-based assumptions about the change in the average rents of all residential units over the forecast period are taken as a basis. Because residential units are similar, we dispense with individual planning.

Investment property is initially valued using outside appraisers. Thereafter, it is valued on an ongoing basis by commercial and technical employees (portfolio managers, controllers, architects and engineers) from the property department. Management's assumptions are taken into consideration in making valuations. With property investments under outside management, fair value is normally determined by outside appraisers.

Group companies' investment property outside life and health insurance is still measured using the cost model.

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, occupational disability insurance, comprehensive and supplementary private health insurance and care insurance.

Property/Casualty Insurance

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

All other segments

All W&W Group's other business activities, such as central Group functions, asset management, building developer activities, were grouped under All other segments as these are not directly related to the other reportable segments. This also includes interests in subsidiaries of W&W AG that cannot be consolidated in All other segments (e.g. Wüstenrot Bausparkasse AG, Württembergische Lebensversicherung AG, Württembergische Versicherung AG and Württembergische Krankenversicherung AG), because they are allocated to another segment (Housing, Life and Health Insurance, Property/Casualty Insurance).

Consolidation/reconciliation

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

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

Measurement principles

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

Segment income statement

	Housing		Life and Health Insurance	
in € thousands	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Current net financial result	161,891	118,538	420,120	420,792
Net income/expense from risk provision	-15,342	-12,126	1,788	4,405
Net measurement gain/loss	48,808	33,888[5]	124,839	-1,002,138
Net income from disposals	103,415	9,868	8,279	218,763
Net technical financial result	–	–	-552,740	359,084
Net financial result	**298,772**	**150,168[5]**	**2,286**	**906**
of which: net income/expense from financial assets accounted for under the equity method	–	–	-4,489	6,255
Technical result (net)	–	–	43,535	59,268
Net commission income	-18,323	8,948	-2,070	-3,048
General administrative expenses (gross)	-178,287	-167,545	-129,808	-121,360
General administrative expenses attributable to the technical result	–	–	108,001	106,134
General administrative expenses (net)[2]	-178,287	-167,545	-21,807	-15,226
Net other operating income/expense[2]	26,986	112,340	-1,090	1,157
Segment net income before income taxes from continued operations	**129,148**	**103,911[5]**	**20,854**	**43,057**
Income taxes	-39,566	-32,719[5]	-6,325	-14,557
Segment net income after taxes	**89,582**	**71,192[5]**	**14,529**	**28,500**
Other disclosures				
Total sales revenues[3]	531,180	420,480	1,020,736	979,617
of which with other segments	434	12,143	10,823	1,529
of which with external customers	530,746	408,337	1,009,913	978,088
Segment assets[4]	29,901,030	29,295,346	32,191,706	31,924,482
Segment liabilities[4]	28,474,782	27,898,233	31,477,030	31,258,047
Financial assets accounted for under the equity method	–	–	42,163	46,651

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 Service revenues and rental income with other segments were reclassified from net other operating income to general administrative expenses. In line with internal reporting, they will not be reclassified in the future. The previous year’s figures have been restated.
3 Interest, dividend, commission and rental income from property development business and technical income
4 Figures as at 30 June 2023/31 December 2022
5 Previous year’s figure restated in accordance with IAS 8, see section “Amendment in accordance with IAS 8.41”.

Property/Casualty Insurance		Total for reportable segments		All other segments		Consolidation/reconciliation[1]		Group	
1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
31,430	44,429	613,441	583,759	29,278	12,626	–4,017	4,607	638,702	600,992
340	585	–13,214	–7,136	41	–32	44	241	–13,129	–6,927
2,371	–43,793	176,018	–1,012,043[5]	18,290	–29,594	–10,906	32,847	183,402	–1,008,790[5]
–4,350	–13,658	107,344	214,973	–3,415	–6,108	–4	92	103,925	208,957
–9,420	–397	–562,160	358,687	36	–436	–2,567	–2,850	–564,691	355,401
20,371	**–12,834**	**321,429**	**138,240[5]**	**44,230**	**–23,544**	**–17,450**	**34,937**	**348,209**	**149,633[5]**
–4,489	6,255	–8,978	12,510	1,506	776	–	–	–7,472	13,286
94,135	97,441	137,670	156,709	568	3,174	–2,275	–291	135,963	159,592
–5,988	–4,378	–26,381	1,522	19,378	17,557	–17,751	–25,772	–24,754	–6,693
–223,524	–204,705	–531,619	–493,610	–43,254	–41,078	14,154	5,946	–560,719	–528,742
190,313	177,012	298,314	283,146	–	–	–	–	298,314	283,146
–33,211	–27,693	–233,305	–210,464	–43,254	–41,078	14,154	5,946	–262,405	–245,596
16,467	5,457	42,363	118,954	7,413	27,415	11,830	–10,943	61,606	135,426
91,774	**57,993**	**241,776**	**204,961[5]**	**28,335**	**–16,476**	**–11,492**	**3,877**	**258,619**	**192,362[5]**
–31,372	–8,179	–77,263	–55,455[5]	–629	11,117	7	–2,337	–77,885	–46,675[5]
60,402	**49,814**	**164,513**	**149,506[5]**	**27,706**	**–5,359**	**–11,485**	**1,540**	**180,734**	**145,687[5]**
1,315,724	1,183,712	2,867,640	2,583,809	141,679	193,876	–66,010	–51,550	2,943,309	2,726,135
16,418	11,618	27,675	25,290	44,927	28,963	–72,602	–54,253	–	–
1,299,306	1,172,094	2,839,965	2,558,519	96,752	164,913	6,592	2,703	2,943,309	2,726,135
4,492,142	4,141,615	66,584,878	65,361,443	5,801,068	5,882,266	–4,964,199	–4,654,311	67,421,747	66,589,398
2,115,199	1,819,403	62,067,011	60,975,683	1,767,084	1,815,958	–1,406,064	–1,096,519	62,428,031	61,695,122
61,966	66,454	104,129	113,105	17,807	11,534	–19,804	–15,035	102,132	109,604

Break-down by region (Group)

in € thousands	Sales revenues with external customers[1] 1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022	Non-current assets[2] 30/6/2023	31/12/2022
Germany	2,942,668	2,725,136	3,146,776	3,106,151
Other countries	641	999	540	573
Total	**2,943,309**	**2,726,135**	**3,147,316**	**3,106,724**

1 Sales revenues were allocated in accordance with the operating units' country of residence. This relates to interest, dividend, commission and rental income from property development business and technical income.
2 Non-current assets include investment property, intangible assets and property, plant and equipment.

Disclosures on the consolidated balance sheet

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

in € thousands	30/6/2023	31/12/2022
Other assets	–	3,647
Non-current assets held for sale and discontinued operations	**–**	**3,647**

A property for own use in the property/casualty insurance segment, which was included in assets held for sale as at 31 December 2022, was sold in 2023. The property was sold for reasons of diversification. This resulted in income from disposals of €10.9 million.

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

in € thousands	30/6/2023	31/12/2022
Equity investments not including alternative investments	435,308	440,526
Equity investments in alternative investments	3,341,257	3,119,607
Equities	405,762	397,379
Investment fund units	1,025,583	980,723
Fixed-income financial instruments that do not pass the SPPI test	2,197,912	2,529,743
Derivative financial instruments	66,333	364,459
Senior fixed-income securities	26,310	165,948
Capital investments for the account and risk of life insurance policyholders	2,712,077	2,277,646
Financial assets at fair value through profit or loss	**10,210,542**	**10,276,031**

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 (OCI)

in € thousands	30/6/2023	31/12/2022
Subordinated securities and receivables	743,966	732,841
Senior debenture bonds and registered bonds	4,004,512	4,692,008
Senior fixed-income securities	18,255,561	17,453,517
Financial assets at fair value through other comprehensive income (OCI)	**23,004,039**	**22,878,366**

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

in € thousands	30/6/2023	31/12/2022
Subordinated securities and receivables	−1,122	−1,109
Senior debenture bonds and registered bonds	−2,761	−3,189
Senior fixed-income securities	−29,081	−30,146
Risk provision	**−32,964**	**−34,444**

(4) Financial assets at amortised cost

	Carrying amount		Fair value	
in € thousands	30/6/2023	31/12/2022	30/6/2023	31/12/2022
Subordinated securities and receivables	208,606	185,625	192,602	168,260
Senior debenture bonds and registered bonds[1]	60,742	49,899	58,999	47,629
Senior fixed-income securities	9	9	9	9
Building loans	25,957,668	25,424,927	25,219,250	24,708,195
Other receivables	2,587,792	2,244,111	2,569,437	2,246,260
Other receivables[1]	2,566,009	2,227,396	2,547,654	2,229,545
Miscellaneous receivables[2]	21,783	16,715	21,783	16,715
Active portfolio hedge adjustment	2,841	−113,175	n/a	n/a
Financial assets at amortised cost	**28,817,658**	**27,791,396**	**28,040,297**	**27,170,353**

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 include exclusively receivables outside the insurance business.

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	30/6/2023	31/12/2022
Subordinated securities and receivables	**208,606**	**185,625**
Credit institutions	119,496	104,754
Other financial enterprises	54,651	45,290
Other enterprises	34,459	35,581
Senior debenture bonds and registered bonds	**60,742**	**49,899**
Senior fixed-income securities	**9**	**9**
Building loans	**25,957,668**	**25,424,927**
Loan under a building savings contract	1,515,925	1,407,897
Advance and bridge financing loans	17,499,246	16,958,148
Other building loans	6,942,497	7,058,882
Other receivables	**2,587,792**	**2,244,111**
Other receivables[1]	2,566,009	2,227,396
Miscellaneous receivables[2]	21,783	16,715
Active portfolio hedge adjustment	**2,841**	**−113,175**
Financial assets at amortised cost	**28,817,658**	**27,791,396**

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 include exclusively receivables outside the insurance business.

Without accounting for risk provisions, loans and advances to credit institutions included in Other receivables came to €1, 947.9 (previous year: €1,601.3) million, of which €1,756.6 (previous year: €1,342.3) million of which are payable on demand and €191.3 (previous year: 259.0) 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	30/6/2023	31/12/2022
Subordinated securities and receivables	−266	−236
Senior debenture bonds and registered bonds	−72	−63
Building loans	−84,839	−81,858
Other receivables	−49,786	−50,408
Risk provision	**−134,963**	**−132,565**

(5) Positive market values from hedges

in € thousands	30/6/2023	31/12/2022
Fair value hedges	**2,598**	**522**
Hedge of the interest rate risk	2,598	522
Positive market values from hedges	**2,598**	**522**

(6) Assets from insurance business

	Asset for remaining coverage		Asset for incurred claims		Total	
in € thousands	30/6/2023	31/12/2022	30/6/2023	31/12/2022	30/6/2023	31/12/2022
Insurance contracts issued that are assets	**90,036**	**77,286**	**–6,128**	**–5,922**	**83,908**	**71,364**
Life and Health Insurance	90,036	77,286	–6,129	–5,923	83,907	71,363
Property/Casualty Insurance	–	–	1	1	1	1
Reinsurance contracts held that are assets	**42,685**	**–1,056**	**264,329**	**274,503**	**307,014**	**273,447**
Life and Health Insurance	42,482	38,308	5,277	11,670	47,759	49,978
Property/Casualty Insurance	203	–39,364	259,052	262,833	259,255	223,469
Assets from insurance business	**132,721**	**76,230**	**258,201**	**268,581**	**390,922**	**344,811**

Further remarks can be found in the section Explanatory notes on insurance contracts.

(7) Investment property

in € thousands	30/6/2023	31/12/2022
Measured using the cost model	120,358	108,955
Measured using the fair value model	2,375,799	2,331,487
Investment property	**2,496,157**	**2,440,442**

The fair value of investment property came to €2,555.8 (previous year: 2,491.9) million. The fair value of investment property in life and health insurance is essentially determined using the discounted cash flow method. This is based on discount rates of 3.54% to 7.93% (previous year: 3.24% to 7.43%).

In 2023, Württembergische Lebensversicherung reclassified a property from the portfolio for own use to the investment property portfolio. The fair value impairment loss was reversed against other reserves through other comprehensive income in the amount of €1.5 million.

The impact of the first-time application of IFRS 17 is discussed in the section International Financial Reporting Standards (IFRS) to be applied for the first time in the reporting period.

(8) Property, plant and equipment

There were obligations to purchase property, plant and equipment. This was the result primarily of final payments for the construction of the campus in Ludwigsburg/Kornwestheim of €5.0 (previous year: 6.2) million.

(9) Liabilities

	Carrying amount		Fair value	
in € thousands	30/6/2023	31/12/2022	30/6/2023	31/12/2022
Liabilities evidenced by certificates	2,376,039	1,885,306	2,134,078	1,624,080
Liabilities to credit institutions	1,921,850	2,697,422	1,837,867	2,663,373
Liabilities to customers	23,314,800	22,932,498	23,244,844	22,829,946
Lease liabilities	52,589	53,455	50,936	53,455
Miscellaneous liabilities	533,569	598,457	521,458	598,493
Other liabilities[1]	375,739	401,013	363,628	401,049
Miscellaneous liabilities[2]	157,830	197,444	157,830	197,444
Passive portfolio hedge adjustment	–723,793	–868,101	n/a	n/a
Liabilities	**27,475,054**	**27,299,037**	**27,789,183**	**27,769,347**

1 Liabilities that constitute a class in accordance with IFRS 7.
2 Liabilities excluding liabilities under insurance contracts that constitute a class in accordance with IFRS 7 but that are not covered by the scope of IFRS 7.

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

in € thousands	30/6/2023	31/12/2022
Liabilities evidenced by certificates	**2,376,039**	**1,885,306**
Liabilities to credit institutions	**1,921,850**	**2,697,422**
Home loan savings business deposits	5,702	83,729
Other liabilities	1,916,148	2,613,693
Liabilities to customers	**23,314,800**	**22,932,498**
Home loan savings business deposits and savings deposits	19,771,145	19,747,483
Other liabilities	3,543,655	3,184,921
Advances received	–	94
Lease liabilities	**52,589**	**53,455**
Miscellaneous liabilities	**533,569**	**598,457**
Other liabilities[1]	375,740	401,013
Miscellaneous liabilities[2]	157,829	197,444
Passive portfolio hedge adjustment	**–723,793**	**–868,101**
Liabilities	**27,475,054**	**27,299,037**

1 Liabilities that constitute a class in accordance with IFRS 7.
2 Liabilities excluding liabilities under insurance contracts that constitute a class in accordance with IFRS 7 but that are not covered by the scope of IFRS 7.

Of the other liabilities to credit institutions included in liabilities to credit institutions, €252.7 (previous year: 56.8) million were payable on demand and €1,663.4 (previous year: 2,556.9) 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, €2,126.7 (previous year: 2,235.2) million were payable on demand and €1,416.9 (previous year: 949.8) million had an agreed term.

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.

(10) Negative market values from hedges

in € thousands	30/6/2023	31/12/2022
Fair value hedges	**24,218**	**25,466**
Hedge of the interest rate risk	24,218	25,466
Negative market values from hedges	**24,218**	**25,466**

(11) Technical liabilities

	Provision for future policy benefits (liability for remaining coverage)		Provision for outstanding insurance claims (liability for incurred claims)		Total	
in € thousands	30/6/2023	31/12/2022	30/6/2023	31/12/2022	30/6/2023	31/12/2022
Insurance contracts issued that are liabilities	**29,085,759**	**28,425,941**	**1,967,415**	**1,871,455**	**31,053,174**	**30,297,396**
Life and Health Insurance	28,577,588	28,186,242	149,283	149,456	28,726,871	28,335,698
Property/Casualty Insurance	508,171	239,699	1,818,132	1,721,999	2,326,303	1,961,698
Reinsurance contracts held that are liabilities	**4,653**	**1,409**	**−1,663**	**−14**	**2,990**	**1,395**
Life and Health Insurance	–	24	–	–	–	24
Property/Casualty Insurance	4,653	1,385	−1,663	−14	2,990	1,371
Technical liabilities	**29,090,412**	**28,427,350**	**1,965,752**	**1,871,441**	**31,056,164**	**30,298,791**

Further remarks can be found in the section Explanatory notes on insurance contracts.

(12) Other provisions

in € thousands	30/6/2023	31/12/2022
Provisions for pensions and other long-term employee benefits	1,186,060	1,157,867
Miscellaneous provisions	697,045	747,695
Other provisions	**1,883,105**	**1,905,562**

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 declined by 3.7% compared to the figure as at 31 December 2022 to 3.6% as a result. The adjustment of the interest rate is recognised as an actuarial loss, taking account of deferred taxes, 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 €8.0 (previous year: 14.7) million in the financial year.

(13) Subordinated capital

	Carrying amount		Fair value	
in € thousands	30/6/2023	31/12/2022	30/6/2023	31/12/2022
Subordinated liabilities	649,764	639,365	562,032	546,923
Participation rights capital	2,016	2,103	2,072	2,172
Subordinated capital	**651,780**	**641,468**	**564,104**	**549,095**

(14) Equity

The Annual General Meeting of W&W AG resolved on 23 May 2023 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 €80.0 (previous year: 77.6) million for the 2022 financial year.

The dividend was paid out on 26 May 2023 in the amount of €60,915,000.25.

Disclosures on the consolidated income statement

(15) Current net financial result

in € thousands	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Interest income	**697,830**	**560,275**
Subordinated securities and receivables	13,625	9,972
Fixed-income financial instruments that do not pass the SPPI test	44,230	44,846
Derivative financial instruments	92,549	7,134
Senior debenture bonds and registered bonds	48,221	63,679
Senior fixed-income securities	219,695	211,910
Building loans	226,995	207,964
Other receivables	42,763	7,712
Other receivables	42,107	7,080
Miscellaneous receivables	656	632
Negative interest on liabilities	9,752	7,058
Interest expenses	**−238,833**	**−167,012**
Liabilities evidenced by certificates	−12,357	−3,235
Deposit liabilities and other liabilities	−42,161	−110,863
Lease liabilities	−336	−259
Miscellaneous liabilities	−926	−806
Subordinated capital	−11,781	−11,777
Derivative financial instruments	−137,201	−25,461
Negative interest on receivables	−21	−4,934
Other	−34,050	−9,677
Dividend income	**125,114**	**135,184**
Other current net income	**54,591**	**72,545**
Net income/expense from financial assets accounted for under the equity method	−7,472	13,286
Net income from investment property	62,048	59,253
Other	15	6
Current net financial result	**638,702**	**600,992**

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

(16) Net income/expense from risk provision

in € thousands	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Income from credit risk adjustments	**42,239**	**67,244**
Reversal of risk provision	36,547	59,991
Subordinated securities and receivables	133	560
Senior debenture bonds and registered bonds	610	1,059
Senior fixed-income securities	5,912	13,969
Building loans	28,256	42,899
Other receivables	1,636	1,504
Other receivables	1,636	1,504
Reversal of provisions in the lending business, for irrevocable credit commitments, for financial guarantees	2,444	2,579
Reversals of write-downs/payments received on securities and receivables written down	3,248	4,674
Expenses for credit risk adjustments	**−55,368**	**−74,171**
Addition to risk provision	−53,436	−71,041
Subordinated securities and receivables	−178	−384
Senior debenture bonds and registered bonds	−191	−733
Senior fixed-income securities	−4,783	−10,058
Building loans	−34,030	−38,358
Other receivables	−14,254	−21,508
Other receivables	−13,303	−20,955
Miscellaneous receivables	−951	−553
Addition to provisions in the lending business, for irrevocable credit commitments, for financial guarantees	−1,932	−3,130
Net income/expense from risk provision	**−13,129**	**−6,927**

(17) Net measurement gain/loss

in € thousands	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Net income from financial assets/liabilities at fair value through profit or loss	**329,210**	**–1,319,309**
Participating interests, shares, investment fund units and participating interests in alternative investments	77,859	–221,306
Senior fixed-income securities	780	–2,026
Derivative financial instruments	–55,286	–175,531
Capital investments for the account and risk of life insurance policyholders	281,085	–512,227
Fixed-income financial instruments that do not pass the SPPI test	24,772	–408,219
Net income from discounting provisions for home loan savings business	**–3,276**	**105,497**
Hedge income[1]	**–24,349**	**45,379[2]**
Impairment/reversal of investment property	**–24,793**	**95,615**
Currency result	**–93,390**	**64,028**
Participating interests, shares, investment fund units and participating interests in alternative investments	–32,493	130,669
Fixed-income financial instruments that do not pass the SPPI test	–20,543	84,449
Senior fixed-income securities	–91,416	345,496
Other receivables	–21,582	72,154
Derivative financial instruments	82,195	–608,708
Capital investments for the account and risk of life insurance policyholders	–6,858	41,201
Liabilities	–653	–1,233
Net measurement gain/loss	**183,402**	**–1,008,790[2]**

1 Hedge accounting
2 Previous year's figure restated in accordance with IAS 8.41.

(18) Net income from disposals

in € thousands	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Income from disposals	**175,022**	**424,928**
Subordinated securities and receivables	–	1,874
Senior debenture bonds and registered bonds	122,819	187,581
Senior fixed-income securities	52,172	235,114
Other receivables	–	33
Investment property	–	326
Other	31	–
Expenses from disposals	**–71,097**	**–215,971**
Subordinated securities and receivables	–812	–1,298
Senior debenture bonds and registered bonds	–29,810	–14,044
Senior fixed-income securities	–39,757	–200,629
Other receivables	–112	–
Investment property	–569	–
Other	–37	–
Net income from disposals	**103,925**	**208,957**

(19) Technical finance income or expenses

in € thousands	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Life and Health Insurance		
Net technical financial result	**–555,308**	**356,234**
Gross technical financial result	–555,310	356,229
Technical finance income from insurance contracts issued	1,739,876	808,120
Technical finance expenses from insurance contracts issued	–2,295,186	–451,891
Technical financial result from reinsurance contracts held	2	5
Technical financial income from reinsurance contracts held	43	151
Technical financial expenses from reinsurance contracts held	–41	–146
Property/Casualty Insurance		
Net technical financial result	**–9,383**	**–833**
Gross technical financial result	–10,681	–1,768
Technical finance income from insurance contracts issued	3,134	9,448
Technical finance expenses from insurance contracts issued	–13,815	–11,216
Technical financial result from reinsurance contracts held	1,298	935
Technical financial income from reinsurance contracts held	1,398	1,247
Technical financial expenses from reinsurance contracts held	-100	-312
Technical finance income or expenses	**–564,691**	**355,401**

(20) Technical result

in € thousands	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Life and Health Insurance		
Technical result (net)	**43,204**	**58,978**
Technical result (gross)	49,980	64,165
Technical income	570,417	544,309
Technical expenses	–520,437	–480,144
Net result from reinsurance contracts held	–6,776	–5,187
Property/Casualty Insurance		
Technical result (net)	**92,759**	**100,614**
Technical result (gross)	66,670	141,426
Technical income	1,254,519	1,126,499
Technical expenses	–1,187,849	–985,073
Net result from reinsurance contracts held	26,089	–40,812
Technical result (total)	**135,963**	**159,592**

(21) Net commission income

in € thousands	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Commission income	**159,116**	**151,001**
from bank/home loan savings business	140,790	121,786
from consulting/brokering activities	14,128	24,736
from investment business	1,622	1,677
from other business	2,576	2,802
Commission expenses	**–183,870**	**–157,694**
from bank/home loan savings business	–162,754	–126,809
from consulting/brokering activities	–6,442	–10,722
from investment business	–2,412	–3,527
from other business	–12,262	–16,636
Net commission income	**–24,754**	**–6,693**

(22) Net other operating income/expense

in € thousands	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Other operating income	**144,426**	**364,871**
Income from disposals of inventories (property development business)	68,355	143,770
Release of provisions	7,982	14,619
Miscellaneous income	68,089	206,482
Other operating expenses	**–82,820**	**–229,445**
Other taxes	–1,319	–1,347
Expenses from inventories (property development business)	–74,068	–203,637
Additions to provisions	–4,269	–1,436
Miscellaneous expenses	–3,164	–23,025
Net other operating income/expense	**61,606**	**135,426**

(23) Income taxes

in € thousands	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Current taxes on income for the reporting period	–49,237	–124,622
Current taxes of prior periods	75	–2,213
Deferred taxes	–28,723	80,160[1]
Income taxes	**–77,885**	**–46,675[1]**

1 Previous year's figure restated in accordance with IAS 8.41.

(24) Earnings per share

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

		1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Result attributable to shareholders of W&W AG	in €	180,124,032	144,875,654[1]
Number of shares at the beginning of the financial year	Share	93,715,088	93,669,754
Treasury shares held as at the reporting date	Share	–34,335	–34,632
Weighted average shares	Share	93,715,020	93,692,421
Basic (=diluted) earnings per share	in €	**1.92**	**1.55[1]**

1 Previous year's figure restated in accordance with IAS 8.41.

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

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

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

Level 1: This level covers financial instruments measured at quoted stock exchange or market prices (unadjusted) in active markets for identical assets or liabilities. The material features of an active market are a regular trading frequency and sufficiently traded market volumes to ensure reliable price information.

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

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

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

Level classifications are assigned periodically within the reporting period. If there is a change in the relevant inputs, this can result in a reclassification between levels at this time. Financial instruments can be reclassified from Level 1 to Level 2 if the previously identified active market on which it was quoted ceases to exist. The material features of an active market are a regular trading frequency and sufficiently traded market volumes to ensure reliable price information. The prices used for measurement are monitored daily in conjunction with a price review process. In the event of conspicuous developments in prices, the quality of the source of prices is analysed and the classification can be amended in there is insufficient market liquidity. Accordingly, reclassification from Level 2 to Level 1 is possible once an active market can be identified.

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

There were no reclassifications between levels in the reporting period 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", "Positive market values from hedges" and "Negative market values from 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
Capital investments for the account and risk of life insurance policyholders	Redemption price Black-Scholes model	Index weighting, volatility
Financial assets at fair value through other comprehensive income (OCI)		
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**
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
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 "2023 measurement hierarchy (at fair value)" shows all financial assets and liabilities that were measured at fair value. It shows the level used in the respective items of the statement of financial position.

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

- financial assets/liabilities at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- Positive/negative market values from hedges

2023 measurement hierarchy (at fair value)

in € thousands	Level 1 30/6/2023	Level 2 30/6/2023	Level 3 30/6/2023	Fair value/carrying amount 30/6/2023
Financial assets at fair value through profit or loss	**379,461**	**5,973,391**	**3,857,690**	**10,210,542**
Equity investments not including alternative investments	–	–	435,308	435,308
Equity investments in alternative investments	–	–	3,341,257	3,341,257
Other financial enterprises	–	–	3,259,799	3,259,799
Other enterprises	–	–	81,458	81,458
Equities	373,486	–	32,276	405,762
Investment fund units	–	1,023,893	1,690	1,025,583
Fixed-income financial instruments that do not pass the SPPI test	–	2,161,428	36,484	2,197,912
Derivative financial instruments	5,975	60,358	–	66,333
Interest rate derivatives	469	693	–	1,162
Currency derivatives	–	49,152	–	49,152
Equity/index-based derivatives	5,506	10,379	–	15,885
Other derivatives	–	134	–	134
Senior fixed-income securities	–	26,310	–	26,310
Capital investments for the account and risk of life insurance policyholders	–	2,701,402	10,675	2,712,077
Financial assets at fair value through other comprehensive income (OCI)	**–**	**23,004,039**	**–**	**23,004,039**
Subordinated securities and receivables	–	743,966	–	743,966
Senior debenture bonds and registered bonds	–	4,004,512	–	4,004,512
Credit institutions	–	2,276,521	–	2,276,521
Other financial enterprises	–	110,021	–	110,021
Other enterprises	–	56,031	–	56,031
Public authorities	–	1,561,939	–	1,561,939
Senior fixed-income securities	–	18,255,561	–	18,255,561
Credit institutions	–	5,172,935	–	5,172,935
Other financial enterprises	–	1,306,013	–	1,306,013
Other enterprises	–	1,622,601	–	1,622,601
Public authorities	–	10,154,012	–	10,154,012
Positive market values from hedges	**–**	**2,598**	**–**	**2,598**
Total assets	**379,461**	**28,980,028**	**3,857,690**	**33,217,179**

2023 measurement hierarchy (at fair value) Continuation

in € thousands	Level 1 30/6/2023	Level 2 30/6/2023	Level 3 30/6/2023	Fair value/carrying amount 30/6/2023
Financial liabilities at fair value through profit or loss	**1,308**	**39,685**	**–**	**40,993**
Derivative financial instruments	1,308	39,685	–	40,993
Interest rate derivatives	607	17,905	–	18,512
Currency derivatives	–	21,488	–	21,488
Equity/index-based derivatives	701	292	–	993
Negative market values from hedges	**–**	**24,218**	**–**	**24,218**
Total equity and liabilities	**1,308**	**63,903**	**–**	**65,211**

2022 measurement hierarchy (at fair value)

in € thousands	Level 1 31/12/2022	Level 2 31/12/2022	Level 3 31/12/2022	Fair value/carrying amount 31/12/2022
Financial assets at fair value through profit or loss	**380,682**	**6,262,658**	**3,632,691**	**10,276,031**
Equity investments not including alternative investments	–	–	440,526	440,526
Equity investments in alternative investments	–	–	3,119,607	3,119,607
Other financial enterprises	–	–	3,032,299	3,032,299
Other enterprises	–	–	87,308	87,308
Equities	365,103	–	32,276	397,379
Investment fund units	–	978,003	2,720	980,723
Fixed-income financial instruments that do not pass the SPPI test	–	2,493,259	36,484	2,529,743
Derivative financial instruments	15,579	348,880	–	364,459
Interest rate derivatives	2,243	125,464	–	127,707
Currency derivatives	–	212,014	–	212,014
Equity/index-based derivatives	13,336	11,381	–	24,717
Other derivatives	–	21	–	21
Senior fixed-income securities	–	165,948	–	165,948
Capital investments for the account and risk of life insurance policyholders	–	2,276,568	1,078	2,277,646
Financial assets at fair value through other comprehensive income (OCI)	**–**	**22,878,366**	**–**	**22,878,366**
Subordinated securities and receivables	–	732,841	–	732,841
Senior debenture bonds and registered bonds	–	4,692,007	–	4,692,007
Credit institutions	–	2,867,163	–	2,867,163
Other financial enterprises	–	108,656	–	108,656
Other enterprises	–	54,132	–	54,132
Public authorities	–	1,662,056	–	1,662,056
Senior fixed-income securities	–	17,453,518	–	17,453,518
Credit institutions	–	4,672,459	–	4,672,459
Other financial enterprises	–	1,314,094	–	1,314,094
Other enterprises	–	1,503,692	–	1,503,692
Public authorities	–	9,963,273	–	9,963,273
Positive market values from hedges	**–**	**522**	**–**	**522**
Total assets	**380,682**	**29,141,546**	**3,632,691**	**33,154,919**

2022 measurement hierarchy (at fair value) Continuation

in € thousands	Level 1 31/12/2022	Level 2 31/12/2022	Level 3 31/12/2022	Fair value/carrying amount 31/12/2022
Financial liabilities at fair value through profit or loss	**2,218**	**38,244**	**–**	**40,462**
Derivative financial instruments	2,218	38,244	–	40,462
Interest rate derivatives	–	29,551	–	29,551
Currency derivatives	–	7,888	–	7,888
Equity/index-based derivatives	2,218	805	–	3,023
Negative market values from hedges	**–**	**25,466**	**–**	**25,466**
Total equity and liabilities	**2,218**	**63,710[1]**	**–**	**65,928[1]**

1 Previous year's figure restated.

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 1/1/2022	**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
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
As at 1/1/2023	**440,526**	**3,032,299**	**87,308**
Total comprehensive income for the period	8,324	31,696	–7,730
Income recognised in the consolidated income statement[1]	8,773	123,052	2,676
Expenses recognised in the consolidated income statement[1]	–449	–91,356	–10,406
Purchases	9,570	401,761	25,856
Sales	–23,112	–205,957	–23,976
As at 30/6/2023	**435,308**	**3,259,799**	**81,458**
Income recognised in the consolidated income statement as at the end of the reporting period[2]	8,773	123,052	2,676
Expenses recognised in the consolidated income statement as at the end of the reporting period[2]	–449	–91,356	–10,406

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	Capital investments for the account and risk of life insurance policyholders	
	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
	32,276	**2,720**	**36,484**	**1,078**	**3,632,691**
	–	–150	–	5,434	37,574
	–	4	–	5,434	139,939
	–	–154	–	–	–102,365
	–	–	–	4,163	441,350
	–	–880	–	–	–253,925
	32,276	**1,690**	**36,484**	**10,675**	**3,857,690**
	–	4	–	5,434	139,939
	–	–154	–	–	–102,365

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 (€3,473.5 million; previous year: €3,269.1 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 €173.0 million (previous year: €185.7 million) of all interests measured by third parties while equity investments in alternative investments account for €3,300.5 million (previous year: €3,083.4 million). The net asset value of these interests measured by third parties is calculated based on specific information that is not publicly available and that the W&W Group cannot access. A sensitivity analysis is therefore not an option.

In the W&W Group, net asset values of €208.5 million (previous year: €208.0 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 3.47% to 6.55% (previous year: 5.17% to 6.72%), 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 €188.3 million (previous year: €187.8 million), while a change in discount rates of -100 basis points results in an increase to €223.0 million (previous year: €222.4 million).

The most significant measurement parameters for interests measured internally using the income capitalisation approach of €59.6 million (previous year: €52.8 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	30/6/2023	31/12/2022			30/6/2023	31/12/2022
Financial assets at fair value through profit or loss	**3,857,690**	**3,632,691**				
Equity investments not including alternative investments	435,308	440,526				
	34,805	27,980	Income capitalisation approach	Discount rate, future net cash inflows	8.08-14.8	8.08–14.95[2]
	18,137	18,075	Approximation	n/a	n/a	n/a
	382,366	394,471	Net asset value method	n/a	n/a	n/a
Equity investments in alternative investments	3,341,257	3,119,607				
Other financial enterprises	3,259,799	3,032,299				
	15,830	11,349	Approximation	n/a	n/a	n/a
	3,243,969	3,020,950	Adjusted net asset value method[1]	n/a	n/a	n/a
Other enterprises	81,458	87,308				
	24,844	24,843	Income capitalisation approach	Discount rate, future net cash inflows	4.75	4.75
	55	–	Approximation	n/a	n/a	n/a
	56,559	62,465	Adjusted net asset value method[1]	n/a	n/a	n/a
Equities	32,276	32,276				
	32,206	32,206	Approximation	n/a	n/a	n/a
	70	70	Adjusted net asset value method[1]	n/a	n/a	n/a
Investment fund units	1,690	2,720	Adjusted net asset value method[1]	n/a	n/a	n/a
Fixed-income financial instruments that do not pass the SPPI test	36,484	36,484	Approximation	n/a	n/a	n/a
Capital investments for the account and risk of life insurance policyholders	10,675	1,078	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.
2 Previous year restated; affects only the upper range.

Explanatory notes on insurance contracts

(26) Disclosures on the amounts recognised

The following tables reconcile the opening balance to the closing balance for the net carrying amounts of insurance contracts issued / reinsurance contracts held. They are broken down by provision for future policy benefits and by the provision for outstanding insurance claims for the reporting segment in question.

Insurance contracts issued by remaining coverage and incurred claims Life and health insurance 2023

	Provision for future policy benefits (liability for remaining coverage)	
	excluding loss components	loss components
in € thousands		
Insurance contracts issued that are liabilities 1/1/2023	**28,186,242**	**–**
Insurance contracts issued that are assets 1/1/2023	**–77,286**	**–**
Net carrying amount 1/1/2023	**28,108,956**	**–**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	–1,218,350	–
Technical income	–570,417	–
Insurance contracts measured using the modified retrospective approach (MRA) that existed at the transition date	–533,827	–
Insurance contracts measured using the fair value approach (FVA) that existed at the transition date	–	–
All other insurance contracts	–36,590	–
Technical expenses	133,182	–
Incurred claims and other expenses for services in accordance with the insurance contract	51,684	–
Amortisation of acquisition costs	81,498	–
Changes relating to past services	–	–
Investment components	–781,115	–
Technical finance income or expenses	712,818	–
Other matters required for reconciliation	10,274	–
Total change in the income statement and Other comprehensive income (OCI)	**–495,258**	**–**
Net income from cash flows	873,855	–
Premiums received	1,016,930	–
Claims payments and other expenses for services in accordance with the insurance contract	–51,591	–
Acquisition costs	–91,484	–
Net carrying amount 30/6/2023	**28,487,553**	**–**
Insurance contracts issued that are liabilities 30/6/2023	**28,577,589**	**–**
Insurance contracts issued that are assets 30/6/2023	**–90,036**	**–**

	Measurement under the variable fee approach (VFA)	Provision for outstanding insurance claims (liability for incurred claims)		
		Measurement under the premium allocation approach (PAA)		
		Estimation of the present value of future cash flows	Risk adjustment for non-financial risks	Total
	149,159	**297**	**–**	**28,335,698**
	5,923	**–**	**–**	**–71,363**
	155,082	**297**	**–**	**28,264,335**
	1,166,932	1,438	–	–49,980
	–	–	–	–570,417
	–	–	–	–533,827
	–	–	–	–
	–	–	–	–36,590
	385,817	1,438	–	520,437
	378,970	1,124	–	431,778
	–	–	–	81,498
	6,847	314	–	7,161
	781,115	–	–	–
	–	–	–	712,818
	–	–	–	10,274
	1,166,932	**1,438**	**–**	**673,112**
	–1,166,917	–1,421	–	–294,483
	–	–	–	1,016,930
	–1,166,917	–1,421	–	–1,219,929
	–	–	–	–91,484
	155,097	**314**	**–**	**28,642,964**
	148,968	**314**	**–**	**28,726,871**
	6,129	**–**	**–**	**–83,907**

Insurance contracts issued by remaining coverage and incurred claims Life and health insurance 2022

	Provision for future policy benefits (liability for remaining coverage)	
	excluding loss components	loss components
in € thousands		
Insurance contracts issued that are liabilities 1/1/2022	**36,693,387**	**–**
Insurance contracts issued that are assets 1/1/2022	**–123,187**	**–**
Net carrying amount 1/1/2022	**36,570,200**	**–**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	–1,247,580	–
Technical income	–544,309	–
Insurance contracts measured using the modified retrospective approach (MRA) that existed at the transition date	–527,389	–
Insurance contracts measured using the fair value approach (FVA) that existed at the transition date	–	–
All other insurance contracts	–16,920	–
Technical expenses	131,948	–
Incurred claims and other expenses for services in accordance with the insurance contract	55,918	–
Amortisation of acquisition costs	76,030	–
Changes relating to past services	–	–
Investment components	–835,219	–
Technical finance income or expenses	–6,444,388	–
Total change in the income statement and Other comprehensive income (OCI)	**–7,691,968**	**–**
Net income from cash flows	954,447	–
Premiums received	1,111,936	–
Claims payments and other expenses for services in accordance with the insurance contract	–55,833	–
Acquisition costs	–101,656	–
Net carrying amount 30/6/2022	**29,832,679**	**–**
Insurance contracts issued that are liabilities 30/6/2022	**29,935,251**	**–**
Insurance contracts issued that are assets 30/6/2022	**–102,572**	**–**

	Provision for outstanding insurance claims (liability for incurred claims)			
	Measurement under the variable fee approach (VFA)	Measurement under the premium allocation approach (PAA)		
		Estimation of the present value of future cash flows	Risk adjustment for non-financial risks	Total
	156,722	**111**	**–**	**36,850,220**
	6,752	**–**	**–**	**–116,435**
	163,474	**111**	**–**	**36,733,785**
	1,182,726	689	–	–64,165
	–	–	–	–544,309
	–	–	–	–527,389
	–	–	–	–
	–	–	–	–16,920
	347,507	689	–	480,144
	347,819	593	–	404,330
	–	–	–	76,030
	–312	96	–	–216
	835,219	–	–	–
	–	–	–	–6,444,388
	1,182,726	**689**	**–**	**–6,508,553**
	–1,177,592	–684	–	–223,829
	–	–	–	1,111,936
	–1,177,592	–684	–	–1,234,109
	–	–	–	–101,656
	168,608	**116**	**–**	**30,001,403**
	161,820	**116**	**–**	**30,097,187**
	6,788	**–**	**–**	**–95,784**

Reinsurance contracts held by remaining coverage and incurred claims
Life and health insurance 2023

in € thousands	Asset for remaining coverage excluding loss reimbursement components	Asset for remaining coverage Loss reimbursement components
Reinsurance contracts held that are liabilities 1/1/2023	**24**	**–**
Reinsurance contracts held that are assets 1/1/2023	**–38,308**	**–**
Net carrying amount 1/1/2023	**–38,284**	**–**
Changes in the income statement and in Other comprehensive income (OCI):		
Net result from reinsurance contracts held	12,121	–
Premiums ceded to reinsurers	12,121	–
Amounts recoverable from reinsurers for incurred claims	–	–
Amounts recoverable for insurance claims incurred and other service-related expenses	–	–
Technical finance income or expenses	2,157	–
Total change in the income statement and Other comprehensive income (OCI)	14,278	–
Net income from cash flows	–18,476	–
Premiums ceded to reinsurers	–18,476	–
Payments reimbursed	–	–
Net carrying amount 30/6/2023	**–42,482**	**–**
Reinsurance contracts held that are liabilities 30/6/2023	**–**	**–**
Reinsurance contracts held that are assets 30/6/2023	**–42,482**	**–**

	Asset for incurred claims			
	Measurement under the building block approach (BBA)	Measurement under the premium allocation approach (PAA)		
		Estimation of the present value of future cash flows	Risk adjustment for non-financial risks	Total
	–	**–**	**–**	**24**
	–11,670	**–**	**–**	**–49,978**
	–11,670	**–**	**–**	**–49,954**
	–5,273	–72	–	6,776
	–	–	–	12,121
	–5,273	–72	–	–5,345
	–5,273	–72	–	–5,345
	–	–	–	2,157
	–5,273	–72	–	8,933
	11,666	72	–	–6,738
	–	–	–	–18,476
	11,666	72	–	11,738
	–5,277	**–**	**–**	**–47,759**
	–	**–**	**–**	**–**
	–5,277	**–**	**–**	**–47,759**

Reinsurance contracts held by remaining coverage and incurred claims Life and health insurance 2022

in € thousands	Asset for remaining coverage: excluding loss reimbursement components	Asset for remaining coverage: Loss reimbursement components
Reinsurance contracts held that are liabilities 1/1/2022	**26,835**	**–**
Reinsurance contracts held that are assets 1/1/2022	**–**	**–**
Net carrying amount 1/1/2022	**26,835**	**–**
Changes in the income statement and in Other comprehensive income (OCI)		
Net result from reinsurance contracts held	11,605	–
Premiums ceded to reinsurers	11,605	–
Amounts recoverable from reinsurers for incurred claims	–	–
Amounts recoverable for insurance claims incurred and other service-related expenses	–	–
Technical finance income or expenses	-48,552	–
Total change in the income statement and Other comprehensive income (OCI)	-36,947	–
Net income from cash flows	-21,783	–
Premiums ceded to reinsurers	-21,783	–
Payments reimbursed	–	–
Net carrying amount 30/6/2022	**-31,895**	**–**
Reinsurance contracts held that are liabilities 30/6/2022	**–**	**–**
Reinsurance contracts held that are assets 30/6/2022	**–31,895**	**–**

	Asset for incurred claims			
	Measurement under the building block approach (BBA)	Measurement under the premium allocation approach (PAA)		
		Estimation of the present value of future cash flows	Risk adjustment for non-financial risks	Total
	-12,461	**–**	**–**	**14,374**
	–	**–**	**–**	**–**
	-12,461	**–**	**–**	**14,374**
	-6,358	-60	–	5,187
	–	–	–	11,605
	-6,358	-60	–	-6,418
	-6,358	-60	–	-6,418
	–	–	–	-48,552
	-6,358	-60	–	-43,365
	12,461	60	–	-9,262
	–	–	–	-21,783
	12,461	60	–	12,521
	-6,358	**–**	**–**	**-38,253**
	–	**–**	**–**	**–**
	–6,358	**–**	**–**	**–38,253**

Insurance contracts issued by remaining coverage and incurred claims Property/Casualty Insurance 2023

	Provision for future policy benefits (liability for remaining coverage)	
	excluding loss components	loss components
in € thousands		
Insurance contracts issued that are liabilities 1/1/2023	**1,128**	**237,636**
Insurance contracts issued that are assets 1/1/2023	**–**	**–**
Net carrying amount 1/1/2023	**1,128**	**237,636**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	−908,260	−6,502
Technical income	−1,254,519	–
Insurance contracts measured using the modified retrospective approach (MRA) that existed at the transition date	18	–
Insurance contracts measured using the fair value approach (FVA) that existed at the transition date	–	–
All other insurance contracts	−1,254,537	–
Technical expenses	346,259	−6,502
Incurred claims and other expenses for services in accordance with the insurance contract	280,326	−13,508
Amortisation of acquisition costs	65,933	–
Changes relating to past services	–	–
Changes relating to future services	–	7,006
Technical finance income or expenses	8,572	99
of which from exchange rate fluctuations	–	–
Total change in the income statement and Other comprehensive income (OCI)	**−899,688**	**−6,403**
Net income from cash flows	1,178,382	–
Premiums received	1,628,529	–
Claims payments and other expenses for services in accordance with the insurance contract	−247,771	–
Acquisition costs	−202,376	–
Other matters required for reconciliation	−1,948	–
Net carrying amount 30/6/2023	**277,874**	**231,233**
Insurance contracts issued that are liabilities 30/6/2023	**277,874**	**231,233**
Insurance contracts issued that are assets 30/6/2023	**–**	**–**

	Provision for outstanding insurance claims (liability for incurred claims)			
	Measurement under the building block approach (BBA)	Measurement under the premium allocation approach (PAA)		
		Estimation of the present value of future cash flows	Risk adjustment for non-financial risks	Total
	827,940	**827,704**	**67,290**	**1,961,698**
	–1	**–**	**–**	**–1**
	827,939	**827,704**	**67,290**	**1,961,697**
	458,414	399,239	–9,561	–66,670
	–	–	–	–1,254,519
	–	–	–	18
	–	–	–	–
	–	–	–	–1,254,537
	458,414	399,239	–9,561	1,187,849
	439,315	395,239	3,097	1,104,469
	–	–	–	65,933
	19,099	4,000	–12,658	10,441
	–	–	–	7,006
	2,926	13,791	2,050	27,438
	–	–478	–41	–519
	461,340	**413,030**	**–7,511**	**–39,232**
	–367,675	–404,922	–	405,785
	–	–	–	1,628,529
	–367,675	–404,922	–	–1,020,368
	–	–	–	–202,376
	–	–	–	–1,948
	921,604	**835,812**	**59,779**	**2,326,302**
	921,605	**835,812**	**59,779**	**2,326,303**
	–1	**–**	**–**	**–1**

Insurance contracts issued by remaining coverage and incurred claims Property/Casualty Insurance 2022

	Provision for future policy benefits (liability for remaining coverage)	
	excluding loss components	loss components
in € thousands		
Insurance contracts issued that are liabilities 1/1/2022	**213,041**	**23,759**
Insurance contracts issued that are assets 1/1/2022	**–**	**–**
Net carrying amount 1/1/2022	**213,041**	**23,759**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	–804,925	–5,010
Technical income	–1,126,499	–
Insurance contracts measured using the modified retrospective approach (MRA) that existed at the transition date	14	–
Insurance contracts measured using the fair value approach (FVA) that existed at the transition date	–	–
All other insurance contracts	–1,126,513	–
Technical expenses	321,574	–5,010
Incurred claims and other expenses for services in accordance with the insurance contract	255,505	–10,043
Amortisation of acquisition costs	66,069	–
Changes relating to past services	–	–
Changes relating to future services	–	5,033
Technical finance income or expenses	–17,027	–3
Total change in the income statement and Other comprehensive income (OCI)	**–821,952**	**–5,013**
Net income from cash flows	1,055,015	–
Premiums received	1,443,296	–
Claims payments and other expenses for services in accordance with the insurance contract	–227,397	–
Acquisition costs	–160,884	–
Net carrying amount 30/6/2022	**446,104**	**18,746**
Insurance contracts issued that are liabilities 30/6/2022	**446,104**	**18,746**
Insurance contracts issued that are assets 30/6/2022	**–**	**–**

	Provision for outstanding insurance claims (liability for incurred claims)			
	Measurement under the building block approach (BBA)	Measurement under the premium allocation approach (PAA)		
		Estimation of the present value of future cash flows	Risk adjustment for non-financial risks	Total
	1,009,824	**926,350**	**89,610**	**2,262,584**
	–	**–**	**–**	**–**
	1,009,824	**926,350**	**89,610**	**2,262,584**
	324,710	346,455	–2,656	–141,426
	–	–	–	–1,126,499
	–	–	–	14
	–	–	–	–
	–	–	–	–1,126,513
	324,710	346,455	–2,656	985,073
	336,460	333,531	2,855	918,308
	–	–	–	66,069
	–11,750	12,924	–5,511	–4,337
	–	–	–	5,033
	–41,022	–80,884	–9,411	–148,347
	283,688	**265,571**	**–12,067**	**–289,773**
	–399,350	–362,227	–	293,438
	–	–	–	1,443,296
	–399,350	–362,227	–	–988,974
	–	–	–	–160,884
	894,162	**829,694**	**77,543**	**2,266,249**
	894,162	**829,694**	**77,543**	**2,266,249**
	–	**–**	**–**	**–**

Reinsurance contracts held by remaining coverage and incurred claims Property/Casualty Insurance 2023

	Asset for remaining coverage	
	excluding loss reimbursement components	Loss reimbursement components
in € thousands		
Reinsurance contracts held that are liabilities 1/1/2023	**1,521**	**−137**
Reinsurance contracts held that are assets 1/1/2023	**40,478**	**−1,114**
Net carrying amount 1/1/2023	**41,999**	**−1,251**
Changes in the income statement and in Other comprehensive income (OCI)		
Net result from reinsurance contracts held	89,848	630
Premiums ceded to reinsurers	89,848	–
Amounts recoverable from reinsurers for incurred claims	–	630
Amounts recoverable for insurance claims incurred and other service-related expenses	–	–
Loss compensation for groups of onerous contracts and adjustments/reversals of these losses	–	630
Changes in amounts recoverable for incurred claims	–	–
Technical finance income or expenses	–	–
of which changes in the risk of non-performance by reinsurers	–	–
of which from exchange rate fluctuations	–	–
Total change in the income statement and Other comprehensive income (OCI)	**89,848**	**630**
Net income from cash flows	−126,778	–
Premiums ceded to reinsurers	−126,778	–
Payments reimbursed	–	–
Net carrying amount 30/6/2023	**5,069**	**−621**
Reinsurance contracts held that are liabilities 30/6/2023	**4,653**	**−1**
Reinsurance contracts held that are assets 30/6/2023	**416**	**−620**

	Asset for incurred claims		
	Measurement under the premium allocation approach (PAA)		
	Estimation of the present value of future cash flows	Risk adjustment for non-financial risks	Total
	–13	**–**	**1,371**
	–253,290	**–9,543**	**–223,469**
	–253,303	**–9,543**	**–222,098**
	–117,241	674	–26,089
	–	–	89,848
	–117,241	674	–115,937
	–104,959	–1,904	–106,863
	–	–	630
	–12,282	2,578	–9,704
	–3,162	-298	–3,460
	-277	–	–277
	3	–	3
	–120,403	**376**	**–29,549**
	122,160	–	–4,618
	–	–	–126,778
	122,160	–	122,160
	–251,546	**–9,167**	**–256,265**
	–1,626	**-36**	**2,990**
	–249,920	**–9,131**	**–259,255**

Reinsurance contracts held by remaining coverage and incurred claims Property/Casualty Insurance 2022

	Asset for remaining coverage	
in € thousands	excluding loss reimbursement components	Loss reimbursement components
Reinsurance contracts held that are liabilities 1/1/2022	**2,421**	**–43**
Reinsurance contracts held that are assets 1/1/2022	**84,408**	**–847**
Net carrying amount 1/1/2022	**86,829**	**–890**
Changes in the income statement and in Other comprehensive income (OCI)		
Net result from reinsurance contracts held	66,131	242
Premiums ceded to reinsurers	66,131	–
Amounts recoverable from reinsurers for incurred claims	–	242
Amounts recoverable for insurance claims incurred and other service-related expenses	–	–
Loss compensation for groups of onerous contracts and adjustments/reversals of these losses	–	242
Changes in amounts recoverable for incurred claims	–	–
Technical finance income or expenses	–	–
of which changes in the risk of non-performance by reinsurers	–	–
of which from exchange rate fluctuations	–	–
Total change in the income statement and Other comprehensive income (OCI)	**66,131**	**242**
Net income from cash flows	–171,938	–
Premiums ceded to reinsurers	–171,938	–
Payments reimbursed	–	–
Net carrying amount 30/6/2022	**–18,978**	**–648**
Reinsurance contracts held that are liabilities 30/6/2022	**1,377**	**–32**
Reinsurance contracts held that are assets 30/6/2022	**–20,355**	**–616**

	Asset for incurred claims		
	Measurement under the premium allocation approach (PAA)		
	Estimation of the present value of future cash flows	Risk adjustment for non-financial risks	Total
	–634	**–1**	**1,743**
	–462,849	**–13,936**	**–393,224**
	–463,483	**–13,937**	**–391,481**
	–27,556	1,995	40,812
	–	–	66,131
	–27,556	1,995	–25,319
	–22,257	–373	–22,630
	–	–	242
	–5,299	2,368	–2,931
	11,309	1,152	12,461
	–1,137	–	–1,137
	–21	–2	–23
	–16,247	**3,147**	**53,273**
	228,183	–	56,245
	–	–	–171,938
	228,183	–	228,183
	–251,547	**–10,790**	**–281,963**
	–71	**–1**	**1,273**
	–251,476	**–10,789**	**–283,236**

The following tables reconcile the opening balance to the closing balance for the net carrying amounts of insurance contracts, broken down by the measurement components in accordance with IFRS 17: Estimation of the present value of future cash flows, risk adjustment for non-financial risks and the contractual service margin (CSM).

These are disclosed separately for insurance contracts issued and reinsurance contracts held and are shown for the relevant reporting segment.

Insurance contracts issued by measurement components
Life and health insurance 2023

in € thousands	Estimation of the present value of future cash flows	Risk adjustment for non-financial risks
Insurance contracts issued that are liabilities 1/1/2023	**26,924,923**	**206,038**
Insurance contracts issued that are assets 1/1/2023	**–155,799**	**4,314**
Net carrying amount 1/1/2023	**26,769,124**	**210,352**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	–136,132	–19,003
Changes relating to current services	-5,830	–2,827
Changes in the contractual service margin (CSM) through profit or loss	–	–
Changes to the risk adjustment for non-financial risks	–	–2,827
Changes due to experience adjustments	-5,830	–
Changes relating to future services	–137,259	–16,066
Changes in estimates that adjust the contractual service margin (CSM)	–109,516	–18,940
Changes due to effects of contracts recognised for the first time in the period	–27,743	2,874
Changes relating to past services	6,957	–110
Change in obligation for incurred claims	6,957	–110
Technical finance income or expenses	712,818	–
Other matters required for reconciliation	10,274	–
Total change in the income statement and Other comprehensive income (OCI)	**586,960**	**–19,003**
Net income from cash flows	–294,292	–
Premiums received	1,015,566	–
Claims payments and other expenses for services in accordance with the insurance contract	–1,218,467	–
Acquisition costs	–91,391	–
Net carrying amount 30/6/2023	**27,061,792**	**191,349**
Insurance contracts issued that are liabilities 30/6/2023	**27,223,806**	**187,561**
Insurance contracts issued that are assets 30/6/2023	**–162,014**	**3,788**

Contractual service margin (CSM)			
Insurance contracts that existed at the transition date and for which the modified retrospective approach (MRA) was applied	Insurance contracts that existed at the transition date and for which the fair value approach (FVA) was applied	All other insurance contracts	Total
1,161,617	**–**	**41,775**	**28,334,353**
75,855	**–**	**4,267**	**–71,363**
1,237,472	**–**	**46,042**	**28,262,990**
76,204	–	28,739	–50,192
–46,156	–	–2,226	–57,039
–46,156	–	–2,226	–48,382
–	–	–	–2,827
–	–	–	-5,830
122,360	–	30,965	–
122,360	–	6,096	–
–	–	24,869	–
–	–	–	6,847
–	–	–	6,847
–	–	–	712,818
–	–	–	10,274
76,204	**–**	**28,739**	**672,900**
–	–	–	–294,292
–	–	–	1,015,566
–	–	–	–1,218,467
–	–	–	–91,391
1,313,676	**–**	**74,781**	**28,641,598**
1,245,133	**–**	**69,005**	**28,725,505**
68,543	**–**	**5,776**	**–83,907**

Insurance contracts issued by measurement components
Life and health insurance 2022

in € thousands	Estimation of the present value of future cash flows	Risk adjustment for non-financial risks
Insurance contracts issued that are liabilities 1/1/2022	**35,336,663**	**473,755**
Insurance contracts issued that are assets 1/1/2022	**–224,754**	**13,688**
Net carrying amount 1/1/2022	**35,111,909**	**487,443**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	175,569	–221,409
Changes relating to current services	411	–15,896
Changes in the contractual service margin (CSM) through profit or loss	–	–
Changes to the risk adjustment for non-financial risks	–	–15,896
Changes due to experience adjustments	411	–
Changes relating to future services	175,506	–205,549
Changes in estimates that adjust the contractual service margin (CSM)	210,397	–212,871
Changes due to effects of contracts recognised for the first time in the period	–34,891	7,322
Changes relating to past services	–348	36
Change in obligation for incurred claims	–348	36
Technical finance income or expenses	–6,444,388	–
Total change in the income statement and Other comprehensive income (OCI)	**–6,268,819**	**–221,409**
Net income from cash flows	–224,357	–
Premiums received	1,110,599	–
Claims payments and other expenses for services in accordance with the insurance contract	–1,233,386	–
Acquisition costs	–101,570	–
Net carrying amount 30/6/2022	**28,618,733**	**266,034**
Insurance contracts issued that are liabilities 30/6/2022	**28,795,337**	**259,180**
Insurance contracts issued that are assets 30/6/2022	**–176,604**	**6,854**

	Contractual service margin (CSM)			
	Insurance contracts that existed at the transition date and for which the modified retrospective approach (MRA) was applied	Insurance contracts that existed at the transition date and for which the fair value approach (FVA) was applied	All other insurance contracts	Total
	1,038,661	**–**	**–**	**36,849,079**
	94,631	**–**	**–**	**–116,435**
	1,133,292	**–**	**–**	**36,732,644**
	–42,467	–	24,685	–63,622
	–36,274	–	–726	–52,485
	–36,274	–	–726	–37,000
	–	–	–	–15,896
	–	–	–	411
	–6,193	–	25,411	–10,825
	–6,193	–	–2,158	–10,825
	–	–	27,569	–
	–	–	–	–312
	–	–	–	–312
	–	–	–	–6,444,388
	–42,467	**–**	**24,685**	**–6,508,010**
	–	–	–	–224,357
	–	–	–	1,110,599
	–	–	–	–1,233,386
	–	–	–	–101,570
	1,090,825	**–**	**24,685**	**30,000,277**
	1,019,729	**–**	**21,814**	**30,096,060**
	71,096	**–**	**2,871**	**–95,783**

The expected excess return for the reporting period / the change in the entity’s share of the fair value of the underlying items in the low single-digit millions in the first half of 2023 and the first half of 2022 were recognised in the technical result through changes in the contractual service margin (CSM) through profit or loss (for more information please see the section Initial application of IFRS 17 Insurance Contracts).

Reinsurance contracts held by measurement components
Life and health insurance 2023

in € thousands	Estimation of the present value of future cash flows	Risk adjustment for non-financial risks
Reinsurance contracts held that are liabilities 1/1/2023	**–**	**–**
Reinsurance contracts held that are assets 1/1/2023	**185,456**	**–2,932**
Net carrying amount 1/1/2023	**185,456**	**–2,932**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	2,415	1,192
Changes relating to current services	–467	63
Changes in the contractual service margin (CSM) through profit or loss	–	–
Changes to the risk adjustment for non-financial risks	–	63
Changes due to experience adjustments	–467	–
Changes relating to future services	2,882	1,129
Changes in estimates that adjust the contractual service margin (CSM)	2,882	1,129
Technical finance income or expenses	2,116	–
Total change in the income statement and Other comprehensive income (OCI)	**4,531**	**1,192**
Net income from cash flows	–6,548	–
Premiums ceded to reinsurers	–18,214	–
Payments reimbursed	11,666	–
Net carrying amount 30/6/2023	**183,439**	**–1,740**
Reinsurance contracts held that are liabilities 30/6/2023	**–**	**–**
Reinsurance contracts held that are assets 30/6/2023	**183,439**	**–1,740**

	Contractual service margin (CSM)			
	Insurance contracts that existed at the transition date and for which the modified retrospective approach (MRA) was applied	Insurance contracts that existed at the transition date and for which the fair value approach (FVA) was applied	All other insurance contracts	Total
	–	**–**	**–**	**–**
	–	**–**	**–232,502**	**–49,978**
	–	**–**	**–232,502**	**–49,978**
	–	–	3,123	6,730
	–	–	7,135	6,731
	–	–	7,135	7,135
	–	–	–	63
	–	–	–	–467
	–	–	–4,012	–1
	–	–	–4,012	–1
	–	–	41	2,157
	–	**–**	**3,164**	**8,887**
	–	–	–	–6,548
	–	–	–	–18,214
	–	–	–	11,666
	–	**–**	**–229,338**	**–47,639**
	–	**–**	**–**	**–**
	–	**–**	**–229,338**	**–47,639**

Reinsurance contracts held by measurement components
Life and health insurance 2022

in € thousands	Estimation of the present value of future cash flows	Risk adjustment for non-financial risks
Reinsurance contracts held that are liabilities 1/1/2022	**253,272**	**−4,596**
Reinsurance contracts held that are assets 1/1/2022	**–**	**–**
Net carrying amount 1/1/2022	**253,272**	**−4,596**
Changes in the income statement and in Other comprehensive income (OCI)		
Net result from reinsurance contracts held	4,831	1,715
Changes relating to current services	−1,778	163
Changes in the contractual service margin (CSM) through profit or loss	–	–
Changes to the risk adjustment for non-financial risks	–	163
Changes due to experience adjustments	−1,778	–
Changes relating to future services	6,609	1,552
Changes in estimates that adjust the contractual service margin (CSM)	6,609	1,552
Technical finance income or expenses	−48,699	–
Total change in the income statement and Other comprehensive income (OCI)	**−43,868**	**1,715**
Net income from cash flows	−9,110	–
Premiums ceded to reinsurers	−21,571	–
Payments reimbursed	12,461	–
Net carrying amount 30/6/2022	**200,294**	**−2,881**
Reinsurance contracts held that are liabilities 30/6/2022	**–**	**–**
Reinsurance contracts held that are assets 30/6/2022	**200,294**	**−2,881**

			Contractual service margin (CSM)	
	Insurance contracts that existed at the transition date and for which the modified retrospective approach (MRA) was applied	Insurance contracts that existed at the transition date and for which the fair value approach (FVA) was applied	All other insurance contracts	Total
	–	**–**	**–234,317**	**14,359**
	–	**–**	**–**	**–**
	–	**–**	**–234,317**	**14,359**
	–	–	–1,387	5,159
	–	–	6,773	5,158
	–	–	6,773	6,773
	–	–	–	163
	–	–	–	–1,778
	–	–	–8,160	1
	–	–	–8,160	1
	–	–	146	–48,553
	–	**–**	**–1,241**	**–43,394**
	–	–	–	–9,110
	–	–	–	–21,571
	–	–	–	12,461
	–	**–**	**–235,558**	**–38,145**
	–	**–**	**–**	**–**
	–	**–**	**–235,558**	**–38,145**

Insurance contracts issued by measurement components
Property/Casualty Insurance 2023

in € thousands	Estimation of the present value of future cash flows	Risk adjustment for non-financial risks
Insurance contracts issued that are liabilities 1/1/2023	**669,300**	**62,874**
Insurance contracts issued that are assets 1/1/2023	**–1**	**–**
Net carrying amount 1/1/2023	**669,299**	**62,874**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	–90,695	6,246
Changes relating to current services	29,682	–8,081
Changes in the contractual service margin (CSM) through profit or loss	–	–
Changes to the risk adjustment for non-financial risks	–	–8,081
Changes due to experience adjustments	29,682	–
Changes relating to future services	–146,945	20,862
Changes in estimates that adjust the contractual service margin (CSM)	–25,185	4,908
Changes in estimates that do not adjust the contractual service margin (CSM)	–1,082	819
Changes due to effects of contracts recognised for the first time in the period	–120,678	15,135
Changes relating to past services	26,568	–6,535
Change in obligation for incurred claims	26,568	–6,535
Technical finance income or expenses	8,612	687
Total change in the income statement and Other comprehensive income (OCI)	**–82,083**	**6,933**
Net income from cash flows	216,364	–
Premiums received	863,433	–
Claims payments and other expenses for services in accordance with the insurance contract	–520,160	–
Acquisition costs	–126,909	–
Net carrying amount 30/6/2023	**803,580**	**69,807**
Insurance contracts issued that are liabilities 30/6/2023	**803,581**	**69,807**
Insurance contracts issued that are assets 30/6/2023	**–1**	**–**

Contractual service margin (CSM)			
Insurance contracts that existed at the transition date and for which the modified retrospective approach (MRA) was applied	Insurance contracts that existed at the transition date and for which the fair value approach (FVA) was applied	All other insurance contracts	Total
–	**–**	**263,568**	**995,742**
–	**–**	**–**	**–1**
–	**–**	**263,568**	**995,741**
–	–	40,425	–44,024
–	–	–91,514	–69,913
–	–	–91,514	–91,514
–	–	–	–8,081
–	–	–	29,682
–	–	131,939	5,856
–	–	20,277	–
–	–	–	–263
–	–	111,662	6,119
–	–	–	20,033
–	–	–	20,033
–	–	2,299	11,598
–	**–**	**42,724**	**–32,426**
–	–	–	216,364
–	–	–	863,433
–	–	–	–520,160
–	–	–	–126,909
–	**–**	**306,292**	**1,179,679**
–	**–**	**306,292**	**1,179,680**
–	**–**	**–**	**–1**

Insurance contracts issued by measurement components Property/Casualty Insurance 2022

in € thousands	Estimation of the present value of future cash flows	Risk adjustment for non-financial risks
Insurance contracts issued that are liabilities 1/1/2022	**818,722**	**77,438**
Insurance contracts issued that are assets 1/1/2022	**–**	**–**
Net carrying amount 1/1/2022	**818,722**	**77,438**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	–148,139	996
Changes relating to current services	–6,612	–8,383
Changes in the contractual service margin (CSM) through profit or loss	–	–
Changes to the risk adjustment for non-financial risks	–	–8,383
Changes due to experience adjustments	–6,612	–
Changes relating to future services	–135,772	15,375
Changes in estimates that adjust the contractual service margin (CSM)	–22,191	1,787
Changes in estimates that do not adjust the contractual service margin (CSM)	–2,851	–11
Changes due to effects of contracts recognised for the first time in the period	–110,730	13,599
Changes relating to past services	–5,755	–5,996
Change in obligation for incurred claims	–5,755	–5,996
Technical finance income or expenses	–52,432	–4,334
Total change in the income statement and Other comprehensive income (OCI)	**–200,571**	**–3,338**
Net income from cash flows	109,450	–
Premiums received	750,530	–
Claims payments and other expenses for services in accordance with the insurance contract	–537,408	–
Acquisition costs	–103,672	–
Net carrying amount 30/6/2022	**727,601**	**74,100**
Insurance contracts issued that are liabilities 30/6/2022	**727,601**	**74,100**
Insurance contracts issued that are assets 30/6/2022	**–**	**–**

			Contractual service margin (CSM)	
	Insurance contracts that existed at the transition date and for which the modified retrospective approach (MRA) was applied	Insurance contracts that existed at the transition date and for which the fair value approach (FVA) was applied	All other insurance contracts	Total
	–	**–**	**278,658**	**1,174,818**
	–	**–**	**–**	**–**
	–	**–**	**278,658**	**1,174,818**
	–	–	37,595	–109,548
	–	–	–87,677	–102,672
	–	–	–87,677	–87,677
	–	–	–	–8,383
	–	–	–	–6,612
	–	–	125,272	4,875
	–	–	20,404	–
	–	–	–	–2,862
	–	–	104,868	7,737
	–	–	–	–11,751
	–	–	–	–11,751
	–	–	–1,285	–58,051
	–	**–**	**36,310**	**–167,599**
	–	–	–	109,450
	–	–	–	750,530
	–	–	–	–537,408
	–	–	–	–103,672
	–	**–**	**314,968**	**1,116,669**
	–	**–**	**314,968**	**1,116,669**
	–	**–**	**–**	**–**

The following tables show the accounting effect on the measurement components resulting in the reporting period from the first-time recognition of insurance contracts issued / reinsurance contracts held, for which the premium allocation approach (PAA) was not applied:

New business - insurance contracts issued life and health insurance 1/1/2023 to 30/6/2023

in € thousands	Total	of which onerous contracts
Estimation of the present value of future cash outflows	621,970	–
Estimation of the present value of acquisition costs	64,140	–
Estimation of the present value of other future cash outflows	557,830	–
Estimation of the present value of future cash inflows	–649,713	–
Risk adjustment for non-financial risks	2,874	–
Contractual service margin	24,869	–
Increase/decrease in provision for future policy benefits / asset for remaining coverage due to contracts recognised in the period	**–**	**–**

New business - insurance contracts issued life and health insurance 1/1/2022 to 30/6/2022

in € thousands	Total	
Estimation of the present value of future cash outflows	974,152	
Estimation of the present value of acquisition costs	79,909	
Estimation of the present value of other future cash outflows	894,243	
Estimation of the present value of future cash inflows	–1,009,043	
Risk adjustment for non-financial risks	7,322	
Contractual service margin	27,569	
Increase/decrease in provision for future policy benefits / asset for remaining coverage due to contracts recognised in the period	**–**	**–**

New business - insurance contracts issued property/casualty insurance 1/1/2023 to 30/6/2023

in € thousands	Total	of which onerous contracts
Estimation of the present value of future cash outflows	643,147	103,569
Estimation of the present value of acquisition costs	70,631	8,289
Estimation of the present value of other future cash outflows	572,516	95,280
Estimation of the present value of future cash inflows	–763,825	–100,747
Risk adjustment for non-financial risks	15,135	3,384
Contractual service margin	111,662	–70
Increase/decrease in provision for future policy benefits / asset for remaining coverage due to contracts recognised in the period	**6,119**	**6,136**

New business - insurance contracts issued property/casualty insurance 1/1/2022 to 30/6/2022

in € thousands	Total	of which onerous contracts
Estimation of the present value of future cash outflows	561,174	97,093
Estimation of the present value of acquisition costs	64,462	8,170
Estimation of the present value of other future cash outflows	496,712	88,923
Estimation of the present value of future cash inflows	–671,904	–92,644
Risk adjustment for non-financial risks	13,599	3,365
Contractual service margin	104,868	–
Increase/decrease in provision for future policy benefits / asset for remaining coverage due to contracts recognised in the period	**7,737**	**7,814**

The following table shows when the W&W Group expects to recognise the remaining contractual service margin (CSM) from insurance business in the consolidated income statement through profit or loss at the end of the reporting period. The CSM is the present value of unrealised expected future profit from the insurance contracts as at the end of the reporting period. Accordingly, the following reversal amounts do not include the income from unwinding the discount, which is calculated implicitly under the variable fee approach (VFA) by a risk-neutral valuation using a current yield curve and explicitly under the building block approach (BBA) using the locked-in yield curve after the end of a period. In addition, these do not include the entity's share of the excess return expected for future periods from insurance contracts with direct participation features in life and health insurance. This is not accounted for until the subsequent measurement for the previous reporting period for the CSM and released through profit or loss (for more information on this see the section Initial application of IFRS 17 Insurance Contracts). Accordingly, the reversal amounts shown below should not be interpreted in future periods as actual profit from the reversal of the remaining CSM at the reporting date. Instead, they are to be adjusted by the components described.

Expected recognition of the contractual service margin (CSM) through profit or loss Life and Health Insurance

	Insurance contracts issued	Reinsurance contracts held	Insurance contracts issued	Reinsurance contracts held
in € thousands		30/6/2023		31/12/2022
1 to 5 years	404,525	-70,463	374,493	-71,287
5 to 10 years	293,978	-48,437	269,554	-49,070
10 to 15 years	213,020	-36,913	192,152	-37,345
15 to 20 years	155,386	-27,409	140,798	-27,741
more than 20 years	321,548	-46,116	306,516	-47,059
Total	**1,388,457**	**-229,338**	**1,283,513**	**-232,502**

Expected recognition of the contractual service margin (CSM) through profit or loss Property/Casualty Insurance

	Insurance contracts issued	Reinsurance contracts held	Insurance contracts issued	Reinsurance contracts held
in € thousands		30/6/2023		31/12/2022
1 year or less	132,253	-	107,214	-
1 to 2 years	74,535	-	66,661	-
2 to 3 years	51,962	-	46,739	-
3 to 4 years	31,911	-	29,281	-
4 to 5 years	13,842	-	12,445	-
5 to 10 years	1,789	-	1,228	-
more than 10 years	-	-	-	-
Total	**306,292**	**-**	**263,568**	**-**

(27) Disclosures on technical finance income or expenses

The following table shows the underlying items for contracts with direct participation features in life and health insurance. Measurement under the variable fee approach (VFA) is based on the fair values of the underlying items shown prior to consolidation in the W&W Group.

Underlying items for insurance contracts prior to consolidation

in € thousands	30/6/2023	31/12/2022
Shares in affiliated companies	12,038,376	12,091,041
Financial assets at fair value through profit or loss	4,670,616	4,422,301
Financial assets at fair value through other comprehensive income (OCI)	9,252,180	9,685,001
Financial assets at amortised cost	1,971,957	1,616,065
Financial assets accounted for under the equity method	64,601	64,943
Investment property	2,001,367	1,962,153
Other assets	25,959	11,773
Underlying items included in assets	**30,025,056**	**29,853,277**
Financial liabilities at fair value through profit or loss	9,926	13,165
Liabilities	194,439	412,680
Other provisions	97,214	94,988
Other liabilities	1,143	1,232
Subordinated capital	514,966	509,438
Equity	582,962	517,009
Underlying items included in equity and liabilities	**1,400,650**	**1,548,512**

(28) Disclosures on retrospective application

The reserve for financial assets at fair value through other comprehensive income (OCI), which relates to insurance contracts not measured using the full retrospective at the time of initial application, came to €1.3 billion as at 1 January 2022. The market values of assets declined as a result of the sharp increase in interest rates. As at 30 June 2023, this resulted in a negative reserve for financial assets at fair value through other comprehensive income (OCI).

Other disclosures

(29) Revenue from contracts with customers

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

2023

	Housing	Life and Health Insurance	Property/Casualty Insurance	All other segments	Consolidation/ reconciliation	Total
in € thousands	1/1/2023 to 30/6/2023	1/1/2023 to 30/6/2023	1/1/2023 to 30/6/2023	1/1/2023 to 30/6/2023	1/1/2023 to 30/6/2023	1/1/2023 to 30/6/2023
Commission income	**13,578**	**15**	**8,935**	**24,997**	**-26,174**	**21,351**
from home loan savings business	3,025	–	–	–	–	3,025
from brokering activities	8,618	15	8,935	6,761	-10,201	14,128
from investment business	–	–	–	17,595	-15,973	1,622
from other business	1,935	–	–	641	–	2,576
Net other operating income/expense	**29,845**	**12,489**	**19,847**	**76,144**	**-8,781**	**129,544**
Income from disposals of inventories (property development business)	–	–	–	68,355	–	68,355
Income from disposals of property, plant and equipment	27	–	14,500	90	–	14,617
Other revenues	29,818	12,489	5,347	7,699	-8,781	46,572
Net income from disposals	**–**	**–**	**–**	**–**	**–**	**–**
Income from disposals of investment property	–	–	–	–	–	–
Total	**43,423**	**12,504**	**28,782**	**101,141**	**-34,955**	**150,895**
Type of revenue recognition						
at a point in time	38,136	16	26,015	73,263	-10,265	127,165
over time	5,287	12,488	2,767	27,878	-24,690	23,730
Total	**43,423**	**12,504**	**28,782**	**101,141**	**-34,955**	**150,895**

2022

in € thousands	Housing 1/1/2022 to 30/6/2022	Life and Health Insurance 1/1/2022 to 30/6/2022	Property/Casualty Insurance 1/1/2022 to 30/6/2022	All other segments 1/1/2022 to 30/6/2022	Consolidation/reconciliation 1/1/2022 to 30/6/2022	Total 1/1/2022 to 30/6/2022
Commission income	**45,953**	**13**	**8,701**	**21,195**	**-31,556**	**44,306**
from home loan savings business	15,091	–	–	–	–	15,091
from brokering activities	29,058	13	8,701	527	-13,563	24,736
from investment business	–	–	–	19,670	-17,993	1,677
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
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**	**56,596**	**13,301**	**170,946**	**-33,078**	**371,580**
Type of revenue recognition						
at a point in time	150,347	56,596	13,301	150,275	-20,051	350,468
over time	13,468	–	–	20,671	-13,027	21,112
Total	**163,815**	**56,596**	**13,301**	**170,946**	**-33,078**	**371,580**

(30) Currency translation 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 €9.7 (previous year: 82.2) million and currency expenses of €33.9 (previous year: 11.3) million.

(31) Contingent assets, contingent liabilities and other obligations

in € thousands	30/6/2023	31/12/2022
Contingent liabilities	**2,212,793**	**2,232,460**
from deposit guarantee funds	358,016	357,918
from letters of credit and warranties	10,000	10,000
from uncalled capital	1,799 017	1,823,473
from contractual obligations to buy and to build investment property	38,953	34,019
from contractual obligations to buy and to build property, plant and equipment	5,307	5,508
Other contingent liabilities	1,500	1,542
Other commitments	**1,205,836**	**1,446,532**
Irrevocable loan commitments	1,205,836	1,446,532
Total	**3,418,629**	**3,678,992**

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 €2.6 million on 30 June 2023 and €3.8 million on 31 December 2022.

(32) Related party disclosures

Parent company

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

Transactions with related persons

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

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

All transactions were at arm’s length.

Receivables from related persons amounted to €189 thousand (previous year: €193 thousand) as at 30 June 2023. Liabilities to related persons amounted to €925 thousand (previous year: €687 thousand) as at the end of the reporting period. In the first half of 2023 financial year, interest income from loans to related persons amounted to €2 thousand (previous year: €4 thousand), while interest expenses for savings deposits of related persons amounted to €2 thousand (previous year: €16 thousand). Premiums of €54 thousand (previous year: €62 thousand) were paid by related persons for insurance policies in the areas of life, health and property insurance) in the first half of 2023. Premiums paid by related persons for company pension schemes came to €514 thousand (previous year: €531 thousand). Benefits received by related persons from company pension schemes totalled €166 thousand (previous year: €164 thousand).

Transactions with related companies

Subsidiaries of W&W AG and other related companies
There are various service agreements, including in the area of investment management, between the W&W Group and subsidiaries of W&W AG as well as other related companies of W&W AG. There is a brand transfer and use agreement between Wüstenrot Holding AG and W&W AG. As at 30 June 2023, there is a remaining financial liability to Wüstenrot Holding AG under this agreement of €6.1 million (previous year: €8.6 million). W&W AG pays Wüstenrot Holding AG a fixed annual amount (principal and interest) of €2.5 million plus statutory VAT.

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

The transactions were at arm’s length.

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

in € thousands	30/6/2023	31/12/2022
Financial assets from related companies	**280,204**	**289,039**
Subsidiaries	253,042	263,045
Other related parties	27,162	25,994
Financial liabilities to related companies	**61,773**	**82,416**
Subsidiaries	29,471	52,671
Associated company	10,117	–
Other related parties	22,185	29,745

Financial liabilities to related associates included German covered bonds issued in the reporting period.

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 €5.8 million (previous year: €0.8 million) and liabilities of €9.2 million (previous year: €11.8 million).

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

in € thousands	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Income from transactions with related companies	**29,280**	**25,635**
Subsidiaries	28,452	24,701
Associated company	32	45
Other related parties	796	889
Expenses from transactions with related companies	**–52,128**	**–39,358**
Subsidiaries	–26,811	–26,006
Associated company	–119	–26
Other related parties	–25,198	–13,326

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: €0.6 million) with expenses of €0.7 million (previous year: €2.5 million).

(33) Number of employees

The W&W Group had 6,356 employees (full-time equivalents) as at 30 June 2023 (previous year: 6,306). Its headcount by employment contracts was 7,456 as at the end of the reporting period (previous year: 7,390).

The average number of employees over the past twelve months was 7,412 (previous year: 7,381). This average is calculated as the arithmetic mean of the average quarterly headcounts between 30 September 2022 and 30 June 2023 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

	30/6/2023	31/12/2022
Housing	2,157	2,138
Life and Health Insurance	513	532
Property/Casualty Insurance	3,743	3,698
All other segments	999	1,013
Total	**7,412**	**7,381**

(34) Events after the reporting period

Wüstenrot Bausparkasse AG acquired a lending portfolio from BSQ Bauspar AG in a contract dated 20 July 2023 with legal effect from 1 October 2023. The lending portfolio comprises exclusively building loans, most of which are secured by property. The loan volume at the time of the acquisition is around €100 million.

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 Group Interim Management Report 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.

Kornwestheim, 12 September 2023

Jürgen A. Junker

Alexander Mayer

Jürgen Steffan

Jens Wieland

The W&W Group
Auditor's review report

To Wüstenrot & Württembergische AG, Kornwestheim

We have reviewed the condensed consolidated half-year financial statements – consisting of the consolidated balance sheet, consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, condensed consolidated cash flow statement, and select notes – and the interim group management report of Wüstenrot & Württembergische AG, Kornwestheim, for the period from 1 January to 30 June 2023, 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, 13 September 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

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