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Interim Report as at 30 June 2021.

Wüstenrot & Württembergische AG

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

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Wüstenrot & Württembergische AG
Key figures of W&W Group

W&W Group (according to IFRS)

Consolidated balance sheet		30/6/2021	31/12/2020
Total assets	€ bn	75.1	76.5
Capital investments	€ bn	49.3	51.3
Senior debenture bonds and registered bonds	€ bn	10.4	12.4
Senior fixed-income securities	€ bn	24.9	25.8
Building loans	€ bn	23.3	22.8
Liabilities to customers	€ bn	22.6	22.5
Technical provisions	€ bn	38.8	39.4
Equity	€ bn	4.9	5.1
Equity per share	€	51.90	53.80

Consolidated income statement		1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020
Net financial result (after credit risk adjustments)	€ mn	1,323.0	732.6
Earned premiums (net)	€ mn	2,361.4	2,173.2
Insurance benefits (net)	€ mn	–2,643.1	–1,995.3
Earnings before income taxes from continued operations	€ mn	282.6	163.6
Consolidated net profit	€ mn	196.2	107.0
Total comprehensive income	€ mn	–129.1	139.7
Earnings per share	€	2.08	1.14

Other information	30/6/2021	31/12/2020
Employees (full-time equivalent head count)	6,366	6,473
Employees (number of employment contracts)	7,571	7,666

Key sales figures		1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020
Group			
Gross premiums written	€ mn	2,731.4	2,513.5
New construction financing business (including brokering for third parties)	€ mn	3,649.9	3,204.2
Sales of own and third-party investment funds	€ mn	337.0	281.4
Housing			
New home loan savings business (gross)	€ mn	6,065.3	6,157.0
New home loan savings business (net)	€ mn	5,014.3	5,084.9
Life and Health Insurance			
Gross premiums written	€ mn	1,328.4	1,191.1
New premiums	€ mn	535.5	377.1
Property/Casualty Insurance			
Gross premiums written	€ mn	1,413.8	1,327.1
New premiums (measured in terms of annual contributions to the portfolio)	€ mn	197.2	162.8

Wüstenrot & Württembergische AG
Contents

Wüstenrot & Württembergische AG Interim Group management report

Business report

Business environment

Macroeconomic environment

The restrictions on social and economic life that were taken to stem the coronavirus pandemic continued to put a strain on the German economy in the first three months of the year. As a result, gross domestic product fell by 2.1% in the first quarter of 2021. The strain on consumer demand continued to be a burden, particularly with regard to contact-intensive services. In the second quarter, the prospects for economic recovery brightened as infection numbers dropped, significant progress was made with vaccines, and, as a result, restrictions began to be relaxed.

Capital markets

Bond markets

On the bond markets, yields on long-term German government bonds rose moderately in the first half of 2021. The yield on 10-year German government bonds climbed from −0.57% at the start of the year to −0.21% at the end of June. The main reasons for this rise were the gradual brightening of the prospects for economic recovery with the improving coronavirus situation and an appreciable increase in inflation in the first half of 2021. The bond markets responded to these developments with softening prices and rising yields. Short-term interest rates changed much more moderately. For instance, yields on 2-year German government bonds rose only slightly in the first half of 2021, from −0.70% to −0.66%.

Equity markets

European equity markets performed very well in the first half of 2021. For instance, the DAX rose by 13.2%, repeatedly posting new record highs. Price trends on the European equity markets were also bolstered by the brightening of the prospects for economic recovery as a consequence of the improved coronavirus situation. In addition, the market generally responded positively to corporate reporting on current business trends, since most companies posted improved revenues and profits. Finally, the ECB adhered to its very expansive monetary policy, which continued to benefit the equity markets greatly.

Industry trends

Gross new home loan savings business showed a slight increase for the first half of 2021. The brightening economic and employment perspectives and, significantly, the higher home-building premium contributed to the upturn in new business.

New business in private residential construction financing in the first half of 2021 was above the level of the previous year. Private households took out roughly €145 billion (previous year: roughly €137 billion) in building loans. The main drivers for construction financing business were mortgage interest rates, which remained low, and continued strong demand for housing. The coronavirus pandemic did not have any apparent adverse impact on construction financing business. On the contrary, the desire of many renting households for property ownership appears to have strengthened based on the experience of recent months. For the year 2021 as a whole as well, we expect private residential construction financing to exceed the previous year's level.

The following information is based on preliminary industry figures for the first half of 2021 published by the German Insurance Association (GDV).

With respect to life insurance companies and pension funds, new premiums fell in the first half of 2021 by 4.3% to €21.0 billion (previous year: €22.0 billion). In this regard, new single-premium business declined by 6.9%, whereas new business with payment of regular premiums rose by 14.1%. Gross premiums written fell year on year by 2.0% to €50.1 billion (previous year: €51.2 billion).

Even though the effects of the coronavirus are still palpable, the GDV expects premiums in property/casualty insurance to grow moderately by 1.9% (previous year: 2.3%). With the increasing easing of the pandemic-related restrictions, mobility is expected to normalise, meaning higher claims expenses in motor insurance. At the same time, a series of storms in June and July – particularly the flooding disaster in Rhineland-Palatinate and North Rhine-Westphalia – caused losses for the industry totalling billions of euros, according to initial estimates. Claims expenses are expected to rise significantly compared with the previous year.

W&W stock

The W&W stock price rose steadily in the first half of 2021. Starting from €16.52 at the end of 2020, it had exceeded the €18 mark by early March. Then in mid-May, the company's solid quarterly report and positive analyst comments prompted a further price rise. After the company raised its forecast for this year's profit in June, the W&W stock price rose to more than €19. It ultimately stood at €19.32 at the end of the first half of the year. W&W stock thus posted a price rise of 16.9%. Taking into account the dividend distribution in the amount of €0.65, overall performance was 20.9% for the reporting period. Euro STOXX banks posted a price rise of 27.0% for the same period, and Euro STOXX insurance companies, 6.7%.

Outlook

The outlook for the German economy remains dependent on the future course of the coronavirus pandemic. At the time this report was prepared, new infection numbers had dropped to a low level again, and progress had been made with vaccinations. This made it possible for the government to relax the severe restrictions on everyday life and economic activity. As a result of this development, business sentiment became considerably more optimistic. In the coming months, consumer demand will benefit from the extensive lifting of the lockdown measures. The industrial sector is again posting positive growth rates, a typical sign of economic recovery. In Germany, the economy is expected to grow by 3-4% in 2021. Should the pandemic situation worsen again in the coming months, e.g. if the delta variant of the virus also leads to higher infection rates in Germany, thus necessitating new lockdown measures, the economic outlook would be more negative as a result.

We expect that short-term interest rates will continue to remain at a very low level for the foreseeable future. The main reason for this is that leading central banks have pledged to leave benchmark rates at their crisis level for some time, even as the economy recovers and inflation temporarily exceeds their target rates. In this regard, the central banks assume that current inflation fears on the capital markets will dissipate in the near term. With respect to year-end 2021, we thus expect that in spite of the current upturn in the economy and higher inflation rates, interest rates in Germany will change only moderately and remain at a low level.

Several factors indicate that the positive trend in prices on the equity markets will continue in the second half of 2021 as well. First, the German and European economy is expected grow very dynamically in the second half of the year as a result of the extensive lifting of economic restrictions. As a result, corporate profit forecasts are very favourable, meaning equities are highly attractive. Second, with benchmark interest rates still hovering at record lows and the ECB continuing its bond purchases, financial markets are operating in a monetary environment that remains very expansive. Since these basic conditions have prevailed for some time, valuations have already reached a very high level, and further room for price gains could be limited. The most likely scenario for the coming months is that price rises will be moderate. However, should developments unexpectedly turn negative, e.g. a renewed intensification of the coronavirus pandemic as a result of virus mutations, a significant price correction on the equity markets is not out of the question.

Ratings

In June 2021, Standard & Poor's (S&P) again confirmed the ratings with a stable outlook. Thus the core companies in the W&W Group continue to have a rating of A–, while the holding company W&W AG maintained its BBB+ rating. The short-term rating of Wüstenrot Bausparkasse AG remains at A–1.

As in the past, the German mortgage covered bonds issued by Wüstenrot Bausparkasse AG possess the top rating of AAA with a stable outlook.

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

Ratings Standard & Poors's'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

Development of business and Group position

Development of business

The continuing restrictions as a result of the coronavirus pandemic initially caused the economic recovery to stall in the first half of 2021. Falling infection numbers, the faster pace of vaccinations and the easing of restrictions then led to a brightening of economic prospects. On the capital markets, the improved economic outlook and expectations of higher inflation brought about record highs on equity indexes and rising interest rates.

In the course of these developments, consolidated net profit for W&W as at 30 June 2021 rose to €196.2 million (previous year: €107.0 million).

Trends on the equity markets also had a positive impact here, leading to increases in the net measurement gain. In property/casualty insurance, the loss ratio was once again low as a result of the lockdown, although the accumulation of natural disaster claims in June left its mark on results.

In addition, the storms in July, particularly the flooding disaster in Rhineland-Palatinate and North Rhine-Westphalia, will also have a negative effect on the loss ratio in the third quarter. Nevertheless, the impact is limited by our reinsurance programme.

Composition of consolidated net profit

in € million	1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020
Housing segment	24.9	39.6
Life and Health Insurance segment	28.3	10.7
Property/Casualty Insurance segment	133.4	62.4
Other segments/consolidation	9.6	–5.7
Consolidated net profot	**196.2**	**107.0**

Positive developments were also recorded in terms of sales and premium indicators. In construction financing business, sales increased by roughly 14%. Gross new home loan savings business came in at nearly the level of the previous year. In the Insurance division, gross premiums written also rose significantly both in Property/Casualty Insurance and in Life and Health Insurance.

Group Key figures

	1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020	Change
	in € million	in € million	in %
Gross premiums written (Property/Casualty Insurance)	1,413.8	1,327.1	6.5
Gross premiums written (Life and Health Insurance)	1,328.4	1,191.1	11.5
Construction financing business (including brokering for third parties)	3,649.9	3,204.2	13.9
Home loan savings business (gross)	6,065.3	6,157.0	-1.5

W&W Besser!

Innovation, digitalisation and close personal service remain important cornerstones for strengthening the competitiveness of the W&W Group in the persistently difficult market environment.- The W&W Group is continuing to pursue the strategic initiative W&W Besser! and is focusing on four approaches:

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

In the first half of 2021, the W&W Group continued to rigorously implement its strategic projects and efficiency measures:

In the **Housing** division, the project “#Wohnen 4.0” was launched to meet increased customer requirements. The objectives are to make loan decisions even more quickly and to further optimise processes associated with consultation-intensive customised solutions. This underscores our commitment to be the first point of contact for our customers for all property-related matters.

With the project “Ausbau Immobilien”, Wüstenrot Haus- und Städtebau GmbH (WHS) laid the cornerstone in March 2021 for the second construction site in the “Südcampus” residential neighbourhood of Bad Homburg, where a daycare centre for six groups on around 1,100 square metres and 40 condominium units, the "Taunus Terrassen", are set to be completed by the end of 2022. All told, WHS is building more than 500 apartments in 27 buildings on the former DuPont site. The first residents are scheduled to move in at the start of 2022. The entire neighbourhood is expected to be completed by early 2024 at the latest.

In the **Insurance** division, Württembergische Versicherung AG launched the project “Komposit.Besser!” in early 2020 in order to expand property and casualty insurance business. The change programme is currently shifting from the strategy phase to the implementation phase, with significant investments planned over the next five years. Most of them will be dedicated to the new IT platform Syrius in order to redesign the product and process worlds and make them more flexible. Digitalisation and automation are intended to give employees the freedom they need to offer excellent service.

Württembergische Lebensversicherung AG introduced a new platform, “Württembergische bAVnet”, that enables corporate customers to digitally manage the occupational pension schemes of their employees simply and efficiently. It was created in collaboration with Xempus, a renowned technology provider for the digitalisation of occupational pension schemes, which previously operated under the name xbAV.

In the **brandpool** division, Adam Riese GmbH pushed further ahead with its expansion by introducing a new residential building insurance policy with three rate lines. The policy is the sixth product offered by the W&W Group’s digital brand. It complements the current mix of personal liability, legal expenses, household, casualty and dog owner’s liability insurance with a further important offering, thus tapping into an even broader group of customers.

In recognition of its digital presence and consistent brand management, Adam Riese was named “Digital Brand of the Year” by the German Brand Institute and the German Design Council in the category “Best of Best Excellent Brands”. The brand identity has consistently evolved over the past four years, helping to enable Adam Riese to now reach some 200,000 customers with six insurance products and a growing number of employees. In addition, Adam Riese was awarded Gold in the category “Excellent Brands – Insurance” for its excellent performance.

W&W Group signs “Charta der Vielfalt”

By signing the “Charta der Vielfalt”, the W&W Group is sending a clear signal in favour of tolerance at the workplace, with a commitment to promote diversity in the company. This augments the other measures that the W&W Group has undertaken in the area of diversity. These include, by way of example, a voluntary quota concerning the promotion of women, career advice and coaching programmes, as well as various working-time models and measures to promote the compatibility of work and family in all phases of life. Moreover, the creation of a work environment marked by equal opportunity and tolerance is set down in the W&W Group Code of Conduct.

Sustainability

Responsible action and social commitment have a long tradition in the W&W Group and are an integral part of our corporate culture. We seek to conduct our business in a way that is environmentally sound, socially responsible and economically successful – for the present and future generations, to whom we feel we owe an obligation.

We have voluntarily joined initiatives, such as the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI), and we commit to implementing sustainable principles more strongly in our business activities and to continually enhancing them. In order to increase awareness for sustainability issues in the industry, we joined the financial centre initiative “Stuttgart Financial”. By doing so, we seek to support the Stuttgart financial centre with its long-term strategy of becoming Germany’s leading financial centre in the area of sustainability and sustainable finance.

Financial performance

Consolidated income statement

As at 30 June 2021, consolidated after-tax net profit rose to €196.2 million (previous year: €107.0 million).

Net financial income increased significantly, coming in at €1,323.0 million (previous year: €732.6 million). It consists of the following components:

- Current net income decreased to €524.5 million (previous year: €560.3 million). Dividend yields rose markedly. By contrast, lower interest rates for new investments and reinvestments had an adverse impact on net interest result. In addition, a voluntary, unscheduled subsidy in the amount of €40 million was paid to Pensionskasse der Württembergischen in order further secure our future obligations. Adjustes for this one-off effect, the result remained on the previous years’ level.

- The net expense from risk provision improved to –€8.4 million (previous year: –€54.0 million). The previous year’s figure was strongly affected by the pandemic-related increase in the risk provision for construction loans and securities.

- The net measurement gain stood at €355.1 million (previous year: net loss of €438.2 million). This increase was also influenced by upheavals on the market as a result of the coronavirus pandemic in the previous year. By contrast, the upward movement on the equity markets has continued in the current financial year. This has been accompanied by a positive trend in the net measurement gain for equities, alternative investments and unit-linked life insurance policies compared with the previous year.

- Net income from disposals came in at €451.7 million (previous year: €664.4 million), due in particular to the drop in the sales volume for bonds.

The net commission expense amounted to –€253.3 million (previous year: –€240.3 million). Having a particular impact were higher service commissions as a result of the by and large gratifying increase in the property insurance portfolio.

Net premiums earned rose by €188.2 million to €2,361.4 million (previous year: €2,173.2 million). Both Property/Casualty Insurance and Life and Health Insurance saw significant growth rates.

Net insurance benefits rose to €2,643.1 million (previous year: €1,995.3 million). This increase was the result of Life and Health Insurance, where policyholders share in the positive financial result through the strengthening of the technical provisions. In Property/Casualty Insurance, natural disasters in late June led to high amounts of property damage, particularly in southern and southwestern Germany. Nevertheless, claims development in the first half of 2021 continued to be positive on the whole in a multi-year comparison.

General administrative expenses were able to be held constant at €516.7 million (previous year: €516.4 million) through continued rigorous cost management and coronavirus-related savings, such as lower travel and advisory costs. However, personnel costs rose, including as a result of salary increases under collective bargaining agreements.

Consolidated statement of comprehensive income

As at 30 June 2021, total comprehensive income stood at –€129.1 million (previous year: €139.7 million). It consists of consolidated net profit and other comprehensive income (OCI).

As at 30 June 2021, OCI stood at –€325.3 million (previous year: €32.7 million). The rise in interest rates over the course of the first half of 2021 worked to lower the market values of fixed-income securities and registered securities. Their unrealised losses amounted to –€441.1 million (previous year: unrealised gains of €67.0 million). On the other hand, the rise in interest rates had a positive effect on pension provisions. Actuarial gains from defined benefit plans amounted to €115.8 million (previous year: actuarial losses of –€15.3 million).

Housing segment

New business

Accepted new construction financing business rose by 17.4% to €2,308.1 million (previous year: €1,965.8 million). Taking into account brokering for third parties, new business also rose substantially to €3,621.0 million (previous year: €3,174.2 million). Wüstenrot Bausparkasse AG rigorously continued its growth course and again considerably outperformed the market.

New business key figures

	1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020	Change
	in € million	in € million	in %
New contruction financing (Accepted)	2,308.1	1,965.8	17.4
Construction financing business (including brokering for third parties)	3,621.0	3,174.2	14.1
Gross new business	6,065.3	6,157.0	-1.5
Net new business	5,014.3	5,084.9	-1.4

Net new business (paid-in new business) by contract volume amounted to €5,014.3 million, and while it was slightly below the figure for the previous year (€5,084.9 million), we still outperformed the market here.

Financial performance

Net income in the Housing segment fell to €24.9 million (previous year: €39.6 million). The previous year's figure included one-off income from the initial consolidation of Aachener Bausparkasse AG.

Net financial income increased to €193.2 million (previous year: €190.2 million). This was due to the following aspects:

- Current net income fell to €115.7 million (previous year: €134.8 million). Lower income from construction loans as a result of persistently lower interest rates could not be fully offset by falling interest expenses.
- The net expense from risk provision improved to –€7.4 million (previous year: –€35.0 million). This was mainly due to the risk provision for construction loans created in the previous year on account of the pandemic.
- The net measurement gain amounted to €42.3 million (previous year: €12.3 million). The rise in interest rates in the first half of the year led to an improved result from the discounting of provisions for home loan sav-

ings business (bonus provisions). Trending in the opposite direction was the measurement result for derivatives concluded to reduce interest rate change risks.

- Net income from disposals fell to €42.7 million (previous year: €78.1 million).

Net commission income increased to €3.0 million (previous year: €0.6 million). Higher commission income from the new “Wohnsparen” rate introduced in late 2020 contributed to this development.

General administrative expenses amounted to €168.2 million (previous year: €162.9 million). Materials costs saw an increase, mainly as a result of higher contributions for the bank levy and deposit guarantee.

Net other operating income reached €9.7 million (previous year: €21.3 million). In the prior-year period, this included badwill of €25.0 million from the sale of Aachener Bausparkasse AG, as well as, working in the opposite direction, the restructuring provision of €11.2 million created for this purpose.

Life and Health Insurance segment

New business/premium development

New premiums in the Life and Health Insurance segment rose by 42.0% to €535.5 million (previous year: €377.1 million). Single-premium income grew by €154.2 million to €484.6 million (previous year: €330.4 million). Also, regular premiums in life insurance in the amount of €46.6 million exceeded the previous year’s value (€42.6 million).

New business key figures

	1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020	Change
	in € million	in € million	in %
New premiums	**535.5**	**377.1**	**42.0**
Single premiums, life	484.6	330.4	46.7
Regular premiums, life	46.6	42.6	9.4
Annual new premiums, health	4.3	4.1	4.9

Total premiums for new life insurance business rose sharply to €1,914.3 million (previous year: €1,591.0 million).

In health insurance, annual new premiums likewise increased, amounting to €4.3 million (previous year: €4.1 million). In the case of supplemental policies, new business came in below the value of the previous year, whereas it was able to be increased in the case of full-cost policies.

Gross new business

	1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020	Change
	in € million	in € million	in %
Segment total	**1,328.4**	**1,191.1**	**11.5**
Life	1,186.4	1,055.1	12.4
Health	142.0	136.0	4.4

Gross premiums written rose by 11.5% to €1,328.4 million (previous year: €1,191.1 million), mainly as a result of higher single-premium income.

Financial performance

Segment net income increased to €28.3 million (previous year: €10.7 million).

Net financial income in the Life and Health Insurance segment rose to €1,052.2 million (previous year: €510.5 million). The following income components were responsible for this:

- Current net income increased to €381.2 million (previous year: €366.4 million). Dividend income from alternative investments rose considerably. This was able to offset lower interest income from new investments and reinvestments.

- The net expense from risk provision amounted to −€0.9 million (previous year: −€17.1 million). This reduction was mainly due to the easing of the coronavirus pandemic and the associated economic recovery.

- The net measurement gain rose by €678.7 million and stood at €266.6 million (previous year: net measurement loss of €412.1 million). In the previous year, the capital markets experienced upheavals as a result of the coronavirus pandemic. Equities, alternative investments, fund units and interest-bearing securities all suffered measurement losses. By contrast, measurement gains were posted in the reporting year for alternative investments and equities. This positive development was also apparent in the case of investments for unit-linked life insurance policies,

- Net income from disposals stood at €405.4 million (previous year: €573.4 million).

Net premiums earned rose to €1,369.5 million (previous year: €1,226.6 million), owing to increased single-premium income.

Net insurance benefits stood at €2,165.5 million (previous year: €1,520.9 million). This rise was related to movements in net financial income, which resulted in higher additions to the provision for unit-linked life insurance policies. Also having an impact were higher additions to the provision for premium refunds in the amount of €196.4 million (previous year: €147.7 million). Through the regular increase of the additional interest reserve (including interest rate reinforcement), we are already ensuring the fulfilment of future interest obligations and safeguarding benefits to our customers. Additions totalled €229.8 million (previous year: €219.8 million). The additional interest reserve as a whole now stands at €3,148.1 million (end of the previous year: €2,918.2 million).

General administrative expenses fell to €127.9 million (previous year: €130.5 million). Higher personnel expenses were able to be more than offset by lower materials costs.

Property/Casualty Insurance segment

New business/premium development

New business in terms of the annual contribution to the portfolio developed positively despite the coronavirus pandemic, coming in at €197.2 million (previous year: €162.8 million). The area of corporate and retail customers grew significantly. Our digital brand Adam Riese was also successful in terms of sales and again outperformed our expectations.

New business key figures

	1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020	Change
	in € millions	in € millions	in %
New business	**197.2**	**162.8**	**21.1**
Motor	115.1	112.6	2.2
Corporate customers	39.6	29.7	33.3
Retail customers	42.5	20.5	107.3

Gross premiums written increased further by €86.7 million (+6.5%) to €1,413.8 million (previous year: €1,327.1 million). An increase was posted in all business segments.

Gebuchte Bruttobeiträge

	1.1.2021 to 30.6.2021	1.1.2020 to 30.6.2020	Veränderung
	in € million	in € million	in %
Segment total	**1,413.8**	**1,327.1**	**6.5**
Motor	639.1	618.3	3.4
Corporate customers	367.7	332.9	10.5
Retail customers	407.0	375.9	8.3

Financial performance

Segment net income increased to €133.4 million (previous year: €62.4 million). Claims development was again encouraging. As a consequence of the economic recovery from the impact of the coronavirus and positive trends on the market, net financial income substantially exceeded the previous year's value.

Net financial income stood at €61.4 million (previous year: €3.0 million). It consists of the following components:

- Current net income stood at €17.1 million (previous year: €35.2 million). A voluntary, unscheduled subsidy was paid to Pensionskasse der Württembergischen, of which €23.7 million was attributable to the Property/Casualty Insurance segment. By contrast, dividend income rose.

- The net measurement gain stood at €42.4 million (previous year: net measurement loss of €41.2 million). In the previous year, the result was adversely affected by the upheavals on the capital markets in the wake of the coronavirus pandemic. The recovery on the capital markets this year led to higher measurement gains, particularly in the area of alternative investments, equities and investment funds.

- Net income from disposals fell to €1.8 million (previous year: €10.5 million).

Net premiums earned continued to trend positively. They rose by €43.6 million to €852.3 million (previous year: €808.7 million). All business segments made a contribution to this.

Net insurance benefits increased by €4.2 million to €405.2 million (previous year: €401.0 million) due to the significantly larger insurance portfolio. However, claims expenses developed disproportionately in relation to premiums. Whereas they continued to fall in the motor business segment, they rose in the case of retail and corporate customers. As a consequence of the storms in Germany in June, we incurred expenses for natural disasters in the eight-figure range as a result of benefits we paid to our customers. However, the impact on results is limited due to our reinsurance programme. Owing to our very good portfolio, we were able to reduce the loss ratio (net) to a low 58.1% (previous year: 60.4%). The cost ratio (net) fell to 24.3% (previous year: 24.9%). The combined ratio (net) amounted to 82.4% (previous year: 85.3%).

The net commission expense stood at –€128.9 million (previous year: –€127.1 million). Higher commission income from quota share reinsurance within the Group with W&W AG, which was due to good claims development, contributed to this development. By contrast, growth in the insurance portfolio led to higher commission expenses, which on whole resulted in a slight increase in the net commission expense.

General administrative expenses amounted to €185.9 million (previous year: €180.3 million). While materials costs fell, personnel expenses rose.

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 interests in 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 €15.0 million (previous year: €1.1 million).

Net financial income stood at €29.2 million (previous year: €18.8 million). Essentially the following income components contributed to the development:

- Current net income decreased to €6.0 million (previous year: €26.1 million). This was particularly attributable to the elimination of the Czech subsidiaries. Through the deconsolidation as at 1 April 2020, the comparable value for the previous year contained the insurance surplus of these former subsidiaries for the first quarter.

- The net measurement gain was €21.4 million (previous year: net measurement loss of €9.2 million). In the case of equities and fund units, the upward trend on the equity markets following the pandemic-related upheavals resulted in substantial measurement gains.

Earned premiums rose to €151.6 million (previous year: €147.9 million). The volume ceded by Württembergische Versicherung AG to W&W AG for reinsurance within the Group increased as a result of positive premium development.

Net insurance benefits fell to €81.8 million (previous year: €83.1 million) due to positive claims development.

The net commission expense deteriorated to –€47.4 million (previous year: –€38.2 million). This was mainly due to higher commission expenses incurred by W&W AG for property and casualty insurance in connection with reinsurance within the Group. The reason for the increase in commissions was the good claims development in the Property/Casualty Insurance segment.

General administrative expenses fell to €36.9 million (previous year: €43.7 million). This was aided by the elimination of the costs of the Czech subsidiaries.

Net assets

Asset structure

The W&W Group’s total assets amounted to €75.1 billion (previous year: €76.5 billion). Assets mainly consist of building loans of €23.3 billion (previous year: €22.8 billion) and investments of €49.3 billion (previous year: €51.3 billion).

Valuation reserves

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

W&W Group maintained valuation reserves primarily for financial assets at amortised cost in the amount of €544.9 million (previous year: €623.8 million). The reason for the decline was the rise in interest rates in the first half of 2021. In addition, the Group maintained appreciable reserves for investment property in the amount of €542.8 million (previous year: €536.1 million).

Financial position

Capital structure

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

Technical provisions amounted to €38.8 billion (previous year: €39.4 billion). This includes €31.5 billion (previous year: €30.6 billion) for the provision for future policy benefits, €4.0 billion (previous year: €5.9 billion) for the provision for premium refunds, and €2.7 billion (previous year: €2.7 billion) for the provision for outstanding insurance claims. Liabilities primarily related to liabilities to customers in the amount of €22.6 billion (previous year: €22.5 billion). They largely consisted of deposits from home loan savings business amounting to €19.5 billion (previous year: €19.5 billion).

Liquidity

W&W AG and its subsidiaries had sufficient liquidity at all times. We obtain liquidity from our insurance and home loan savings business and from financing activities.

The cash flow statement shows a cash outflow of –€320.0 million (previous year: cash inflow of €302.0 million) from operating activities and a cash inflow of €100.4 million (previous year: cash outflow of €89.8 million) for investing activities, including capital investments. Financing activities resulted in a cash outflow of –€82.7 million (previous year: –€122.7 million). This resulted in a net change in cash in the reporting year of –€302.3 million (previous year: €89.5 million).

Equity

As at 30 June 2021, the W&W Group's equity stood at €4,894.0 million, compared with €5,085.2 million as at 31 December 2020.

This includes consolidated net profit as at 30 June 2021 and net income included in equity totalling collectively €129.1 million. In addition, equity was reduced by the dividend payment of €60.9 million. Other effects reduced equity by €1.2 million.

Exercise of discretion

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

Related party disclosures

Detailed related party disclosures are found in the notes under "Other disclosures".

Opportunity and risk report

Opportunity report

Recognising and exploiting opportunities is a fundamental requirement for the successful development of the W&W Group. Consequently, we pursue the goal of systematically identifying, analysing and evaluating opportunities and initiating suitable measures to utilise them. The starting point is our firmly established strategy, planning and control processes. For this purpose, we evaluate market and environment scenarios and examine the orientation of our product portfolio, cost drivers and other critical success factors. This takes place from the standpoint of sustainable value orientation.

The opportunities derived from this are discussed by the Executive Board and at other Board meetings in connection with strategy dialogues and then incorporated into strategic planning. We also have sound governance and control structures in place in order to evaluate and pursue opportunities on the basis of their potential, the required investment and the risk profile.

Risk report

Risk management

W&W AG is the ultimate parent company of the financial conglomerate (W&W Group) and the Solvency II group.

The objectives and principles of risk management described in the 2020 Annual Report continued to apply as at 30 June 2021. The planned enhancements of the risk models and risk governance processes are being continuously pursued. These include, inter alia, modifications to conform to new and changing regulatory requirements, continuation of measures for ensuring risk-bearing capacity, enhancement of risk-bearing capacity concepts and models, further promotion of a Group-wide risk culture and process and data optimisation. In addition, we are continuing to rigorously integrate sustainability risks into risk management.

The organisational and operational structure of our risk management system as at 30 June 2021 corresponds to that described in the 2020 Annual Report.

Basic conditions

The coronavirus pandemic continued to shape the basic conditions for the W&W Group in the first half of 2021 as well.

In the year to date, trends on the capital markets and favourable claims development in property/casualty insurance (with the exception of recent storm events) had a positive impact on the W&W Group.

In particular, equity prices and interest rates moved upward during the first half of the year. The spread level, which remained elevated compared with the situation prior to the pandemic, reflected the existing uncertainties on the capital markets about counterparty credit risks, which cannot be ruled out in light of the economic situation.

Macroeconomic developments are described in the section “Business environment” in this Half-Year Financial Report. Please see the section “Outlook” with respect to anticipated developments for, inter alia, financial performance.

Because of current uncertainties about, on the one hand, the further course of the coronavirus pandemic and trends on the capital markets and, on the other, unpredictable major loss events, the W&W Group remains exposed to higher risks in 2021 compared with the years prior to the pandemic. This applies, in particular, if the coronavirus pandemic persists or if storm events accumulate again in the second half of the year.

Current risk position

The risk areas depicted in the 2020 Annual Report remained valid without change as at 30 June 2021:

- Market price risks,
- Counterparty credit risks,
- Underwriting risks,
- Operational risks,
- Business risks and
- Liquidity risks.

As part of the risk strategy, the W&W Group strives for an economic risk-bearing capacity ratio of greater than 145%, based on a confidence level of 99.5%. For W&W AG, the target ratio is greater than 125%. Our calculations show that risk-bearing capacity exceeded these target ratios as at 30 June 2021.

There have been no material changes in what the sensitivity analyses tell us about market price risks, meaning that the remarks in the 2020 consolidated financial statements of W&W AG should be consulted on this issue.

Compared with the risk report contained in the 2020 Group management report, we see material changes or changed basic conditions due to internal and external influences in the following risk areas:

Market price risks

Credit spreads narrowed considerably in the first half of the year compared with the highs in the previous year. However, they are still above the level seen prior to the outbreak of the coronavirus pandemic and thus reflect the uncertainties about potential risks associated with the economic situation. Rating downgrades and credit defaults could cause credit spreads, and thus market price risks, to rise sharply again. To this extent, the credit spread risk remains significant for the W&W Group.

Interest rates were able to recover from their lows in the previous year. The 10-year swap rate as at 30 June 2021 stood at 0.12% and was thus higher than the year-end value of –0.27%. The current interest rate environment continues to pose great challenges for the industry's life insurance companies, home loan savings banks and pension funds and thus also for the W&W Group, with its interest-rate-dependent customer business, its long-term customer guarantees and its predominantly interest-rate-dependent investments.- Persistently low interest rates pose a risk to earnings, as new investments and reinvestments can be made only at low interest rates, while previously assured interest rates and interest obligations still need to be fulfilled for customers.

This also affects the required increase of the additional interest reserve and interest rate reinforcement of Allgemeine Rentenanstalt Pensionskasse AG. Allgemeine Rentenanstalt Pensionskasse AG, working together with its sole shareholder Württembergische Lebensversicherung AG and in coordination with the German Federal Financial Supervisory Authority (BaFin), develops far-reaching proposed solutions, some of which have already been implemented as scheduled. In April 2021, Württembergische Lebensversicherung AG increased the capital reserve of Allgemeine Rentenanstalt Pensionskasse AG by €30.0million. Other measures are being reviewed and implemented.

Compared with the end of 2020, the DAX rose by 13.2%, Euro STOXX 50 by 13.8%, and the U.S. S&P 500 by 15.2%. Thus, following the massive collapse on the exchanges in the first quarter of the previous year, prices as at 30 June 2021 have recovered considerably, even posting record highs during the course of the year to date. Over the first half of the year, we increased investments in equities, particularly in funds, as part of our investment strategy. Despite the recovery, it cannot be ruled out that prices will fall again on the equity markets.

In the alternative investments asset class, fund valuations have essentially risen again. Several infrastructure funds experienced significant declines in value due, inter alia, to the impact of a winter storm in Texas. In light of the uncertainties surrounding the coronavirus pandemic, we will continue to be selective in making new investments by taking the current situation into account.

In the property segment, the coronavirus pandemic has resulted in rent arrears, particularly with key commercial tenants in the retail, hotel and catering sectors. Depending on how the situation progresses, income may suffer further due to falling rents and rent losses caused by the crisis.

Foreign currency risks exist from open net FX positions in globally aligned investment funds, as well as from foreign currency bonds and equity instruments held by of our insurance companies (mainly Württembergische Lebensversicherung AG and Württembergische Versicherung AG). Much of our foreign currency exposure is hedged against exchange rate fluctuations.

The objectives and risk governance measures described in the 2020 Annual Report for the risk area "Market price risk" remain valid.

This applies, in particular, to the intensified risk governance measures in light of the coronavirus pandemic, including with respect to the monitoring and management of credit spread risks and other investment risks. As a result of uncertainties about the further progression of the coronavirus pandemic, the W&W Group remains exposed to increased risks in the area of market price risk compared with the years prior to the pandemic.

For further details about the impact of the coronavirus pandemic on equity investments, interest-bearing securities and properties, please see the section “Coronavirus pandemic” in the chapter “Select explanatory information”.

Counterparty credit risks

As described in the 2020 Annual Report, we continue to emphasise ensuring high creditworthiness for our bond portfolio, balanced diversification, and a good collateral structure. As at 30 June 2021, the portfolio’s share of investments in the investment grade area was 92.8% (31 December 2020: 94.5%).

Ratings did not experience any material changes in the first half of 2021. There have been only very few defaults in interest payments or repayments.

Because of the negative economic consequences of the coronavirus pandemic, delayed effects over the remainder of the year may result in a deterioration in credit quality and credit defaults. This might be the case, in particular, for corporate bonds in economic sectors especially affected by the coronavirus pandemic.

In customer lending business, the credit default rate of Wüstenrot Bausparkasse AG stood at –0.02%, remaining roughly at the year-end level. At things stand today, it is difficult to assess the impact that the coronavirus pandemic will have on customer lending business. Because of higher uncertainty and a greater likelihood of payment defaults, the risk provision had already been increased in the 2020 consolidated financial statements. It was reviewed as at 30 June 2021 and adjusted to meet current circumstances.

The objectives and risk governance measures described in the 2020 Annual Report for the risk area “Counterparty credit risk” remain valid.

Because of uncertainties about the further progression of the coronavirus pandemic and its consequences, the W&W Group remains exposed to increased risks in the area of counterparty credit risk compared with the years prior to the pandemic. For further details about the impact of the coronavirus pandemic on customer lending business and interest-bearing securities, please see the section “Coronavirus pandemic” in the chapter “Select explanatory information”.

Underwriting risks

In the first half of 2021, storm events in June had a deleterious effect. On the other hand, claims development in motor insurance improved once again, due in particular to the lockdown measures and the resulting lower volume of traffic. The loss ratio for the financial year as a whole in the Property/Casualty Insurance segment stands somewhat below the level of the prior year. The adverse impact from storm events also became more aggravated after the reporting date.

At the time that the authorities ordered the closure of businesses due to the coronavirus pandemic, Württembergische Versicherung AG had business closure insurance policies in its portfolio. Since the coronavirus pathogen is not included in the definitive list of insured policy risks, we believe that they do not cover a closure of entire types of businesses that is ordered by the authorities in order to disrupt chains of infection. Württembergische Versicherung AG had joined in the industry-wide ex gratia arrangement and is examining any ex gratia claims on a case-by-case basis. Provisions have been created for these ex gratia claims.

Lawsuits are currently pending with respect to the indemnity payment in business closure insurance. For further information, please see the section “Operational risks”.

In the area of life and health insurance, the coronavirus pandemic continued to have no material effects on benefits expenses.

In addition, the actuarial risk in life insurance and in pension funds is adversely affected by the current interest rate level in connection with long-term customer guarantees.

The objectives and risk governance measures described in the 2020 Annual Report for the risk area “Underwriting risk” remain applicable.

As a result of uncertainties about the further progression of the coronavirus pandemic and the ultimate loss/benefit volume, the W&W Group is exposed to in part increased risks in the area of underwriting risk compared with the years prior to the pandemic. Moreover, adverse effects from the currently intense storms are expected in the area of underwriting risks.

For further details about the impact of the coronavirus pandemic on insurance business, please see the section “Coronavirus pandemic” in the chapter “Select explanatory information”.

Operational risks

Through various guidelines and processes, the W&W Group had already prepared itself in advance of the coronavirus pandemic for the occurrence of crisis situations and extraordinary events like the current coronavirus pandemic. Thus, critical operational risks were able to be avoided though the timely action that has been practised since last year, particularly through rigorous emergency and IT management.

However, in the event of a new outbreak of the coronavirus pandemic in Germany, particularly through dangerous virus mutations, it cannot be ruled out that operational risks may emerge for business processes as a result of employee absences.

A total of 119 legal actions involving Württembergische Versicherung AG are pending regarding the question of coverage under business closure insurance policies (as of 9 July 2021). An increasing number of them are in the appellate stage.

So far, only one higher regional court has ruled against Württembergische Versicherung AG on appeal, and an appeal on points of law has been lodged with the German Federal Court of Justice. Other judgments by higher regional courts have gone in favour of Württembergische Versicherung AG. In two cases, the complainant filed an appeal on points of law with the German Federal Court of Justice.

In light of this, uncertainties still exist with respect to the definitive amount of underwriting losses/benefits. In view of the growing risks associated with the aforementioned appellate proceedings, the W&W Group has increased its provisions. They are subject to regular review. The W&W Group continues to believe that the claims are not covered by the policies. Nevertheless, it cannot be ruled out that the high court will come to a different conclusion on final appeal. This could result in a further substantial increase in the loss/benefit volume.

Because of the uncertainty about the further progression of the coronavirus pandemic and its consequences, the W&W Group remains exposed to increased risks in the area operational risk compared with the years prior to the pandemic.

Liquidity risks

Liquidity planning shows positive liquidity balances at the level of both the W&W Group and the individual companies over the entire planning period, meaning that sufficient liquidity is available to ensure solvency.

It does not appear from the current situation on the capital markets that there are any acute, material market liquidity risks for the capital investments of the W&W Group.

A reemergence of the coronavirus pandemic could lead to a renewed increase in market liquidity risk.

Business risks

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

The W&W Group cannot evade the implications of the coronavirus pandemic on the economic and the capital market environment. For the balance of the year as well, there is uncertainty with respect to the further trends in this area. Negative economic consequences of the coronavirus pandemic could result in a deterioration in credit quality and credit defaults over the remainder of the year. Similarly, we cannot rule out effects on new business or on expenses for insurance claims.

Regulatory requirements continue to constitute significant business environment risks, including in the context of the Solvency II review.

Summary

The W&W Group and W&W AG at all times had sufficient economic and supervisory risk-bearing capacity also in the first half of 2021. Pursuant to our economic risk-bearing capacity model, we had sufficient financial resources in order to be able to cover the assumed risks with high certainty.

It continues to be difficult to estimate the duration and extent of the further course and consequences of the coronavirus pandemic. Accordingly, depending on the future development, a decline in results and pressure on the financial position, net assets and risk position cannot be ruled out, particularly if the coronavirus pandemic persists for an extended period.

In June 2021, S&P confirmed the ratings of the core W&W companies W&W AG, Wüstenrot Bausparkasse AG, Württembergische Lebensversicherung AG and Württembergische Versicherung AG, notwithstanding the current environment marked by the coronavirus. Among other things, the confirmation also reflects the positive assessment of the W&W Group's risk management system.

Outlook

In June 2021, as a result of the positive trends on the capital markets in the first half of the year, as well as favourable claims development to that point, we raised the expected range for consolidated net income for the financial year to €280 to 330 million. This was mainly induced by the net income for the Property/Casualty Insurance segment, for which we expect to come in above the previous year's level.

The higher forecast is subject to the proviso that the coronavirus does not have any new negative effects in the second half of the year and that there are no upheavals on the capital markets or unforeseen major loss events. Despite the high storm losses in June and July 2021, the W&W Group remains optimistic that it will achieve the forecast range for consolidated net income.

The remainder of the forecasts presented in the 2020 Group Annual Report remains valid without change for 2021.

Proviso concerning forward-looking statements

This Half-Year Financial Report and, in particular, the outlook contain forward-looking statements and information.

These forward-looking statements represent estimates based on information that is available at the present time and is considered to be material. They can be associated with known and unknown risks and uncertainties, but also with opportunities. Because of the variety of factors that influence the business operations of the companies, actual results may differ from those currently anticipated.

Therefore, the company does not assume any liability for the forward-looking statements. There is no obligation to adjust forward-looking statements to conform to actual events or to update them.

Wüstenrot & Württembergische AG
Condensed financial statements

Consolidated balance sheet

Assets

in € thousands	cf. Note no[1]	30/6/2021	31/12/2020
Cash reserves		**64,847**	**75,120**
Non-current assets held for sale and discontinued operations	1	**7,352**	**—**
Financial assets at fair value through profit or loss	2	**9,856,515**	**8,800,316**
Financial assets at fair value through other comprehensive income	3	**35,986,561**	**38,862,768**
Thereof sold under repurchase agreements oder lent under securities lending transactions		568,235	796,850
Financial assets at amortised cost	4	**25,582,568**	**25,173,973**
Subordinated securities and receivables		178,283	165,834
Senior debenture bonds and registered bonds		43,846	34,808
Senior fixed income securities		9	—
Building loans		23,299,393	22,830,677
Other loans and receivables		2,015,869	2,074,187
Portfolio hedge adjustment		45,168	68,467
Positive market values from hedges	5	**7,596**	**16,071**
Financial assets accounted for using the equity method		**85,717**	**88,710**
Investment property	6	**1,870,293**	**1,873,561**
Reinsurers' portion of technical provisions		**316,893**	**278,047**
Other assets		**1,361,143**	**1,319,076**
Intangible assets		107,464	104,764
Property, plant and equipment	7	502,502	488,440
Inventories		227,805	178,204
Current tax assets		33,604	41,202
Deferred tax assets		423,332	454,673
Other assets		66,436	51,793
Total assets		**75,139,485**	**76,487,642**

1 See numbered explanation in the notes starting on page 41.

Liabilities

in € thousands	cf. Note no	30/6/2021	31/12/2020
Financial liabilities at fair value through profit or loss		**266,383**	**44,188**
Liabilities	8	**27,489,331**	**27,825,524**
Liabilities evidenced by certificates		1,408,623	1,412,976
Liabilities to credit institutions		1,977,275	2,193,839
Liabilities to customers		22,649,826	22,481,152
Finance lease liabilities		71,763	83,215
Miscellaneous liabilities		1,316,113	1,322,509
Portfolio hedge adjustment		65,731	331,833
Negative market values from hedges	9	**2,511**	**15,688**
Technical provisions	10	**38,803,913**	**39,402,291**
Other provisions	11	**2,856,766**	**3,134,620**
Other liabilities		**476,469**	**637,018**
Current tax liabilities		164,308	178,776
Deferred tax liabilities		285,941	447,567
Other liabilities		26,220	10,675
Subordinated capital	12	**350,121**	**343,162**
Equity	13	**4,893,991**	**5,085,151**
Interests of W&W shareholders in paid-in capital		1,485,588	1,486,463
Interests of W&W shareholders in earned capital		3,375,847	3,556,194
Retained earnings		3,284,350	3,158,949
Other reserves (other comprehensive income)		91,497	397,245
Non-controlling interests in equity		32,556	42,494
Total liabilities		**75,139,485**	**76,487,642**

Consolidated income statement

in € thousands	cf. Note no	1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020
Current net income	14	**524,546**	**560,293**
Net interest income		373,993	442,259
Interest income		622,705	675,352
Thereof calculated using the effective interest method		554,080	609,439
Interest expenses		–248,712	–233,093
Dividend income		124,092	89,302
Other current net income		26,461	28,732
Net income/expense from risk provision	15	**–8,350**	**–53,960**
Income from risk provision		50,199	47,373
Expenses from risk provision		–58,549	–101,333
Net measurement gain/loss	16	**355,078**	**–438,163**
Measurement gains		1,441,102	1,089,522
Measurement losses		–1,086,024	–1,527,685
Net income/expense from disposals	17	**451,726**	**664,384**
Income from disposals		460,786	718,432
Expenses from disposals		–9,060	–54,048
Thereof gains/losses from financial assets at amortised cost		9	–5
Net financial result		**1,323,000**	**732,554**
Thereof net income/expense from financial assets accounted for using the equity method		2,433	767
Earned premiums (net)	18	**2,361,420**	**2,173,212**
Earned premiums (gross)		2,438,312	2,243,224
Premiums ceded to reinsurers		–76,892	–70,012
Insurance benefits (net)	19	**–2,643,109**	**–1,995,258**
Insurance benefits (gross)		–2,679,054	–2,053,036
Received reinsurance premiums		35,945	57,778
Net commission expense	20	**–253,250**	**–240,347**
Commission income		143,365	121,256
Commission expenses		–396,615	–361,603
Carryover		**788,061**	**670,161**

in € thousands	cf. Note no	1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020
Carryover		**788,061**	**670,161**
General administrative expenses		**–516,689**	**–516,372**
Personnel expenses		–321,598	–311,568
Materials costs		–156,071	–168,133
Depreciation/amortisation		–39,020	–36,671
Net other operating income/expense		**11,218**	**9,825**
Other operating income		92,236	85,197
Other operating expenses		–81,018	–75,372
Consolidated earnings before income taxes from continued operations		**282,590**	**163,614**
Of which are sales revenues[1]		3,693,953	3,464,707
Income taxes	21	–86,358	–56,588
Consolidated net profit		**196,232**	**107,026**
Result attributable to shareholders of W&W AG		195,028	106,604
Result attributable to non-controlling interests		1,204	422
Basic (= diluted) earnings per share, in €	22	**2,08**	**1,14**
Thereof from continued operations, in €		2,08	1,14

1 Interest, dividends, provisions, rental income and income from real estate business and gross premiums of insurance business

Consolidated statement of comprehensive income

in € thousands	1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020
Consolidated net profit	**196,232**	**107,026**
Other comprehensive income (OCI)		
Elements not reclassified to the consolidated income statement:		
Actuarial gains/losses (–) from pension commitments (gross)	178,010	–24,272
Provision for deferred premium refunds	–11,435	2,181
Deferred taxes	–50,755	6,755
Actuarial gains/losses (–) from pension commitments (net)	**115,820**	**–15,336**
Elements subsequently reclassified to the consolidated income statement:		
Unrealised gains/losses (–) from financial assets at fair value through other comprehensive income (OCI, gross)	–2,633,812	707,553
Provision for deferred premium refunds	1,999,368	–611,750
Deferred taxes	193,316	–28,791
Unrealised gains/losses (–) from financial assets at fair value through other comprehensive income (OCI, net)	**–441,128**	**67,012**
Unrealised gains/losses (–) from cash flow hedges (gross)	–	49
Provision for deferred premium refunds	–	–
Deferred taxes	–	–15
Unrealised gains/losses (–) from cash flow hedges (net)	**–**	**34**
Currency translation differences of economically independent foreign units	**–**	**–19,003**
Total other comprehensive income, (OCI, gross)	–2,455,802	664,327
Total provision for deferred premium refunds	1,987,933	–609,569
Total deferred taxes	142,561	–22,051
Total other comprehensive income, (OCI, net)	**–325,308**	**32,707**
Total comprehensive income for the period	**–129,076**	**139,733**
Result attributable to shareholders of W&W AG	–119,138	135,903
Result attributable to non-controlling interests	–9,938	3,830

Consolidated statement of changes in equity

		Interests of W&W shareholders equity	
		Share capital	Capital reserve
in € thousands	cf. Note no.		
Equity as at 1 January 2020		**490,029**	**996,485**
Changes to the scope of consolidation		–	–
Total comprehensive income for the period			
Consolidated net profit		–	–
Other comprehensive income		–	–
Total comprehensive income for the period		**–**	**–**
Dividends to shareholders	13	–	–
Treasury shares		202	–252
Other		–	–
Equity as at 30 June 2020		**490,231**	**996,233**
Equity as at 1 January 2021		**490,231**	**996,232**
Changes to the scope of consolidation		–	–
Total comprehensive income for the period			
Consolidated net profit		–	–
Other comprehensive income		–	–
Total comprehensive income for the period		**–**	**–**
Dividends to shareholders	13	–	–
Treasury shares		–338	–537
Other		–	–
Equity as at 30 June 2021		**489,893**	**995,695**

						Interests of W&W shareholders in equity	Equity attributable to W&W shareholders	Non-controlling interests in equity	Total equity
	Retained earnings					Other reserves			
		Reserve for pension commitments	Reserve from fixed-income financial assets accounted for at fair value directly in equity (OCI)	Reserve for finan-cial assets accounted for using the equity method	Reserve for cash flow hedges	Reserve for currency translation			
	3,026,543	**–716,675**	**984,559**	**82**	**–47**	**19,003**	**4,799,979**	**35,103**	**4,835,082**
	–4,816	—	4,816	—	—	—	—	—	—
	106,604	—	—	—	—	—	106,604	422	107,026
	—	–15,325	63,593	—	34	–19,003	29,299	3,408	32,707
	106,604	**–15,325**	**63,593**	**—**	**34**	**–19,003**	**135,903**	**3,830**	**139,733**
	–60,927	—	—	—	—	—	–60,927	—	–60,927
	193	—	—	—	—	—	143	—	143
	–5,216	—	—	—	—	—	–5,216	—	–5,216
	3,062,381	**–732,000**	**1,052,968**	**82**	**–13**	**—**	**4,869,882**	**38,933**	**4,908,815**
	3,158,949	**–821,498**	**1,218,637**	**106**	**—**	**—**	**5,042,657**	**42,494**	**5,085,151**
	–8,109	—	8,109	—	—	—	—	—	—
	195,028	—	—	—	—	—	195,028	1,204	196,232
	—	115,756	–429,922	—	—	—	–314,166	–11,142	–325,308
	195,028	**115,756**	**–429,922**	**—**	**—**	**—**	**–119,138**	**–9,938**	**–129,076**
	–60,885	—	—	—	—	—	–60,885	—	–60,885
	–324	—	—	—	—	—	–1,199	—	–1,199
	–309	309	—	—	—	—	—	—	—
	3,284,350	**–705,433**	**796,824**	**106**	**—**	**—**	**4,861,435**	**32,556**	**4,893,991**

Condensed consolidated cash flow statement

Cash flow from operating activities is determined using the indirect method.

The balance of cash and cash equivalents in the financial year consists of the item "Cash reserve" in the amount of €64.8 million (previous year: €78.9 million) and bank deposits payable on demand in the amount of €863.3 million (previous year: €1,065.9 million) that are reported under the item "Other receivables". The cash reserve consists of cash on hand, deposits with central banks and deposits with foreign postal giro offices.

Included in "Cash flow from financing activities" are deposits from the sale of treasury shares in connection with an employee share ownership programme, as well as distributions from the repurchase of the company's own shares, in the amount of −€1.6 million (previous year: −€0.3 million). The W&W Group can freely dispose of its cash and cash equivalents. As at 30 June 2021, the legally mandated balance with the Deutsche Bundesbank that is subject to the reserve requirement amounted to €28.5 million (previous year: €25.9 million).

Condensed consolidated cash flow statement

in € thousands	1.1.2021 to 30.6.2021	1.1.2020 to 30.6.2020
Consolidated net profit	196,232	107,026
Increase (−)/decrease (+) in building loans	−581,804	−230,444
Increase (+)/decrease (−) in liabilities evidenced by certificates	−4,354	−32,761
Increase (+)/decrease (−) in liabilities to credit institutions	−216,563	213,418
Increase (+)/decrease (−) in liabilities to customers	168,674	−311,962
Other changes	117,809	556,743
I. Cash flow from operating activities	**−320,006**	**302,020**
Cash receipts from the disposal of intangible assets and property, plant and equipment	11,177	1,061
Cash payments for investments in intangible assets and property, plant and equipment	−74,639	−63,493
Cash receipts from the disposal of financial assets	6,701,285	7,666,056
Cash payments for investments in financial assets	−6,537,450	−8,076,141
Cash and cash equivalents of subsidiaries or other business units over which control was lost	–	139,892
Cash and cash equivalents of subsidiaries or other business units over which control was gained	–	242,836
II. Cash flow from investing activities	**100,373**	**−89,789**
Dividend payments to shareholders	−60,885	−60,927
Transactions between shareholders	−1,613	−251
Change in funds resulting from subordinated capital	−6,270	−49,895
Interest payments on subordinated capital	−1,469	−2,934
Cash payments towards lease liabilities	−12,418	−8,682
III. Cash flow from financing activities	**−82,655**	**−122,689**

in € thousands	2021	2020
Cash and cash equivalents as at 1 January	**1,202,263**	**1,053,947**
Net change in cash and cash equivalents (I.+ II.+ III.)	−302,288	89,542
Change in cash and cash equivalents attributable to the effects of exchange rates and the scope of consolidation	28,176	1,272
Cash and cash equivalents as at 30 June	**928,151**	**1,144,761**

Select explanatory disclosures

General accounting principles and application of IFRS

General information

In accordance with the provisions of Section 115 in conjunction with Section 117 No. 2 of the German Securities Trading Act (WpHG), the half-year financial report of Wüstenrot & Württembergische AG consists of condensed consolidated interim financial statements, an interim group management report and the responsibility statement required under Section 297 (2) sentence 4 and Section 315 (1) sentence 5 of the German Commercial Code (HGB). The interim group management report is prepared in accordance with the applicable provisions of the WpHG and the German Accounting Standard DRS 16.

The accounting policies applied were the same as those used for the consolidated annual financial statements as at 31 December 2020, as well as those applicable from 1 January 2021 for the first time. The provisions applicable for the first time had no material impact on the presentation of the assets, financial position and financial performance of the W&W Group.

The condensed consolidated interim financial statements of Wüstenrot & Württembergische AG – consisting of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the condensed consolidated cash flow statement and select explanatory disclosures – are presented in conformity with IAS 34 "Interim Financial Reporting", were drawn up on the basis of Section 315e HGB in conformity with the International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), and have a condensed scope of reporting compared with the consolidated annual financial statements as at 31 December 2020. The Executive Board of Wüstenrot & Württembergische AG authorised publication of the Group’s half-year financial report on 9 August 2021.

The half-year financial report of the W&W Group was drawn up in euros. Small discrepancies between indicated amounts are possible because of rounding.

Employee share ownership programme

An employee share ownership programme was again offered in the first half of 2021. It enabled all employees of companies in the W&W Group who were entitled to participate to acquire up to 40 shares of W&W AG at a price of €13.20 per share, which represented a discount of €5.00 per share. Employees are required to hold these shares for at least three years.

In addition to issuing treasury shares from the portfolio, a further 147,501 shares were repurchased on the market for the programme and then issued in part. Employees acquired a total of 82,787 of these shares. This resulted in personnel expenses of €0.4 million. Thus, as at 30 June 2021, W&W AG held 79,966 treasury shares.

Utilisation of discretionary judgments and estimates

In the course of calculating a risk provision under IFRS 9, we exercised discretion to the extent that, as a rule, we did not mechanistically adopt currently available macroeconomic information but rather were guided by macroeconomic information that, in the long term, is more stable (including historical information), and we under-weighted the short-term developments in the coronavirus pandemic. Depending on how the coronavirus pandemic continues to develop, the discretionary judgments will again be subjected in coming months to a review of whether they remain valid. For further information, please see the section “Risk provision – financial assets”.

Due to the adoption of a statutory moratorium on deferred payments in 2020 during the corona pandemic, the process of amendments in the level structure of IFRS 9 has been changed in a way that if making use of deferred payments there is no generally higher default risk assumed for each customer. This change was temporarily in view of the term of the statutory moratorium and ended in 2020.

As a consequence of the construction of the new W&W campus in Ludwigsburg/Kornwestheim, the remaining useful life was shortened for a building in Ludwigsburg that is for own use. The carrying amount of the building concerned amounted to nearly €18.6 million at the start of the financial year. It is being depreciated on a straight-line basis over its remaining useful life until mid-2023. The shortened useful life had an impact on the consolidated income statement in the first half of the year as an additional expense of €2.9 million. The expenses were recognised in "General administrative expenses".In the following years the annual depreciation amounts to €7.2 million.

In connection with the creation of the additional interest reserve for endowment insurance policies with flexible maturity, the calculation of the provision, which is shown in the provision for future policy benefits, was modified owing to changed parameters. A longer term to maturity was used for the calculation. The effect in the amount of €30.3 million was recognised in the consolidated income statement as an expense under "Insurance benefits (gross)".

Other than that, there were no material changes in connection with the utilisation of discretionary judgments and estimates as compared to the consolidated financial statement as at 31 December 2020.

Coronavirus pandemic

The business model of the W&W Group proved to be stable, including during the coronavirus pandemic. Its impact on the W&W Group will be depicted in the following.

In the first half of 2021, the pandemic spread of the coronavirus also continued to have an impact on the basic business and economic conditions of the W&W Group. The crisis team of the W&W Group initiated a variety of measures as early as March 2020 on in order to stem the spread in the W&W Group and curb the impact of the pandemic on business operations. With the amendments to the German Infection Protection Act (Infektionsschutzgesetz), known as the "Nationwide Emergency Brake", that went into effect on 23 April 2021, workers were required to work from home until 30 June 2021 as far as possible. In the process, our availability to our customers, as well as the ability of our employees to work, was assured at all times.

The half-year financial statements of the W&W Group are affected by the impact of the coronavirus pandemic to varying degrees of intensity, particularly in customer lending business, in the area of capital investments and real estate, and in insurance business. A variety of supportive measures by central banks and countries mitigated the effects on national economies. For instance, in the first half of 2021, the German government enacted "Interim Assistance III", a further temporary aid programme as a result of the dynamic infection numbers. As part of this extraordinary economic assistance, up to 100% of fixed operating costs were reimbursed until June 2021, depending on the relevant loss of revenue. In addition, particularly hard-hit companies were given an additional infusion of equity. Furthermore, suspension of the obligation to apply for commencement of insolvency proceedings was extended to 30 April 2021, but only for companies that had filed an application for financial assistance from government aid programmes that had good prospects for success. With the German Act to Protect Employment as a Consequence of the COVID-19 Pandemic (Gesetz zur Beschäftigungssicherung infolge der COVID-19-Pandemie) of 3 December 2020, the legislators decided to extend the special arrangements concerning short-time working benefits essentially until the end of 2021. These measures make it possible for companies and their workers to share in the anticipated upturn following the lockdown and thus have a stabilising effect. On the other hand, it can be anticipated that insolvency figures will rise significantly when these statutory measures expire.

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

Customer lending business primarily relates to customer lending by Wüstenrot Bausparkasse AG and, to a lesser extent, to the mortgage portfolios of Württembergische Lebensversicherung AG and Württembergische Versicherung AG. Despite the continued restrictions occasioned by the pandemic, new construction financing business rose significantly year on year. The desire for a home of one's own remains unabated, despite or because of the coronavirus pandemic. By contrast, new home loan savings business (gross/net) of Wüstenrot Bausparkasse AG again posted a small decline on account of the pandemic. In 2020 the main impact of the coronavirus pandemic in this area was that approximately 3,800 customers of the W&W Group made use of the statutory moratorium in order to defer principal and interest payments. In addition, from July to September 2020, customers with financial difficulties occasioned by the coronavirus pandemic were offered a private moratorium. It enabled payments of principal and interest to be deferred for up to six months.

More than 90% of customers resumed making their agreed payments after the statutory and voluntary moratoriums expired. As at 30 June 2021, loans with a total volume of about €45 million were still subject to further management. From today's standpoint, these risks are predominantly covered by liens and sufficient risk provision.

Where so requested by customers, the W&W Group is again offering the standard deferral options in order to enable borrowers to attenuate their financial difficulties.

In the past year, based on experience and additional external data, the W&W Group decided that it needed to assume that counterparty credit risk was higher than projected in current risk models. Therefore, it increased the probabilities of default and, in addition, used a higher probability of complete default for loans with lower creditworthiness. In light of this, the risk provision for customer lending was increased last year by €34.0 million. This procedure was retained in the first half of the year, since at this time it cannot yet be predicted how the coronavirus will progress. In connection with initial effects that are becoming apparent in the macroeconomic data and thus in the risk models, the additional risk provision was adjusted to €29.2 million to be consistent with the probability of default. The was primarily because of increased uncertainty, as well as the continuing risk of payment defaults in connection with the coronavirus pandemic.

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

In the area of interest-bearing securities, creditworthiness did not appear to deteriorate in the first half of 2021. Rather, the created risk provision dropped slightly by €1.4 million. In this regard, the high proportion of solvent loans with investment-grade securities helped to cushion the increase in the risk provision. There were no major changes in rating classifications in the first half of 2021. In addition, the balanced diversification of the portfolio and the general recovery on the market had a positive effect. To date, there have been no defaults in interest payments or repayments. Interest rates remained low as a consequence of the ongoing expansive monetary policy, which has been continued in response to the coronavirus pandemic. In the case of new investments and reinvestments, this led to correspondingly lower interest income.

Details concerning sensitivity analysis of market price risks can be found in the management report.

The coronavirus pandemic also continued to have an impact on the **property area** of the W&W Group in the form of a significant rise in rent arrears, although the vast majority of rent payments were made on time. The statutory moratorium in 2020 enabled lessees to defer their rent payments for up to three months, starting in April. Most of the rent arrears occasioned by the coronavirus involved only a few key commercial lessees in the retail, hotel and catering sectors. They totalled €11.1 million as at 30 June 2021 (previous year: €6.3 million). The rent arrears occasioned by the coronavirus did not result in any modifications in the area of lease accounting under IFRS 16 (as lessor). In addition, the legislators amended Section 313 of the German Civil Code (BGB) and thus created more latitude for rent reductions.

The selective choice of commercial lessees with appropriate business models had a positive impact. At the same time, the existing properties, which are mostly in very good locations, are normally used by these lessees in a variety of ways.

As a result of the coronavirus pandemic, we recorded expenses of approximately €3.9 million in the property area in the first half of 2021. In connection with risk provision, these consist specifically of impairment provisions of €2.2 million, as well as additions to the provisions for reclaimed rent payments of €1.7 million. In 2021 the pandemic led to a reduction of market values in the case of properties in the principally affected sectors. This did not result in any impairments recognised as an expense.

In **insurance business**, the W&W Group incurred expenses of €42.0 million in 2020, before accounting for a billed reinsurance policy, in connection with business closure insurance policies. In the first half of 2021 expenses amounting to €11.6 million were generated. As at 30 June 2021, after making payments to policyholders in 2021 totalling €1.6 million, provisions in connection with business closure insurance policies still amounted to €36.7 million. In the area of life and health insurance, there were again no material effects.

For further explanations about effects occasioned by the coronavirus, please see the management report.

Accounting policies

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 described below, which were required to be applied for the first time, the same accounting policies were applied as in the consolidated financial statements as at 31 December 2020.

- Amendments to IFRS 4 – deferral of IFRS 9 - with initial application for financial years beginning on or after 1 January 2021
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform – Phase 2) with initial application for financial years beginning on or after 1 January 2021.

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

Issued accounting rules whose application is not yet mandatory

IFRS 17 "Insurance Contracts"
IFRS 17 "Insurance Contracts” was published in May 2017. Following publication, criticism was expressed with respect to certain requirements in IFRS 17. As a result, on 25 June 2020, the IASB published “Amendments to IFRS 17”, which, inter alia, postponed the date of initial application of IFRS 17 to financial years beginning on or after 1 January 2023, as well as possible earlier initial application.

IFRS 17 replaces IFRS 4 “Insurance Contracts”, which had been in effect since 1 January 2005. With regard to the recognition of insurance contracts, it for the first time introduces uniform requirements for the recognition, measurement and presentation of, as well as disclosures concerning, insurance contracts and reinsurance contracts. For adoption into EU law, IFRS 17 must still successfully pass the endorsement procedure.

Under the measurement model in IFRS 17, groups of insurance contracts are measured on the basis of probability-weighted discounted cash flows with an explicit risk adjustment for non-financial risk, as well as a contractual service margin, representing the unearned profit that the company will recognise as it provides services under the insurance contracts in the Group.

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

For short-term contracts, IFRS 17 provides for an approximation method, which, as in the past, depicts the obligation to provide insurance coverage through excess premium. Under IFRS 17, liabilities resulting from insured events that have occurred, but for which claims have not been settled, are to be discounted using current interest rates. For large parts of life insurance business with participation contracts, IFRS 17 modifies the general measurement model by also including in the contractual service margin the changes in the shareholder portion of the development of income sources underlying the participation contract and allocating them over the remaining duration of the provision of service.

Because of the special significance of the new requirements, the W&W Group has launched a multi-year implementation project. At this time, we intend to apply IFRS 17 for the first time as at 1 January 2023. Initial application will have a material impact on the financial statements.

Other changes
In addition, the following changes have been published:

- Amendments to IAS 1 (Classification of Liabilities as Current oder Non-current and Classification of Liabilities as Current oder Non-current – Deferral of Effective Date) with initial application for financial years starting on or after 1 January 2023,
- Amendments to IAS 1 and IFRS Practice Statement 2 with initial application for financial years beginning on or after 1 January 2023,
- Amendments to IAS 8 (Definition of Accounting Estimates) with initial application for financial years starting on or after 1 January 2023,
- Amendments to IFRS 3, IAS 16, IAS 37 and the Annual Improvements to IFRS Standards 2018-2020 Cycle, with initial application on 1 January 2022
- Amendments to IAS 12 (Deferred Tax related to Assets and Liabilities arising from a Single Transaction) with initial application beginning on or after 1 January 2023,
- Amendments to IFRS 16 (Covid-19-Related Rent Concessions) with application beginning on or after 1 April 2021.

We are currently studying the effects that the amendments to IAS 1 and IFRS Practice Statement 2, to IAS 12 and to IAS 8, will have on the W&W Group. With regard to the remaining amendments, we expect that adoption of these changes will not have any material impact on the net assets, financial position and financial performance of the W&W Group. Although earlier application is generally permitted, the W&W Group does not plan to do so. Amendments to IFRS 3, IAS 16, IAS 37 and the Annual Improvements to IFRS Standards 2018-2020 Cycle, with initial application on 1 January 2022, were adopted into EU law on 28 June 2021. The EU has not yet given its endorsement to the other amendments.

Consolidation

Changes to the scope of consolidation

Additions to the scope of consolidation

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

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

Disposals from the scope of consolidation

As of January 2021, Wohnimmobilien GmbH & Co. KG der Württembergischen, Stuttgart, and City Immobilien II GmbH & Co. KG der Württembergischen, Stuttgart, were eliminated from the scope of consolidation in the first half-year due to their merger into Württembergische Lebensversicherung AG, Stuttgart.

The changes to the scope of consolidation had no material effect on the comparability of the current year with the previous year.

Accounting policies

Determining the fair value of financial instruments

The procedure described in the following is used to determine the fair value of financial instruments, irrespective of the category or class to which the financial instrument is assigned and regardless of whether the fair value so determined is used for measurement purposes or for information in the notes.

As a rule, classification for the measurement of fair value pursuant to IFRS 13 corresponds to the classification that is made for the purpose of the extended disclosures for financial instruments pursuant to IFRS 7. The extension arises through the inclusion of non-current assets classified as held for sale and discontinued operations, as well as, in analogous fashion, the inclusion of liabilities under non-current assets classified as held for sale and discontinued operations, in order to cover the relevant assets and liabilities.

Because of the business models operated in the W&W Group and the great relevance of capital investments, financial instruments are subjected to detailed classification on the basis of their characteristics, such as the type of underlying cash flows and risks. This includes a delineation based on ranking. In this regard, the type of financial instrument is reflected concisely in the respective class designation. In addition, the following classes of debt instruments are described in particular detail:

The class "Senior fixed-income securities", which can be found in the categories "Financial assets at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income", contains (bearer) warrant bonds of the highest priority ranking with primarily fixed interest.

The category "Financial assets at fair value through other comprehensive income" also contains the class "Subordinated securities and receivables" and other securities, including debt securities. In terms of class volume, this mainly has to do with bonds with a variable interest rate (floating rate notes) and, depending on the contractual structure, bonds with a changing type of coupon (e.g. fixed interest to variable interest).

The class "Fixed-income financial instruments that do not pass the SPPI test" in the category "Financial assets at fair value through profit or loss" includes all financial instruments that give rise to cash flows that are not solely payments of principal and interest and therefore do not meet the so-called SPPI criterion in IFRS 9. This class includes various types of warrant bonds, debenture bonds and other securities, including debt securities, of mixed ranking that may be subject to several risks. Because of the specific contract structure, industrial undertakings and other financial service providers make up the largest group here.

The class "Senior debenture bonds and registered bonds" in the category "Financial assets at fair value through other comprehensive income" contains exclusively non-fungible warrant bonds and debenture bonds with fixed coupons. Public institutions and banks make up the majority of issuers here.

The class "Derivative financial instruments" on the assets as well as the liabilities side mainly includes currency forwards, swaps and other interest-rate and currency derivatives, as well as listed and unlisted equity- and index-linked options.

The class "Positive/negative market values from hedges" includes those instruments that are designated as a hedging instrument as part of hedge accounting. In the W&W Group, these are mostly unlisted interest-rate swaps.

The class "Investments for the account and risk of life insurance policyholders" includes fund units in which the W&W Group does not itself participate financially and thus bears no risks or opportunities.

The fair value of a financial instrument means the price that the W&W Group would receive if it were to sell an asset or pay if it were to transfer a liability in an orderly transaction between market participants on the measurement date. Fair value is thus a market-based measurement, not an entity-specific measurement.

The further procedure and the policies for measuring fair value are described in the chapter "Notes concerning financial instruments and fair value".

Risk provision – Financial assets

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

With respect to the coronavirus pandemic, the current approach for calculating a risk provision under IFRS 9 has essentially remained the same, but small modifications were necessary due to the new situation. This related to the use of macroeconomic factors.

With regard to the forecast for the relevant macroeconomic factors for the IFRS 9 risk provision calculation, each scenario was essentially in line with internal company planning, as well as with the availability of the data bases for the forecasts. However, the coronavirus pandemic caused particular uncertainty here with respect to the further trends in these forecasts utilised for the respective factors.

In order to determine the sensitivity of the risk provision in accordance with IFRS 9, the following scenarios were considered in customer lending business. In addition, in light of the coronavirus pandemic, macroeconomic factors were used that are more stable in the medium to long term. This discretionary judgment is in line with the requirements of the European Securities and Markets Authority (ESMA).

Forecast of the relevant macroeconomic factors in ...

	Base scenario	Alternative scenario – optimistic	Alternative scenario – pessimistic
Price index for existing residential properties[1]	172.7	182.7	157.7
Unemployment rate, in %[2]	3.7	3.4	4.8
Nominal GDP growth, in %[3]	4.5	4.8	2.7
Long-term 10-year interest rate for German government bonds, in %[4]	–0.3	0.0	–0.6

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

In the course of calculating an IFRS 9 risk provision for accounting purposes in customer lending business, the base scenario is exclusively applied, since the modelled risk parameters are themselves already based on various model scenarios (default, no default, recovery, settlement) and in principle this base scenario remains well suited for making forecasts. The alternative scenarios are shown here merely for informational purposes. The employed characteristics of the various macro factors were estimated in light of the coronavirus pandemic, and a purely mechanistic adoption of the current macroeconomic situation was avoided. The forecast for the relevant factors was based on the objective of giving greater weight to assumptions that are more stable in the long term.

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

In the W&W Group as a whole, the risk provision in accordance with IFRS 9 would, in the pessimistic scenario, increase by €66.7 million for customer lending business and in the area of investments and, in the optimistic scenario, fall by €17.1 million for both areas.

Concessions and renegotiations (forbearance measures)

In justified exceptional cases, we enter into reorganisation/restructuring agreements with customers. These agreements generally call for a temporary or permanent reduction in the amount of loan repayment instalments in exchange for an extension of the total term of the loan, which ultimately is intended to lead to complete repayment. In the first half of 2021, adjustments to the approach due to the coronavirus pandemic were no longer necessary. Henceforth, the standard forbearance measures will again be granted where needed.

Further information about this process can be found in the consolidated financial statements as at 31 December 2020. The current developments in the first half of 2021 with respect to the coronavirus pandemic can be found in the section of the same name.

Segment reporting

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

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

Housing

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

Life and Health Insurance

The reportable segment Life and Health Insurance consists of various business segments, all of which have similar economic characteristics and are comparable in terms of the aggregation criteria in IFRS 8.

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

Property/Casualty Insurance

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

All other segments

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

Consolidation/reconciliation

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

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

Measurement principles

The measurement principles for segment reporting correspond to the accounting policies applied to the IFRS consolidated financial statements, with the following exceptions. In conformity with internal Group reporting and control, we do not apply IFRS 16 to leases within the Group. The interests in the subsidiaries of W&W AG that are not consolidated in “All other segments” are measured there at fair value through other comprehensive income and not reclassified to the consolidated income statement.

Segment income statement

in € thousands	Housing 1/1/2021 to 30/6/2021	Housing 1/1/2020 to 30/6/2020	Life and Health Insurance 1/1/2021 to 30/6/2021	Life and Health Insurance 1/1/2020 to 30/6/2020
Current net income	115,655	134,774	381,167	366,386
Net result from risk provision	–7,408	–34,991	–947	–17,103
Net measurement result	42,252	12,295	266,552	–412,146
Net income from disposals	42,685	78,144	405,439	573,404
Net financial result	**193,184**	**190,222**	**1,052,211**	**510,541**
Thereof net income/expense from financial assets accounted for using the equity method	–	–	957	92
Earned premiums (net)	–	–	1,369,501	1,226,600
Insurance benefits (net)	–	–	–2,165,536	–1,520,859
Net commission income/expense	2,989	576	–75,739	–72,338
General administrative expenses[2]	–168,181	–162,897	–127,882	–130,478
Net other operating income	9,674	21,308	–13,225	2,375
Segment net income before income taxes from continued operations	**37,666**	**49,209**	**39,330**	**15,841**
Income taxes	–12,790	–9,562	–11,054	–5,106
Segment net income after taxes	**24,876**	**39,647**	**28,276**	**10,735**
Other information				
Total revenue[3]	430,987	440,301	1,782,644	1,615,917
Thereof with other segments	12,221	11,103	7,704	12,201
Thereof with external customers	418,766	429,198	1,774,940	1,603,716
Segment assets[4]	30,071,395	30,496,057	39,029,849	40,208,202
Segment liabilities[4]	28,174,940	28,511,221	38,218,663	39,197,328
Financial assets accounted for using the equity method[4]	–	–	37,862	39,617

1 The column "Consolidation/reconciliation" includes the effect of consolidation between segments.
2 Includes rental and other service income with other segments.
3 Interest, dividend, commission, and rental income, as well as income from property development business and gross premiums written.
4 Value as at 30 Juni 2021 and 31 Dezember 2020.

	Property and casulaty insurance		Total for reportable segments		All other segments		Consolidation/reconciliation[1]		Group	
	1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020	1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020	1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020	1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020	1/1/2021 to 30/6/2021	1/1/2020 to 30/6/2020
	17,053	35,197	513,875	536,357	5,960	26,130	4,711	−2,194	524,546	560,293
	69	−1,449	−8,286	−53,543	74	−505	−138	88	−8,350	−53,960
	42,447	−41,235	351,251	−441,086	21,415	−9,161	−17,588	12,084	355,078	−438,163
	1,833	10,509	449,957	662,057	1,742	2,327	27	–	451,726	664,384
	61,402	**3,022**	**1,306,797**	**703,785**	**29,191**	**18,791**	**−12,988**	**9,978**	**1,323,000**	**732,554**
, ,	2,697	7,271	3,654	7,363	4,019	582	−5,240	−7,178	2,433	767
	852,334	808,667	2,221,835	2,035,267	151,631	147,900	−12,046	−9,955	2,361,420	2,173,212
	−405,195	−401,004	−2,570,731	−1,921,863	−81,804	−83,059	9,426	9,664	−2,643,109	−1,995,258
	−128,892	−127,090	−201,642	−198,852	−47,440	−38,196	−4,168	−3,299	−253,250	−240,347
	−185,928	−180,311	−481,991	−473,686	−36,912	−43,678	2,214	992	−516,689	−516,372
	−914	−821	−4,465	22,862	3,125	−843	12,558	−12,194	11,218	9,825
, **,**	**192,807**	**102,463**	**269,803**	**167,513**	**17,791**	**915**	**−5,004**	**−4,814**	**282,590**	**163,614**
	−59,429	−40,049	−83,273	−54,717	−2,769	137	−316	−2,008	−86,358	−56,588
	133,378	**62,414**	**186,530**	**112,796**	**15,022**	**1,052**	**−5,320**	**−6,822**	**196,232**	**107,026**
	1,550,993	1,449,499	3,764,624	3,505,717	358,497	358,926	−429,168	−399,936	3,693, 953	3,464,707
	94,262	82,191	114,187	105,495	314,981	294,441	−429,168	−399,936	–	–
	1,456,731	1,367,308	3,650,437	3,400,222	43,516	64,485	–	–	3,693,953	3,464,707
	5,309,465	4,907,492	74,410,709	75,611,751	5,799,746	5,784,320	−5,070,970	−4,908,429	75,139,485	76,487,642
	3,646,702	3,390,641	70,040,305	71,099,190	2,149,207	2,086,415	−1,944, 018	−1,783,114	70,245,494	71,402,491
	54 700	54,716	92,562	94,333	9,994	9,475	−16,839	−15,098	85,717	88,710

Information by region (Group)

	Revenue from external customers[1]		Non-current assets[2]	
in € thousands	1.1.2021 to 30.6.2021	1.1.2020 to 30.6.2020	30.6.2021	31.12.2020
Germany	3,693,691	3,439,160	2,479,519	2,465,978
Czech Republic	–	25,126	–	–
Other countries	262	421	740	787
Total	**3,693,953**	**3,464,707**	**2,480,259**	**2,466,765**

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

Notes concerning the consolidated balance sheet

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

in € thousands	30.6.2021	31.12.2020
Other assets	7,352	–
Non-current assets held for sale and discontinued operations	**7,352**	**–**

The other asset held for sale as at 30 June 2021 has to do with a property in own use in Aachen which is allocated to the Housing segment. The building, which was used as a headquarters building by the former Aachener Bausparkasse AG until it was merged into Wüstenrot Bausparkasse AG, is being sold for strategic reasons. The sale is expected to close during the 2021 financial year.

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

in € thousands	30.6.2021	31.12.2020
Participations other than in alternative investments	219,494	217,009
Participations in alternative investments	2,130,445	1,750,431
Equities	734,478	609,067
Investment fund units	1,398,915	1,392,896
Fixed-income financial instruments that do not pass the SPPI test	2,701,033	2,406,974
Derivative financial instruments	63,413	268,078
Senior fixed-income securities	67,527	76,162
Capital investments for the account and risk of life insurance policyholders	2,541,210	2,079,699
Financial assets at fair value through profit or loss	**9,856,515**	**8,800,316**

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

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

in € thousands	30.6.2021	31.12.2020
Subordinated securities and receivables	775,675	801,514
Senior debenture bonds and registered bonds	10,373,137	12,315,455
Senior fixed-income securities	24,837,749	25,745,799
Financial assets at fair value through other comprehensive income	**35,986,561**	**38,862,768**

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

in € thousands	30.6.2021	31.12.2020
Subordinated securities and receivables	−1,352	−1,090
Senior debenture bonds and registered bonds	−5,005	−6,051
Senior fixed-income securities	−30,013	−30,631
Risk provision	**−36,370**	**−37,772**

(4) Financial assets at amortised cost

	Carrying amount		Fair value	
in € thousands	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Subordinated securities and receivables	178,283	165,834	195,401	186,595
Senior debenture bonds and registered bonds [1]	43,846	34,808	44,744	35,982
Senior fixed income securities	9	–	9	–
Construction loans	23,299,393	22,830,677	23,871,422	23,501,031
Other receivables	2,015,869	2,074,187	2,015,888	2,074,170
Other loans and advances[1]	1,653,705	1,767,604	1,653,724	1,767,587
Miscellaneous receivables[2]	362,164	306,583	362,164	306,583
Portfolio hedge adjustment	45,168	68,467	n/a	n/a
Financial assets at amortised cost	**25,582,568**	**25,173,973**	**26,127,464**	**25,797,778**

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

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

in € thousands	30.6.2021	31.12.2020
Subordinated securities and receivables	**178,283**	**165,834**
Credit institutions	94,742	94,458
Other financial companies	40,788	30,468
Other companies	42,753	40,908
Senior debenture bonds and registered bonds	**43,846**	**34,808**
Senior fixed-income securities	**9**	**–**
Construction loans	**23,299,393**	**22,830,677**
Loans under home loan savings contracts	1,439,617	1,537,337
Preliminary and interim financing loans	14,623,784	14,010,854
Other construction loans	7,235,992	7,282,486
Other receivables	**2,015,869**	**2,074,187**
Other loans and advances[1]	1,653,706	1,767,604
Miscellaneous receivables[2]	362,163	306,583
Portfolio hedge adjustment	**45,168**	**68,467**
Financial assets at amortised cost	**25,582,568**	**25,173,973**

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

Not including risk provision, the loans and advances to credit institutions included under “Other loans and advances” amounted to €1,245.0 million (previous year: €1,458.2 million), of which €923.2 million (previous year: €1,295.7 million) were due on demand and €321.9 million (previous year: €162.5 million) were not due on demand.

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

Risk provision by class for financial assets at amortised cost

in € thousands	30.6.2021	31.12.2020
Subordinated securities and receivables	–217	–217
Senior debenture bonds and registered bonds	–56	–43
Construction loans	–103,995	–102,428
Other loans and advances	–44,979	–40,489
Miscellaneous receivables	–9,887	–9,994
Risk provision	**–159,134**	**–153,171**

(5) Positive market values from hedges

in € thousands	30.6.2021	31.12.2020
Fair value hedges	**7,596**	**16,071**
Hedging of interest rate risk	7,596	16,071
Positive market values from hedges	**7,596**	**16,071**

(6) Investment property

The fair value of investment property amounted to €2,413.1 (previous year: €2,409.6 million).

(7) Property, plant and equipment

The construction of the campus in Ludwigsburg/Kornwestheim resulted in obligations to acquire property, plant and equipment totalling €91.1 million (previous year: €172.7 million).

With regard to property for own use, costs of €46.4 million (previous year: €106.5 million) were incurred for assets under construction.

(8) Liabilities

	Carrying amount		Fair value	
in € thousands	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Liabilities evidenced by certificates	1,408,623	1,412,976	1,382,141	1,404,587
Debts owed to credit institutions	1,977,275	2,193,839	1,983,892	2,203,375
Liabilities to customers	22,649,826	22,481,152	22,701,553	22,550,641
Lease liabilities	71,763	83,215	71,763	83,215
Miscellaneous liabilities	1,316,113	1,322,509	1,316,538	1,322,509
Other liabilities[1]	357,099	365,283	357,524	365,283
Sundry liabilities[2]	959,014	957,226	959,014	957,226
Portfolio hedge adjustment	65,731	331,833	n/a	n/a
Liabilities	**27,489,331**	**27,825,524**	**27,455,887**	**27,564,327**

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

To enable a better understanding of the information, the following table provides a detailed breakdown of liabilities:

in € thousands	30.6.2021	31.12.2020
Liabilities evidenced by certificates	**1,408,623**	**1,412,976**
Liabilities to credit institutions	**1,977,275**	**2,193,839**
Liabilities to customers	**22,649,826**	**22,481,152**
Deposits from home loan savings business and savings deposits	19,481,841	19,502,655
Other liabilities	3,167,985	2,978,497
Lease liabilities	**71,763**	**83,215**
Miscellaneous liabilities	**1,316,113**	**1,322,509**
Other liabilities[1]	357,099	365,283
Sundry liabilities[2]	959,014	957,226
Liabilities from reinsurance business	144,656	120,334
Liabilities from direct insurance business	608,213	672,472
Other sundry liabilities	206,145	164,420
Portfolio hedge adjustment	**65,731**	**331,833**
Liabilities	**27,489,331**	**27,825,524**

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

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

Other liabilities to credit institutions, which are included under “Liabilities to credit institutions”, amounted to €1,927.5 million (previous year: €2,143.4 million), of which €42.5 million (previous year: €12.7 million) were due on demand and €1,885.0 million (previous year: €2,130.7 million) were not due on demand.

Of the other liabilities from liabilities to customers, €2,270.1 million (previous year: €2,184.4 million) are due on demand and €897.9 million (previous year: €794.1 million) have an agreed term.

Of the liabilities from direct insurance business within sundry liabilities, €556.4 million (previous year: €607.5 million) were attributable to policyholders and €51.8 million (previous year: €64.9 million) to insurance agents.

(9) Negative market values from hedges

in € thousands	30.6.2021	31.12.2020
Fair value hedges	**2,511**	**15,688**
Hedging of interest rate risk	2,511	15,688
Negative market values from hedges	**2,511**	**15,688**

(10) Technical provisions

		Gross
in € thousands	30.6.2021	31.12.2020
Provision for unearned premiums	572,595	240,636
Provision for future policy benefits	31,484,717	30,568,319
Provision for outstanding insurance claims	2,749,147	2,695,829
Provision for premium refunds	3,962,920	5,862,892
Other technical provisions	34,534	34,615
Technical provisions	**38,803,913**	**39,402,291**

(11) Other provisions

in € thousands	30.6.2021	31.12.2020
Provisions for pensions and other long-term employee benefits	1,794,544	1,985,935
Miscellaneous provisions	1,062,222	1,148,685
Other provisions	**2,856,766**	**3,134,620**

The assumptions underlying the pension commitments that concern the actuarial interest rate were reviewed during the reporting period in accordance with market conditions. As a result, the actuarial interest rate used to measure pension commitments rose from 0.4% as at 31 December 2020 to 0.9%. The adjustment of the interest rate was recognised as an actuarial gain, taking into account deferred taxes and the provision for deferred premium refunds, in the reserve for pension commitments and forms a part of other comprehensive income.

In the financial year, there were releases from "Miscellaneous provisions" totalling €9.3 million (previous year: €10.3 million).

(12) Subordinated capital

		Carrying amount		Fair value
in € thousands	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Subordinated liabilities	348,096	341,052	393,647	388,277
Profit participation certificates	2,025	2,110	2,441	2,607
Subordinated capital	**350,121**	**343,162**	**396,088**	**390,884**

(13) Equity

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

Dividends totalling €60,885,340.10 were distributed on 26 May 2021.

Notes concerning the consolidated income statement

(14) Current net income

in € thousands	1.1.2021 to 30.6.2021	1.1.2020 to 30.6.2020
Interest income	**622,705**	**675,352**
Subordinated securities and receivables	9,061	13,887
Fixed-income financial instruments that do not pass the SPPI test	35,391	27,348
Derivative financial instruments	32,488	37,000
Senior debenture bonds and registered bonds	91,048	114,515
Senior fixed-income securities	210,213	197,808
Construction loans	229,402	268,405
Other receivables	7,141	11,667
Other loans and advances	6,320	8,959
Miscellaneous receivables	821	2,708
Negative interest on liabilities	7,961	4,722
Interest expenses	**-248,712**	**-233,093**
Liabilities evidenced by certificates	-2,943	-4,034
Deposit liabilities and other liabilities	-146,018	-156,373
Lease liabilities	-391	-740
Reinsurance liabilities	-1,492	-1,252
Miscellaneous liabilities	-40,355	-973
Subordinated capital	-8,427	-9,822
Derivative financial instruments	-43,683	-48,847
Negative interest on loans and advances	-2,662	-3,114
Other	-2,741	-7,938
Dividend income	**124,092**	**89,302**
Other current net income	**26,461**	**28,732**
Net income/expense from financial assets accounted for using the equity method	2,433	767
Net income from investment property	24,014	27,956
Other	14	9
Current net income	**524,546**	**560,293**

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

Net income from investment property contains income from leasing in the amount of €56.8 million (previous year: €56.9 million). In addition, it includes directly attributable operating expenses for repairs, maintenance and management, as well as depreciation. These expenses consisted of €29.6 million (previous year: €27.2 million) for investment property that generated rental income and €3.2 million (previous year: €1.7 million) for investment property that did not generate any rental income.

(15) Net expense from risk provision

in € thousands	1.1.2021 to 30.6.2021	1.1.2020 to 30.6.2020
Income from risk provision	**50,199**	**47,373**
Release of risk provision	43,154	38,933
Subordinated securities and receivables	303	53
Senior debenture bonds and registered bonds	1,448	1,364
Senior fixed-income securities	10,300	7,401
Construction loans	30,585	29,392
Other receivables	518	723
Other loans and advances	345	485
Miscellaneous receivables	173	238
Release of provisions in lending business, for irrevocable loan commitments, for financial guarantees	2,236	3,139
Write-ups/receipts on written-down securities and receivables	4,809	5,301
Expenses from risk provision	**–58,549**	**–101,333**
Additions to risk provision	–55,958	–96,656
Subordinated securities and receivables	–577	–514
Senior debenture bonds and registered bonds	–255	–1,991
Senior fixed-income securities	–9,355	–22,852
Construction loans	–31,121	–60,328
Other receivables	–14,650	–10,971
Other loans and advances	–13,995	–10,633
Miscellaneous receivables	–655	–338
Additions to provisions in lending business, for irrevocable loan commitments, for financial guarantees	–2,591	–2,668
Other expenses	–	–2,009
Expenses from insignificant modifications – related to creditworthiness	–	–2,009
Net expense from risk provision	**–8,350**	**–53,960**

(16) Net measurement gain/loss

in € thousands	1.1.2021 to 30.6.2021	1.1.2020 to 30.6.2020
Net income from financial assets/liabilities at fair value through profit or loss	**289,855**	**-384,775**
Participations, shares, investment fund units	184,577	-155,231
Senior fixed-income securities	-752	-6,485
Derivative financial instruments	-153,051	72,112
Capital investments for the account and risk of life insurance policyholders	256,877	-240,709
Fixed-income financial instruments that do not pass the SPPI test	2,204	-54,462
Net expense from the discounting of provisions for home loan savings business	**53,103**	**-30,632**
Net income from hedges[1]	**15,263**	**20,445**
Impairments/reversals of impairment losses taken on investment property	**–**	**-72**
Net currency expense	**-3,143**	**-43,129**
Participations, shares, investment fund units	42,798	-4,326
Subordinated securities and receivables	–	–
Fixed-income financial instruments that do not pass the SPPI test	27,905	-5,784
Senior fixed-income securities	141,705	-12,045
Other receivables	12,247	1,603
Derivative financial instruments	-239,786	-22,126
Capital investments for the account and risk of life insurance policyholders	12,898	1,190
Liabilities	-910	-1,641
Net measurement gain/loss	**355,078**	**-438,163**

1 Hedge accounting (hedged items and hedging instruments)

Net income from financial assets/liabilities at fair value through profit or loss included measurement gains in the amount of €655.3 million (previous year: €371.2 million) and measurement losses in the amount of €365.5 million (previous year: €756.0 million). Of this, measurement gains in the amount of €66.8 million (previous year: €227.1million) and measurement losses in the amount of €219.8 million (previous year: €155.0 million) were attributable to derivatives, which mainly hedged interest rate-dependent measurement gains and losses on capital investments.

The net currency expense included gains in the amount of €304.8 million (previous year: €223.8 million) and losses in the amount of €307.9 million (previous year: €266.9 million). Of this, currency gains in the amount of €60.5 million (previous year: €183.4 million) and currency losses in the amount of €300.3 million (previous year: €205.6 million) were attributable to currency derivatives, which hedged currency gains and losses on capital investments.

(17) Net income from disposals

in € thousands	1.1.2021 to 30.6.2021	1.1.2020 to 30.6.2020
Income from disposals	**460,786**	**718,432**
Subordinated securities and receivables	2,841	296
Senior debenture bonds and registered bonds	238,850	416,758
Senior fixed-income securities	219,087	243,266
Other receivables	8	–
Investment property	–	58,112
Expenses from disposals	**-9,060**	**-54,048**
Subordinated securities and receivables	-60	–
Senior fixed-income securities	-9,000	-53,934
Other receivables	–	-6
Other	–	-108
Net income from disposals	**451,726**	**664,384**

(18) Earned premiums (net)

Life and health insurance

in € thousands	1.1.2021 to 30.6.2021	1.1.2020 to 30.6.2020
Gross premiums written	1,318,742	1,181,110
Change in unearned premiums	17,972	14,261
Premiums from the provision for premium refunds	38,856	36,281
Earned premiums (gross)	**1,375,570**	**1,231,652**
Premiums ceded to reinsurers	-15,755	-15,007
Earned premiums (net)	**1,359,815**	**1,216,645**

Property/casualty insurance and reinsurance

in € thousands	1.1.2021 to 30.6.2021	1.1.2020 to 30.6.2020
Gross premiums written	1,412,674	1,332,399
Direct	1,409,728	1,325,743
Reinsurance	2,946	6,656
Change in unearned premiums	-349,932	-320,827
Earned premiums (gross)	**1,062,742**	**1,011,572**
Premiums ceded to reinsurers	-61,137	-55,005
Earned premiums (net)	**1,001,605**	**956,567**

(19) Insurance benefits (net)

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

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

Life and health insurance

in € thousands	1.1.2021 to 30.6.2021	1.1.2020 to 30.6.2020
Payments for insurance claims	−1,047,725	−1,052,270
Gross amount	−1,055,802	−1,060,467
Thereof to: Reinsurers' portion	8,077	8,197
Change in the provision for outstanding insurance claims	5,118	11,584
Gross amount	4,554	11,183
Thereof to: Reinsurers' portion	564	401
Change in the provision for future policy benefits	−917,088	−320,163
Gross amount	−916,996	−322,594
Thereof to: Reinsurers' portion	−92	2,431
Change in the provision for premium refunds	−196,403	−148,166
Gross amount	−196,403	−148,166
Thereof to: Reinsurers' portion	–	–
Change in other technical provisions	35	−1,952
Gross amount	35	−1,952
Thereof to: Reinsurers' portion	–	–
Insurance benefits (net)	**−2,156,063**	**−1,510,967**
Gross amount, total	−2,164,612	−1,521,996
Thereof to, total: Reinsurers' portion	8,549	11,029

Property/casualty insurance and reinsurance

in € thousands	1.1.2021 to 30.6.2021	1.1.2020 to 30.6.2020
Payments for insurance claims	–438,987	–513,221
Gross amount	–458,690	–542,291
Thereof to: Reinsurers' portion	19,703	29,070
Change in the provision for outstanding insurance claims	–48,278	28,970
Gross amount	–55,705	10,927
Thereof to: Reinsurers' portion	7,427	18,043
Change in the provision for premium refunds	–47	–229
Gross amount	–47	–229
Thereof to: Reinsurers' portion	–	–
Change in other technical provisions	266	189
Gross amount	–	553
Thereof to: Reinsurers' portion	266	–364
Insurance benefits (net)	**–487,046**	**–484,291**
Gross amount, total	–514,442	–531,040
Thereof to, total: Reinsurers' portion	27,396	46,749

(20) Net commission expense

in € thousands	1.1.2021 to 30.6.2021	1.1.2020 to 30.6.2020
Commission income	**143,365**	**121,256**
from the conclusion of home loans savings contracts	73,780	57,531
from home loan savings business	15,818	17,510
from reinsurance	16,822	13,726
from brokering activities	32,942	28,470
from investment business	1,836	1,592
from other business	2,167	2,427
Commission expenses	**–396,615**	**–361,603**
from insurance	–258,955	–236,483
from banking/home loan savings business	–93,274	–81,325
from reinsurance	–341	–355
from brokering activities	–9,436	–6,929
from investment business	–14,542	–10,700
from other business	–20,067	–25,811
Net commission expense	**–253,250**	**–240,347**

(21) Income taxes

in € thousands	1.1.2021 to 30.6.2021	1.1.2020 to 30.6.2020
Current income taxes paid for the reporting period	-74,666	-101,113
Current taxes paid for other periods	583	2,884
Deferred taxes	-12,275	41,641
Income taxes	**-86,358**	**-56,588**

(22) Earnings per share

Basic earnings per share are determined by dividing the consolidated net profit by the weighted average number of shares:

		1.1.2021 to 30.6.2021	1.1.2020 to 30.6.2020
Result attributable to shareholders of W&W AG	in €	195,028,197	106,603,936
Number of shares at the beginning of the financial year	#	93,734,468	93,695,834
Number of treasury shares on the reporting date	#	-79,966	-15,252
Weighted average number of shares	#	93,766,825	93,715,044
Basic (= diluted) earnings per share	in €	**2.08**	**1.14**

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

Notes concerning financial instruments and fair value

(23) Disclosures concerning the measurement of fair value

Determining the fair value of financial instruments

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

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

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

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

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

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

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

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

There were no regroupings between levels during the reporting period or during the comparable period in the previous year.

Unadjusted quoted or market prices are used as Level 1 input factors only for financial instruments in the balance sheet items “Financial assets at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss”. These mainly involve quoted equities as well as derivative financial instruments, such as futures, that are traded on a regulated market.

The measurement methods used for determining fair value in Levels 2 and 3 consist of generally accepted measurement models, such as the present-value method, under which anticipated future cash flows are discounted at current interest rates applicable to the relevant residual term to maturity, credit risks and markets. Here as well, measurement prices and detailed market parameters are monitored daily as part of the price verification process. This method is used to measure securities, including debt securities, with agreed cash flows under the items "Financial assets at fair value through profit or loss", "Financial liabilities at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income". The present value method is used to measure unquoted derivative financial instruments, such as interest rate swaps and non-optional forward transactions (e.g. currency forwards) in Level 2. These are included under the items "Financial assets at fair value through profit or loss", "Financial liabilities at fair value through profit or loss", "Positive market values from hedges" and "Negative market values from hedges". Fund units and investments for the account and risk of holders of life insurance policies are also mainly assigned to Level 2. The most recently available redemption price for the underlying investment certificate is used for measurement.

The main measurement models and parameters for calculations of the fair value of individual assets and liabilities in Levels 2 and 3 are presented in the following overview.

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

Class	Measurement model	Main parameters
Non-current assets held for sale and discontinued operations	**In accordance with the respective balance sheet items**	
Financial assets at fair value through profit or loss		
Participations other than in alternative investments	Capitalised earnings method Approximation method Net asset value method	Discount rate, future cash flows
Participations in alternative investments	Capitalised earnings method Approximation method Adjusted net asset value method	Discount rate, future cash flows
Equities	Approximation method Adjusted net asset value method	
Investment funds units	Approximation method Adjusted net asset value method	
Fixed-income financial instruments that do not pass the SPPI test	Present value method	Liquidity and credit spreads, 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, basis price and remaining maturity 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		
Subordinated securities and receivables	Present value method	Liquidity and credit spreads, yield curves
Senior debenture bonds and registered bonds	Present value method	Liquidity and credit spreads, yield curves
Senior fixed-income securities	Present value method	Liquidity and credit spreads, yield curves
Positive market values from hedges	**Present value method**	**Yield curves**
Liabilities under non-current assets classified as held for sale and discontinued operations	**In accordance with the respective balance sheet items**	
Financial liabilities at fair value through profit or loss		
Derivative financial instruments	Present value method Black/Scholes model Libor market model, Hull/White model	Foreign exchange rates (spot and forward), yield curves Quoted prices/index, volatilities, yield curves, basis price and remaining maturity Yield curves, volatilities
Technical provisions		
Provision for future policy benefits for unit-linked insurance contracts	In accordance with the corresponding asset item	
Negative market values from hedges	**Present value method**	**Yield curves**

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

Level 3 for the item "Financial assets at fair value through profit or loss" is characterised by non-exchange-traded equities, as well as investments, including alternative investments. Fair value is mainly determined on the basis of the net asset value. The NAV, which is calculated quarterly in accordance with industry standards, is provided by fund managers and then reviewed by risk controlling units and, if necessary, adjusted to account for outstanding performance-related compensation claims. This also applies for indirect property investments, which are assigned to "Participations other than in alternative investments". In the case of participations that are not assigned to alternative investments or property participations, fair value is normally calculated based on the pro-rata interest in the equity shown in the respective current annual financial statements. If no information is available, amortised cost is used as an approximate value for fair value.

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

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

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

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

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

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

	Level 1	Level 2	Level 3	Fair value/carrying amount
in € thousands	30.6.2021	30.6.2021	30.6.2021	30.6.2021
Financial assets at fair value through profit or loss	**623,653**	**6,719,575**	**2,513,287**	**9,856,515**
Participations other than in alternative investments	–	–	219,494	219,494
Participations in alternative investments	–	–	2,130,445	2,130,445
Other financial companies	–	–	2,000,124	2,000,124
Other companies	–	–	130,321	130,321
Equities	611,566	–	122,912	734,478
Investment funds units	–	1,395,513	3,402	1,398,915
Fixed-income financial instruments that do not pass the SPPI test	–	2,672,197	28,836	2,701,033
Derivative financial instruments	12,087	51,326	–	63,413
Interest rate-based derivatives	743	36,040	–	36,783
Currency-based derivatives	–	2,098	–	2,098
Equity- and index-based derivatives	11,344	13,039	–	24,383
Other derivatives	–	149	–	149
Senior fixed-income securities	–	67,527	–	67,527
Capital investments for the account and risk of life insurance policyholders	–	2,533,012	8,198	2,541,210
Financial assets at fair value through other comprehensive income	**–**	**35,986,561**	**–**	**35,986,561**
Subordinated securities and receivables	–	775,675	–	775,675
Senior debenture bonds and registered bonds	–	10,373,137	–	10,373,137
Credit institutions	–	6,516,200	–	6,516,200
Other financial companies	–	155,794	–	155,794
Other companies	–	60,756	–	60,756
Public authorities	–	3,640,387	–	3,640,387
Senior fixed-income securities	–	24,837,749	–	24,837,749
Credit institutions	–	6,380,253	–	6,380,253
Other financial companies	–	1,569,763	–	1,569,763
Other companies	–	2,064,962	–	2,064,962
Public authorities	–	14,822,771	–	14,822,771
Positive market values from hedges	**–**	**7,596**	**–**	**7,596**
Total assets	**623,653**	**42,713,732**	**2,513,287**	**45,850,672**

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

in € thousands	Level 1 30.6.2021	Level 2 30.6.2021	Level 3 30.6.2021	Fair value/carrying amount 30.6.2021
Financial liabilities at fair value through profit or loss	**3,632**	**262,751**	**–**	**266,383**
Derivative financial instruments	3,632	262,751	–	266,383
Interest rate-based derivatives	196	107,504	–	107,700
Currency-based derivatives	–	137,245	–	137,245
Equity- and index-based derivatives	3,436	18,002	–	21,438
Technical provisions	**–**	**2,541,210**	**–**	**2,541,210**
Provision for future policy benefits for unit-linked insurance contracts	–	2,541,210	–	2,541,210
Negative market values from hedges	**–**	**2,511**	**–**	**2,511**
Total liabilities	**3,632**	**2,806,472**	**–**	**2,810,104**

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

	Level 1	Level 2	Level 3	Fair value/carrying amount
in € thousands	31.12.2020	31.12.2020	31.12.2020	31.12.2020
Financial assets at fair value through profit or loss	**507,624**	**6,011,313**	**2,281,379**	**8,800,316**
Participations other than in alternative investments	–	–	217,009	217,009
Participations in alternative investments	–	–	1,750,431	1,750,431
Other financial companies	–	–	1,621,910	1,621,910
Other companies	–	–	128,521	128,521
Equities	502,367	–	106,700	609,067
Investment funds units	–	1,220,564	172,332	1,392,896
Fixed-income financial instruments that do not pass the SPPI test	–	2,378,138	28,836	2,406,974
Derivative financial instruments	5,257	262,821	–	268,078
Interest rate-based derivatives	7	72,280	–	72,287
Currency-based derivatives	–	176,152	–	176,152
Equity- and index-based derivatives	5,250	14,266	–	19,516
Other derivatives	–	123	–	123
Senior fixed-income securities	–	76,162	–	76,162
Capital investments for the account and risk of life insurance policyholders	–	2,073,628	6,071	2,079,699
Financial assets at fair value through other comprehensive income	**–**	**38,862,768**	**–**	**38,862,768**
Subordinated securities and receivables	–	801,514	–	801,514
Senior debenture bonds and registered bonds	–	12,315,455	–	12,315,455
Credit institutions	–	7,793,330	–	7,793,330
Other financial companies	–	165,848	–	165,848
Other companies	–	44,667	–	44,667
Public authorities	–	4,311,610	–	4,311,610
Senior fixed-income securities	–	25,745,799	–	25,745,799
Credit institutions	–	7,003,272	–	7,003,272
Other financial companies	–	1,301,568	–	1,301,568
Other companies	–	1,759,569	–	1,759,569
Public authorities	–	15,681,390	–	15,681,390
Positive market values from hedges	**–**	**16,071**	**–**	**16,071**
Total assets	**507,624**	**44,890,152**	**2,281,379**	**47,679,155**

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

	Level 1	Level 2	Level 3	Fair value/carrying amount
in € thousands	31.12.2020	31.12.2020	31.12.2020	31.12.2020
Financial liabilities at fair value through profit or loss	**2,488**	**41,700**	**–**	**44,188**
Derivative financial instruments	2,488	41,700	–	44,188
Interest rate-based derivatives	170	31,345	–	31,515
Currency-based derivatives	–	1,248	–	1,248
Equity- and index-based derivatives	2,318	9,107	–	11,425
Technical provisions	**–**	**2,079,699**	**–**	**2,079,699**
Provision for future policy benefits for unit-linked insurance contracts	–	2,079,699	–	2,079,699
Negative market values from hedges	**–**	**15,688**	**–**	**15,688**
Total liabilities	**2,488**	**2,137,087**	**–**	**2,139,575**

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

in € thousands	Participations other than in alternative investments	Participations in alternative investments (other financial companies)[4]	Participations in alternative investments (other companies)[4]	Equities
As at 1 January 2020	**219,034**	**1,449,528**	**145,268**	**104,572**
Total net expense for the period	-3,590	-48,720	-9,623	-232
Income recognised in the consolidated income statement[1]	2,756	48,674	2,408	–
Expenses recognised in the consolidated income statement[1]	-6,346	-97,394	-12,031	-232
Purchases	886	189,572[3]	5,588	2,990
Sales	-1,070	-64,778	-9,302	-2,809
Reclassifications	–	–[3]	–	–
Changes in the scope of consolidation	110	–	–	–
As at 30 June 2020	**215,370**	**1,525,602**	**131,931**	**104,521**
Income recognised in the consolidated income statement as at the end of the reporting period[2]	2,756	48,674	2,408	–
Expenses recognised in the consolidated income statement as at the end of the reporting period[2]	-6,346	-97,394	-12,031	-232
As at 1 January 2021	**217,009**	**1,621,910**	**128,521**	**106,700**
Total net income/expense for the period	3,053	123,213	9,564	-217
Income recognised in the consolidated income statement[1]	4,475	173,695	13,494	–
Expenses recognised in the consolidated income statement[1]	-1,422	-50,482	-3,930	-217
Purchases	599	291,348	1,506	16,891
Sales	-1,167	-119,663	-2,615	-462
Reclassifications	–	75,908	-6,655	–
Changes in the scope of consolidation	–	7,408	–	–
As at 30 June 2021	**219,494**	**2,000,124**	**130,321**	**122,912**
Income recognised in the consolidated income statement as at the end of the reporting period[2]	4,475	173,695	13,494	–
Expenses recognised in the consolidated income statement as at the end of the reporting period[2]	-1,422	-50,482	-3,930	-217

1 Income and expenses are mainly included in the net measurement gain/loss in the consolidated income statement.
2 Period income and expenses for assets still in the portfolio at the end of the reporting period.
3 Prior-year figure adjusted.
4 Classification under IFRS 13 was revised and expanded in the 2020 reporting year. Thereby, an extension of this class division took place.

Financial assets at fair value through profit or loss			Non-current assets held for sale and discontinued operations[4]	Total
Investment fund units	Fixed-income financial instruments that do not pass the SPPI test	Capital investments for the account and risk of holders of life insurance policies		
87,230	**33,212**	**6,247**	**120**	**2,045,211[3]**
–130	–	–1,088	–	–63,383
441	–	192	–	54,471
–571	–	–1,280	–	–117,854
32,820	–	2,202	–	234,058[3]
–8,434	–	–4,158	–	–90,551
–	–	–	–	–
–	–	–	–120	–10
111,486	**33,212**	**3,203**	**–**	**2,125,325**
441	–	192	–	54,471
–571	–	–1,280	–	–117,854
172,332	**28,836**	**6,071**	**–**	**2,281,379**
–374	–	3,053	–	138,292
11	–	3,053	–	194,728
–385	–	–	–	–56,436
2,245	–	2,771	–	315,360
–209	–	–3,697	–	–127,813
–69,253	–	–	–	–
–101,339	–	–	–	–93,931
3,402	**28,836**	**8,198**	**–**	**2,513,287**
11	–	3,053	–	194,728
–385	–	–	–	–56,436

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

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

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

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

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

The securities in Level 3 mainly consist of unquoted interests in participations in alternative investments, including private equity, as well as other participations. The fair values of these Level 3 portfolios are customarily calculated by the management of the respective company. For the majority of all externally measured interests, namely in the amount of €2,156.5 million (previous year: €1,884.4 million), fair value is determined on the basis of the net asset value. By contrast, the net asset value of participations other than in alternative investments is calculated internally in all cases. Of the total amount of the interests measured externally using the net asset value, €96.4 million (previous year: €78.2 million) was attributable to unquoted equities and fund certificates, and €2,060.1 million (previous year: €1,806.2 million) to participations in alternative investments, including private equity. The calculation of the net asset value in the case of externally measured interests is based on specific information that is not publicly available and to which the W&W Group does not have access. Thus, it was not possible to subject them to a sensitivity analysis.

In the W&W Group, net asset values (2021: €175.8 million; previous year: €175.1 million) are measured internally for Group property participations that are assigned to “Participations other than in alternative investments". The value of the properties included there is calculated using income-based present value methods. These recognised measurement methods are based on discount rates of 2.77% to 5.74% (previous year: 2.77% to 5.74%), which determine the fair value of the property. A change in discount rates by +100 basis points in connection with a sensitivity analysis leads to a reduction in fair value to €158.7 million (previous year: €162.4 million), while a change in discount rates by –100 basis points leads to an increase to €188.5 million (previous year: €189.1 million).
The most significant measurement parameters for interests measured using the capitalised earnings method (2021: €51.5 million; previous year: €48.2 million) are the risk-adjusted discount rate and future net cash flows. A material increase in the discount rate reduces fair value, whereas a reduction in this rate increases fair value. However, a change by 10% has only a minor influence on the presentation of the net assets, financial position and financial performance of the W&W Group.

In addition, in exceptional cases for certain interests, fair value is deemed to be approximated by amortised cost. In this case, as well, a sensitivity analysis is not possible due to lack of the specific parameters used.

All changes in the category “Financial assets at fair value through profit or loss” in Level 3 are reflected in the consolidated income statement. On the other hand, there are no financial assets at fair value through other comprehensive income in Level 3.

The measurement methods used are listed in the following table "Quantitative information about the measurement of fair value in Level 3".

Quantitative information about the measurement of fair value in Level 3

	Fair value		Measurement method	Non-observable input factors	Range, in %	
in € thousands	30.6.2021	31.12.2020			30.6.2021	31.12.2020
Financial assets at fair value through profit or loss	**2,513,287**	**2,281,379**				
Participations other than in alternative investments	219,494	217,009				
	21,731	21,397	Capitalised earnings method	Discount rate, future cash flows	7.28 – 14.21	7.28 – 14.21
	14,831	13,124	Approximation method	n/a	n/a	n/a
	182,932	182,488	Net asset value method	n/a	n/a	n/a
Participations in alternative investments	2,130,445	1,750,431				
Other financial companies	2,000,124	1,621,910				
	80,301	56,364	Approximation method	n/a	n/a	n/a
	1,919,823	1,565,546	Adjusted net asset value method[1]	n/a	n/a	n/a
Other companies	130,321	128,521				
	29,735	26,753	Capitalised earnings method	Discount rate, future cash flows	3.54	3.54
	100,586	101,768	Adjusted net asset value method[1]	n/a	n/a	n/a
Equities	122,912	106,700				
	29,199	29,199	Approximation method	n/a	n/a	n/a
	93,713	77,501	Adjusted net asset value method[1]	n/a	n/a	n/a
Investment fund units	3,402	172,332				
	–	885	Approximation method	n/a	n/a	n/a
	3,402	171,447	Adjusted net asset value method[1]	n/a	n/a	n/a
Fixed-income financial instruments that do not pass SPPI test	28,836	28,836	Approximation method	n/a	n/a	n/a
Capital investments for the account and risk of holders of life insurance policies	8,198	6,071	Black-Scholes model	Index weighting, volatility	n/a	n/a

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

Other information

(24) Revenue from contracts with customers

The following tables presents a breakdown of revenue by type, as well as a reconciliation with the respective reporting segment.

2021

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

2020

in € thousands	Housing 1.1.2020 to 30.6.2020	Life and Health Insurance 1.1.2020 to 30.6.2020	Property/Casualty Insurance 1.1.2020 to 30.6.2020	All other segments 1.1.2020 to 30.6.2020	Consolidation/reconciliation 1.1.2020 to 30.6.2020	Total 1.1.2020 to 30.6.2020
Commission revenue	**43,875**	**6,187**	**7,554**	**23,350**	**–30,967**	**49,999**
from home loan savings business	15,781	–	–	1,729	–	17,510
from brokering activities	26,088	6,187	7,554	910	–12,269	28,470
from investment business	–	–	–	20,290	–18,698	1,592
from other business	2,006	–	–	421	–	2,427
Net other operating income/expense	**3,180**	**357**	**2,702**	**13,290**	**–1,388**	**18,141**
Disposal revenue from inventories (property development business)	–	–	–	7,275	–	7,275
Disposal revenue from property, plant and equipment	–	–	–	6	–	6
Other revenue	3,180	357	2,702	6,009	–1,388	10,860
Net income/expense from disposals	**–**	**114,800**	**–**	**4**	**–4**	**114,800**
Disposal revenue from investment property	–	114,800	–	4	–4	114,800
Total	**47,055**	**121,344**	**10,256**	**36,644**	**–32,359**	**182,940**
Type of revenue recognition						
satisfied at a point in time	33,442	121,344	10,256	19,249	–20,996	163,295
satisfied over time	13,613	–	–	17,395	–11,363	19,645
Total	**47,055**	**121,344**	**10,256**	**36,644**	**–32,359**	**182,940**

(25) Currency gains and losses

Currency translation – with the exception of currency translation involving financial instruments at fair value through profit or loss – generated total currency income in the amount of €16.3 million (previous year: €16.5 million) and currency expenses in the amount of €7.5 million (previous year: €15.4 million).

(26) Contingent receivables, contingent liabilities and other obligations

in € thousands	30.6.2021	31.12.2020
Contingent liabilities	**1,562,415**	**1,919,106**
from deposit protection funds	296,774	296,653
from sureties and warranties	10,137	10,141
from capital contribution calls not yet made	1,101,975	1,375,104
from contractual obligations to buy and build investment property	60,759	62,880
from contractual obligations to buy and build property, plant and equipment	91,142	172,700
Other contingent liabilities	1,628	1,628
Other obligations	**1,593,785**	**1,404,188**
Irrevocable loan commitments	1,593,785	1,404,188
Total	**3,156,200**	**3,323,294**

The nominal value of irrevocable loan commitments corresponds to the potential remaining obligations under loans and credit lines that have been granted but not yet drawn down or fully drawn down. It constitutes a reasonable approximation of fair value.

The provisions for irrevocable loan commitments amounted to €2.9 million as at 31 December 2020 and to €3.3 million as at 30 June 2021.

(27) Related party disclosures

Group parent company

The ultimate controlling undertaking is Wüstenrot & Württembergische AG, Stuttgart, Germany.

Transactions with related persons

Natural persons considered to be related parties pursuant to IAS 24 are members of the key management personnel (the Management Board and Supervisory Board of W&W AG) and their close family members.

Transactions with related persons of W&W AG were carried out in connection with the normal business activity of Group companies. This mainly had to do with business relationships in the areas of home loan savings business and life, health and property insurance.

All transactions were at arm's length and/or took place at preferential terms customary in the industry.

As at 30 June 2021, receivables from related persons amounted to €395 thousand (previous year: €183 thousand), and liabilities to related persons amounted to €686 thousand (previous year: €591 thousand). In the first half of 2021, interest income from loans made to related persons amounted to €5 thousand (previous year: €8 thousand), and interest expenses for savings deposits of related persons amounted to €0 thousand (previous year: €15 thousand). In the first half of 2021, premiums in the amount of €50 thousand (previous year: €34 thousand) were paid by related persons for insurance policies in the areas of life, health and property)

Transactions with related companies

Unconsolidated subsidiaries of W&W AG and other related companies

The W&W Group is a party to various services agreements with unconsolidated W&W AG subsidiaries and other related W&W AG companies, inter alia, in the area of capital investment management. Wüstenrot Holding AG and W&W AG are parties to a brand name transfer and use agreement. As at 30 June 2021, a financial liability was owed to Wüstenrot Holding AG under this agreement in the amount of €10.9 million (previous year: €13.1 million). W&W AG makes fixed annual amortisation payments (principal and interest) to Wüstenrot Holding AG in the amount of € 2.5 million, plus value-added tax.

Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e.V., which is a charitable foundation, as well as Wüstenrot Holding AG, WS Holding AG and Pensionskasse der Württembergischen VVaG are recognised under "Other related parties" as the post-employment benefit plan for the benefit of employees.

The transactions were at arm's length.

As of the reporting date, the open balances from transactions with related companies were as follows:

in € thousands	30.6.2021	31.12.2020
Financial assets with respect to related companies	**238,100**	**141,341**
Unconsolidated subsidiaries	204,109	115,765
Other related parties	33,991	25,576
Financial liabilities with respect to related companies	**177,038**	**144,200**
Unconsolidated subsidiaries	65,444	45,765
Associated companies	70,113	70,220
Other related parties	41,481	28,215

As at the reporting date, the open transactions with related companies of W&W AG in its capacity as Group parent company amounted to €0.7 million (previous year: €0.6 million) on the assets side and to €13.9 million (previous year: €16.0 million) on the liabilities side.

Income and expenses from transactions with related companies were as follows:

in € thousands	1.1.2021 to 30.6.2021	1.1.2020 to 30.6.2020
Income from transactions with related companies	**25,961**	**24,669**
Unconsolidated subsidiaries	24,821	23,592
Associated companies	64	41
Other related parties	1,076	1,036
Expenses from transactions with related companies	**-74,939**	**-32,562**
Unconsolidated subsidiaries	-26,552	-24,528
Associated companies	-161	-160
Other related parties	-48,226	-7,874

Expenses from transactions with related companies contained under “Other related parties” include a voluntary subsidy in the amount of €40.0 million (previous year: €0) paid to Pensionskasse der Württembergischen VVaG.

In the reporting year, income from transactions with related companies of W&W AG in its capacity as Group parent company amounted to €0.7 million (previous year: €0.6 million) and expenses to €4.6 million (previous year: €2.6 million).

(28) Number of employees

In terms of full-time equivalents, the number of employees of the W&W Group as at 30 June 2021 was 6,366 (previous year: 6,473). As at the reporting date, the number of employees was 7,571 (previous year: 7,666).

The average headcount in the last 12 months was 7,629 (previous year: 7,715). This average is calculated as the arithmetic mean of the end-of-quarter headcounts as at the reporting date between 30 September 2020 and 30 June 2021 and during the corresponding prior-year period and is distributed over the individual segments as follows:

Number of employees by segment on annual average

	30.6.2021	31.12.2020
Housing	2,263	2,261
Life and Health Insurance	624	631
Property/Casualty Insurance	3,742	3,794
All other segments	1,000	1,029
Total	**7,629**	**7,715**

(29) Events after the reporting date

The W&W Group – specifically, Württembergische Versicherung – was affected by the storm events in mid-July and the subsequent flooding, inter alia, in the western part of Germany. To date, approximately 7,500 claims have been filed by customers of the W&W Group in the affected regions. The W&W Group is also directly affected by the storm events in the form of damage suffered by individual general agencies and Wüstenrot offices and service centres in the area. The overall picture currently shows a high degree of destruction in the retail and commercial portfolio, mainly property damage to buildings and their contents and furnishings as well as damage to motor vehicles. At this time, it is not yet possible to fully quantify the effects of the foregoing events, since we expect additional claims to be filed and damage appraisals are still ongoing. However, we anticipate that these events will have a material impact on the net assets, financial position and financial performance of the W&W Group. In this respect we expect gross expenses amounting up to €400 million. That said, these risks – which are beyond our control and are subject to chance – were limited by a mid-double-digit million euro reinsurance programme.

As part of the restructuring of the reinsurance programme of Württembergische Lebensversicherung AG, the company's current reinsurance contracts were terminated in mid-July 2021, retroactive to 31 December 2019, and new quota share reinsurance contracts were concluded effective 1 January 2020. As a consequence of these contractual changes, the terminated reinsurance contracts are being definitively settled and paid. The settlements and bookings relating to the new quota share reinsurance for the 2020 financial year will be recognised in the second half of 2021. We do not expect that there will be any especially material impact on the assets, financial condition and financial performance in the current account. The relevant figures are being identified.

No other events that require reporting occurred after the reporting date.

W&W Group
Responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles for half-year financial reporting, the condensed consolidated interim financial statements present a true and accurate view of the Group's net assets, financial position and financial performance, and the interim Group management report provides a true and accurate presentation of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the financial year remaining.

Stuttgart, 9 August 2021

Jürgen A. Junker

Alexander Mayer

Jürgen Steffan

Jens Wieland

W&W Group
Auditor‘s review report

To Wüstenrot & Württembergische AG, Stuttgart

We have reviewed the condensed consolidated half-year financial statements – consisting of the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, condensed consolidated cash flow statement, and select notes – and the interim group management report of Wüstenrot & Württembergische AG, Stuttgart, for the period from 1 January to 30 June 2021, 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 therefore 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, 11 August 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Wagner Wirtschaftsprüfer (German public auditor)	Gehringer Wirtschaftsprüfer (German public auditor)

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