Annual Report 2023

Wüstenrot & Württembergische AG

w&w gruppe

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

Wüstenrot & Württembergische AG

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

Consolidated statement of financial position		31.12.2023	31.12.2022
Total assets	in € billion	68.7	66.6
Capital investments	in € billion	38.9	37.5
Senior debenture bonds and registered bonds	in € billion	4.1	4.7
Senior fixed-income securities	in € billion	18.9	17.6
Building loans	in € billion	26.7	25.4
Liabilities to customers	in € billion	23.5	22.9
Technical liabilities	in € billion	31.9	30.3
Equity	in € billion	5.0	4.9
Equity per share	in €	52.57	51.89

Consolidated income statement		1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Total net financial result	in € million	582.1	322.1
Technical result	in € million	121.8	308.2
Earnings before income taxes from continued operations	in € million	201.2	317.3
Consolidated net profit	in € million	140.5	237.7
Total comprehensive income	in € million	135.5	−203.0
Earnings per share	in €	1.48	2.51

Other disclosures	31.12.2023	31.12.2022
Employees (full-time equivalent head count)	6,437	6,306
Employees (number of employment contracts)	7,546	7,390

Key sales figures		1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Housing segment			
New business volume (new lending and home loan savings business)	in € million	21,529.0	25,141.9
Life and Health Insurance segment			
Total premiums in new life insurance business	in € million	3,468.4	3,284.4
Property/Casualty Insurance segment			
Annual contribution to the portfolio (new and replacement business)	in € million	423.6	342.9

W&W AG (according tot he German Commercial Code)

		1.1.2023 bis 31.12.2023	1.1.2022 bis 31.12.2022
Net income	in € million	131.7	119.4
Dividend per share[1]	in €	0.65	0.65
Share price at year-end	in €	13.34	15.44
Market capitalisation at year-end	in € million	1,250.2	1,447.0

1 Subject to approval by the Annual General Meeting.

Financial calendar

Annual General Meeting

Annual General Meeting	Tuesday, 14 May 2024

Financial reports

2023 Annual Report	Wednesday, 27 March 2024
Interim management statement as at 31 March	Friday, 17 May 2024
Interim management report as at 30 June	Friday, 30 August 2024
Interim management statement as at 30 September	Friday, 15 November 2024

Wüstenrot & Württembergische AG
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Letter to shareholders W&W AG

Jürgen A. Junker, Chairman of the Executive Board

“Even in a tough environment, W&W is innovative, customer-focused and resilient”

Dear shareholders,

Wüstenrot & Württembergische, your company, is looking back on an eventful and challenging 2023 financial year. We made good, and in some cases very good, progress on everything that we were able to influence ourselves. This applies first and foremost to our new business, which posted significant growth – well above the market average in some cases. In particular, new home loan savings business (gross), motor vehicles and corporate customers as well as our digital brand Adam Riese, which seamlessly continued its years-long growth trajectory, kept growing significantly in a difficult and highly competitive market.

In 2023, we once again gained new customers for the W&W Group and strengthened our ties with many existing customers. We further intensified business relationships, including some very long-standing ones, and our market shares increased again almost everywhere. In operating terms, we can be very pleased with what the company and our employees have achieved.

This certainly was not something that could be taken for granted given the difficult conditions under which our Group had to operate: the considerable uncertainty and strain on many consumers due to the global crises and continued high inflation in 2023; the significantly gloomier macroeconomic situation, not least in new housing construction; the sharp rise in the cost of living; and certainly also the too often unclear political framework. The fact that we managed to continue, and in some cases even accelerate, our operational upward trend in an environment like this demonstrates the resilience and toughness that characterise the W&W Group. It is the result of our clear path of emphasizing customer focus, digital transformation and cost efficiency that we have been pursuing for years.

This resilience also allowed us to handle the accounting impact of the significant claims costs in the past financial year, which arose in the third quarter especially and had not been predictable to this extent. In particular, these included an unusual accumulation of claims relating to natural disasters as a result of storms, along with significantly higher costs for settling motor vehicle claims, partly due to inflation. We therefore lowered our earnings guidance for the W&W Group at the end of October in line with the IFRS accounting rules. At €140 million, the consolidated net profit under IFRS accounting was within the adjusted target range of €130 million to €160 million in the end, although it fell below the range of €220 million to €250 million that we aim for on a sustained basis.

The situation was different under HGB accounting: In the individual financial statements in accordance with German commercial law, we even exceeded the original forecast with net profit of €131,7 million. This is important not least because it enables us to ensure dividend continuity for 2023, too – a principle that is and has always been important to us in the interests of reliability towards you, our shareholders. The Executive Board and the Supervisory Board will therefore propose the distribution of a dividend of €0.65 per share, as in the previous years, to the Annual General Meeting of W&W AG on 14 May 2024.

The good results for 2023 were first and foremost thanks to the people who work at our company on a daily basis with our customers’ interests in mind. I would therefore like to warmly thank all the employees for their impressive contribution to the company’s success.

Ladies and Gentlemen,

The challenges for our sector will not lessen in the current financial year, either. It is particularly important here to recognise that our customers' lives and planning are currently changing significantly and at a fast pace. The weak economic environment, continued high energy prices, the constantly shifting political framework and the effects of the rapid turnaround in interest rates are causing many people to worry about their own financial future. It is precisely in such times of change and uncertainty that customers seek guidance and support with all their financial planning needs. And in precisely such situations, we at W&W are called upon – to provide advice and support and be a reliable partner when it comes to helping and settling claims quickly if the worst happens.

This also includes providing a comprehensive range of information and products for our core areas of housing and insurance, both digitally and in person. In this respect, a lot has already been done in the past few years. Wüstenrot now offers comprehensive information and advice on all issues relating to housing. The same applies to the Württembergische insurance companies when it comes to providing cover against all major risks and in all areas of life.

But we can live up to our ambitions only if we attract skilled and committed employees to the W&W Group in the future, too. We are very pleased that the Group continues to display comparatively low employee turnover and a high level of employee satisfaction. An attractive work environment also contributes to this: After years of construction work, almost all Group companies have now been located in one place, our new campus in Kornwestheim, since 2023 for the first time in the company's history. This state-of-the-art workplace, combined with modern working arrangements and a flexible approach to remote working, enhances the W&W Group's appeal as an employer and thus our future viability.

Dear shareholders,

We anticipate a continued modest economic outlook for the Germany economy in the current financial year; Deutsche Bundesbank is forecasting an increase in gross domestic product of just 0.4% in real terms. And even this low figure seems rather uncertain. Although there are signs of a sustained decrease in inflation, it is likely to remain considerably above the target of 2% pursued at a monetary policy level. A real turnaround in demand on the property and housing market cannot yet be seen, although at the beginning of 2024 experts assumed that the rise in construction interest rates had reached or even passed its peak.

In this environment, the W&W Group will act prudently but with due self-confidence. We are a strong group that has demonstrated often enough in the past few years, not least with its move into a digital future, that it can perform better than the sector as a whole. We aim to gain new customers again 2024 and build on existing customer relationships. To this end, we are willing and able to keep using our own resources to make substantial investments in products, processes and not least in our employees. We still see major opportunities in digitalisation, especially when it comes to enhancing service for our customers. At the same time, we can thereby free up our customer advisors to develop more clout on the market and focus on providing discerning advice to customers. We will also continue to pursue a risk-conscious underwriting policy, including in view of significantly changed policies on the part of reinsurers, to which we have adapted.

Provided there is no turbulence on the capital and financial markets or other events with a significant impact on the W&W Group, we expect consolidated net profit for 2024 to exceed the level of the 2023 financial year but fall below the target range of €220 million to €250 million. For the individual financial statements in accordance with HGB, we are confirming our ambition of around €130 million, combined with the goal of ongoing dividend continuity.

Even in a tough economic environment, the W&W Group stands for innovation, customer proximity and resilience. We will keep working with commitment, passion and a clear strategic direction to convince our customers of our performance each and every day and guide the W&W Group to a stable future.

Sincerely yours,

Jürgen A. Junker,
Chairman of the Executive Board

Our Management Board

Together to the future

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

Jürgen A. Junker

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

Bernd Hertweck

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

Alexander Mayer

CFO of the
W&W Executive Board
Capital Investments
Accounting

Zeliha Hanning

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

Jürgen Steffan

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

Jacques Wasserfall

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

Jens Wieland

CIO of the
W&W Executive Board
IT

Our Supervisory Board

Dr. Michael Gutjahr

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

Frank Weber[1]

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

Jutta Eberle[1]

Insurance Employee
Württembergische Versicherung AG

Dr. Frank Ellenbürger

Auditor and tax consultant

Prof. Dr. Nadine Gatzert

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

Dr. Reiner Hagemann

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

Jochen Höpken[1]

Task Group Chairman
Vereinte Dienstleistungsgewerkschaft ver.di

Ute Kinzinger[1]

Chairwoman of the Works Council
W&W Informatik GmbH

1 Employee representatives.

Corinna Linner

Linner Wirtschaftsprüfung

Bernd Mader[1]

Head of Customerservice and Operations
Württembergische Versicherung AG

Andreas Rothbauer[1]

Chairman of the Works Council
Wüstenrot Bausparkasse AG, Ludwigsburg site

Dr. Wolfgang Salzberger

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

Christoph Seeger[1]

Chairman of the Group Works Council
Wüstenrot Bausparkasse AG

Jutta Stöcker

Former Member of the Executive Board
RheinLand-Versicherungsgruppe

Susanne Ulshöfer[1]

Member of the Works Council
Wüstenrot Bausparkasse AG, Ludwigsburg site

Edith Weymayr

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

A commitment to values

Like the signs at the W&W Campus that point people in the right direction, our corporate values are what guide us. They form the framework for our collaboration in the W&W Group. And if something isn't quite right, we work to change this. Our goal is to be a little bit better every day.

Combined Management Report
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Wüstenrot & Württembergische AG Combined Management Report

Group Fundamentals

Business model

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

The W&W Group came into existence in 1999 as a result of the merger of the two long-standing companies Wüstenrot and Württembergische. Today, it develops and provides the four components of modern financial planning: financial security, residential property ownership, risk protection and savings and investment. It combines the Housing and Insurance divisions, allowing it to offer customers the financial planning solutions that are right for them. In doing so, the W&W Group focuses on omnichannel sales, ranging from its own mobile sales force to cooperation partners and sales agents, broker activities and digital initiatives. The W&W Group, which is based in Kornwestheim, operates almost exclusively in Germany.

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

At the end of 2023, Wüstenrot Bausparkasse AG concluded an agreement to acquire start:bausparkasse AG (formerly Deutscher Ring Bausparkasse). This is intended to further strengthen Wüstenrot's position as the leading cooperative home loan and savings bank. Wüstenrot already has a tightly-knit network of home loan and savings consultants in Germany. Control is expected to be transferred during the 2024 financial year.

In the **Insurance** division, the W&W Group offers its customers a wide range of life and health insurance products as well as property/casualty insurance products. The key undertakings in this division are Württembergische Versicherung AG, Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG. Jürgen Wörner was appointed to the Executive Board of Württembergische Versicherung AG with effect from 1 June 2023, where he is responsible for the corporate customers (industry and commercial) and total loss portfolios. He replaced Jens Lison on the Executive Board after the latter left the company on 31 May 2023.

At the end of 2023, Württembergische Versicherung AG concluded an agreement with the insurers R+V and Provinzial to each acquire an interest of 25% in the vehicle repair company riparo GmbH. The management of riparo will continue to hold the remaining 25%. With this investment, Württembergische is safeguarding claims management services in the vehicle repair segment for the future. The transaction is currently being reviewed by the relevant competition authorities, which must approve it before it can go ahead.

Wüstenrot & Württembergische AG is the Group's strategic listed management holding company. It coordinates all activities, sets standards and manages capital. As an individual entity, its operations are almost exclusively restricted to reinsuring the insurance policies written by the Group. It also renders services for the Group as a whole. There were no changes in the Executive Board of W&W AG in 2023.

The **Management Board** is the central steering body of the W&W Group. Among other things, it deals with Group management and setting and further developing business strategy. In addition to the members of the Executive Board of W&W AG, the Management Board was composed of the division heads Bernd Hertweck (Housing), Zeliha Hanning (Property and Casualty Insurance) and Jacques Wasserfall (Life and Health Insurance) as at 31 December 2023. Operational and company-specific issues of the individual entities are handled at the divisional level.

By building the new W&W campus in Kornwestheim, W&W AG, as builder-owner, has invested in the future of the corporate group. The first section of the building was commissioned in late 2017 and the second section in early 2023. Following its completion and entry into service, the six-hectare site offers around 4,000 modern workstations plus flexible work areas for more than 2,000 people. The relocation phase for employees of the W&W Group took several months and was successfully completed by mid-2023. The W&W campus now provides a shared, forward-looking site for the W&W Group that can accommodate over 6,000 employees.

„W&W Besser!“

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

We continued to pursue the following approaches in 2023:

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

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

“W&W Besser!” enabled strategic projects to be continued and further plans to be implemented successfully in both the Housing and the Insurance divisions in 2023. Among other things, the programme focused on the development of new customer groups, providing outstanding service to our existing customers, digital transformation and sustainability.

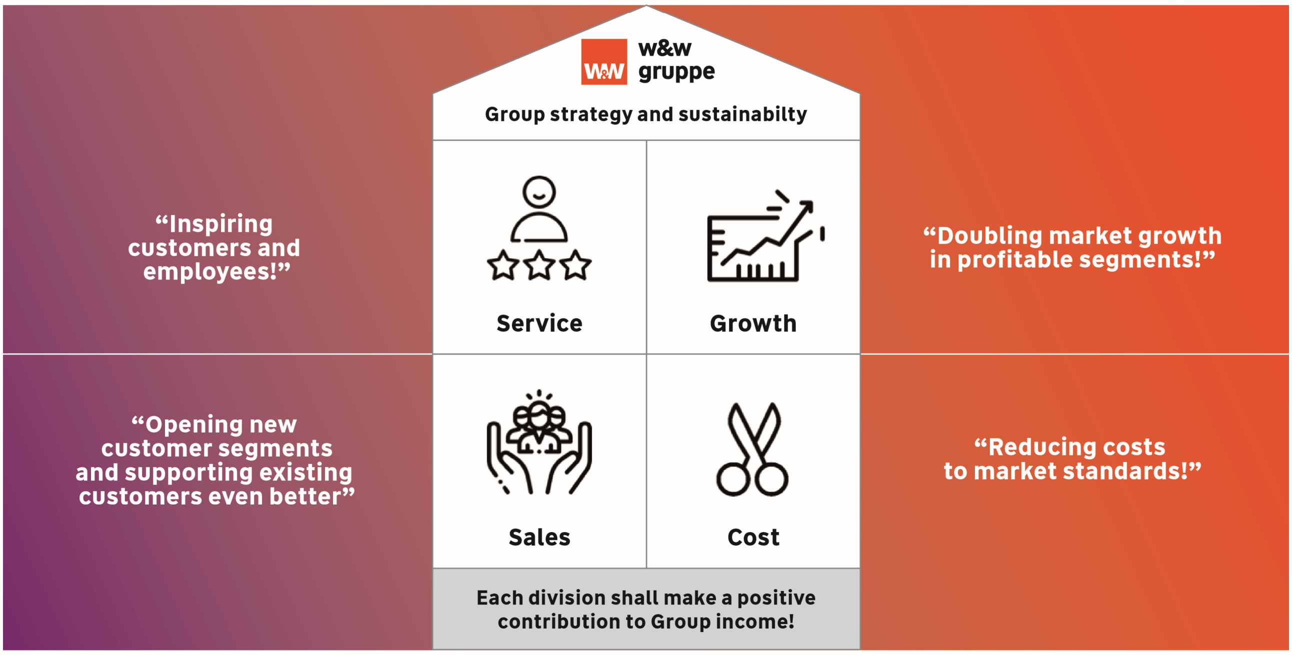
Our digital transformation is laying the foundations for a W&W that is fit for the future, particularly with regard to the digitalisation of products and processes. The main focus is on the replacement of the existing systems, which is a fundamental requirement for the automated processing of products, the flexible involvement of cooperation partners and the professionalisation of product development. This will significantly reduce product development times, enabling us to meet customers’ changing requirements more quickly.

There are also overarching initiatives that explicitly aim to ensure automated end-to-end processing of new product contracts, changes to products and the provision of further digital self-service options for our customers. The ongoing development of our consulting systems and portals will help to ensure consistent service across all digital and analogue channels.

Here are some examples of projects we have implemented:

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

“W&W Besser!”



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

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

- The Cologne-based rating and ranking agency Service Value GmbH, in cooperation with WELT TV, awarded Wüstenrot Bausparkasse AG the title of "greatest innovative strength", putting it top of the leadership board among all other home loan and savings banks surveyed. Service Value GmbH also gave Wüstenrot Bausparkasse AG the "highest responsibility rating" in the area of sustainable commitment in the industry and rated it the "most sustainable home loan and savings bank" in collaboration with Deutschland Test. Sustainability means taking account of social, environmental and economic factors.

- In the Housing division, the W&W Group now has around 800 modernisation consultants. The W&W Group wants to play an active role on this growth market in the future and create a unique selling point through this.

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

- Württembergische Versicherung AG once again achieved extremely good results in the KUBUS study conducted by MSR Consulting in 2023, receiving a rating of "very good" in the categories of "service", "support", "customer satisfaction" and "value for money".

- Württembergische Versicherung AG has strengthened its role as a partner to SMEs. Mobile sales force colleagues now have the opportunity to obtain a basic qualification to provide complete advice to corporate customers as partners to SMEs.

- Adam Riese GmbH further expanded its product portfolio towards (e-)mobility with a new bicycle and e-bike insurance policy.

- Adam Riese received the TOP 100 award in the 2023 innovation competition for particularly innovative SMEs, beating 550 competitors in the process.

- Württembergische Lebensversicherung AG implemented data delivery on company pension schemes to the employer portal Württembergische bAVnet, also known as XEMPUS Manager, on a daily basis rather than monthly as previously. This served to improve the registration processes and increase the transparency of changes in customer policy data.

- Since the start of 2023, Württembergische Krankenversicherung AG has converted all customer communication documents to modern text output management (TOM). This gives customers the option to receive all correspondence electronically via the customer portal. Electronic document delivery into the customer mailbox with subsequent reminder function is also available to all business lines outside of Württembergische Krankenversicherung AG in order to deliver customer correspondence paperlessly, efficiently and on time.

We will continue the "W&W Besser!" initiative in 2024 in order to continue proactively gearing products, services and processes throughout the W&W Group towards maximum customer benefit.

Product mix

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

Wüstenrot Bausparkasse AG continued to align its range of products with market developments and trends in the 2023 financial year. The past financial year was marked both by higher interest rates and customers' related goal of locking in guaranteed interest rates through home loan and savings contracts and by the energy crisis, which made energy efficiency upgrades even more important.

In the home loan and savings segment, Wüstenrot Bausparkasse AG also offers home savings contracts with climate bonuses. This reflects its commitment to supporting customers in protecting the climate with specific energy projects. Due to the abolition of account fees following a ruling by the German Federal Court of Justice in late 2022, Wüstenrot modernised its home savings contracts in February 2023 and adjusted its rates.

Top Termingeld has been introduced and focused by sales at the end of 2022 / at the beginning of 2023.

In the “Germany’s Most Reliable 2023” study, the Institut für Management und Wirtschaftsforschung (Institute of Management and Economic Research) and the F.A.Z.-Institut analysed the reliability and reputation of various companies. Wüstenrot Bausparkasse AG was awarded the title of “Germany’s most reliable home loan and savings bank”.

In addition, the products of Wüstenrot Bausparkasse AG received numerous awards again in the respective reporting period.

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

The auto premium rate schedule made up a huge share of the motor segment in the 2023 financial year. Both car policy product lines – Premium and Compact – were enhanced in 2023. Prices were adjusted to market conditions.

In the corporate customers business segment, the number of concluded contracts with the core commercial product “Firmen-Police” rose further. The commercial and agricultural liability insurance was updated. For the seventh year in a row, FOCUS-MONEY awarded Württembergische Versicherung AG the title of “fairest corporate insurer”.

The products of Württembergische Versicherung AG received numerous awards again in the respective reporting period.

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

The range of annuity insurance policies was refined further in 2023. Adjustments were made to the Genius unit-linked annuity insurance to take account of sustainability issues, and a new variant of the product, Genius ProZukunft, was launched.

We adjusted our single-premium products in response to changes in interest rates. This included improvements to conditions in single-premium business and for the Park-Konto product. We introduced Genius 100, a single-premium product with a fixed term, for a limited period in the last financial year.

We also pressed ahead with digital customer communications and contract administration in company pension schemes in the last financial year. The provident fund Versorgungseinrichtung Karlsruhe e.V. has been offering unit-linked annuity insurance since 2023. In self-employed occupational disability insurance, the acceptance criteria for simplified health questions were extended.

In 2023 again, various rating agencies attest to the very good quality of our products.

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

The product range was further modernised in 2023 with the introduction of budget rates for occupational health insurance. We also further expanded the healthcare services we offer through partnerships. Württembergische Krankenversicherung AG offers health check-ups via its cooperation partner Corporate Health to customers with comprehensive health insurance and now also to customers with supplemental occupational health insurance at budget rates and rates that cover preventive check-ups.

In addition, we offer customers with comprehensive insurance and persons who have occupational health insurance at budget rates a service that allows them to book an appointment with a specialist.

Many Württembergische Krankenversicherung AG products received awards from rating agencies and trade magazines in 2023.

Sales channel mix

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

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

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

Sustained commitment

Responsible action and social commitment have a long tradition in the W&W Group and are an integral part of our corporate culture. It is based on an understanding of long-term, stability-focused corporate governance that in turn has its roots in the foundation ideals of W&W AG's main shareholder. To underpin our position on sustainability, we have followed a sustainability strategy since 2021 with the following six fields of action: customer and product, capital investments and funding, own operations, employees, society and organisation. Targets and measures have been defined for all fields of action. The sustainability strategy is based on ESG (environment, social and governance) criteria and is reviewed and adjusted each year as part of the strategy process.

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

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

In the year under review, we reported for the first time on how and to what extent the W&W Group's operations are linked to economic activities that are classified as environmentally sustainable (taxonomy alignment). Binding European sustainability reporting standards will be introduced from 2024, and the W&W Group is currently working on their implementation in a Group project.

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

The combined, separate non-financial report of Wüstenrot & Württembergische AG and the W&W Group is prepared in accordance with sections 289c and 315c of the Handelsgesetzbuch (HGB – German Commercial Code) and is included in the annual report and made publicly available in the Reports section of Wüstenrot & Württembergische AG's website at www.ww-ag.com/de/investor-relations/berichte/geschaeftsberichte.

Regulatory requirements

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

In connection with the review of the reporting requirements under Solvency II ("Solvency II Review"), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Commission conducted consultations and published proposed amendments. The amendments under discussion involve far-reaching modifications to the quantitative and qualitative requirements for insurance companies.

The legislative process with respect to the amendments to quantitative requirements was concluded in the year under review. The final requirements were published in the Official Journal of the European Union in May 2023 and became mandatory for the first time from 31 December 2023.

With regard to the modifications to qualitative requirements, the European Commission published a legislative proposal concerning the amendment of the Solvency II Directive in September 2021. The European Parliament and the European Council then discussed these proposed amendments. Subsequent three-way negotiations in December 2023 led to a substantive agreement. In addition, the European Commission will draft an amendment proposal for the Delegated Regulation. It is not yet completely clear when the resulting requirements will first be applied.

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

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

Reporting segments

Segment information was prepared in compliance with IFRS 8. We report on the Housing, Life and Health Insurance and Property/Casualty Insurance segments. All other activities are grouped under "All other segments". The products and services offered by the individual segments are broken down in detail in the segment reporting chapter in the notes.

Business management system

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

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

The following key performance indicators have been defined to provide effective guidance for the W&W Group:

At Group level, consolidated net profit (IFRS) and general administrative expenses in the Group before reclassification to the technical account are used as key performance indicators. For the segments, the management parameters are segment net income after taxes and general administrative expenses before reclassification to the technical account. General administrative expenses include internal eliminations with other segments within the Group. These key figures appear in the W&W Group's consolidated financial statements. Furthermore, the management parameter "Group new customers" will be used as the key cross-segment performance indicator from the 2024 financial year, instead of "Group customers". We define new customers as natural persons or legal entities that interact as contract holders, policyholders or insured persons for the first time in the respective reporting period.

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

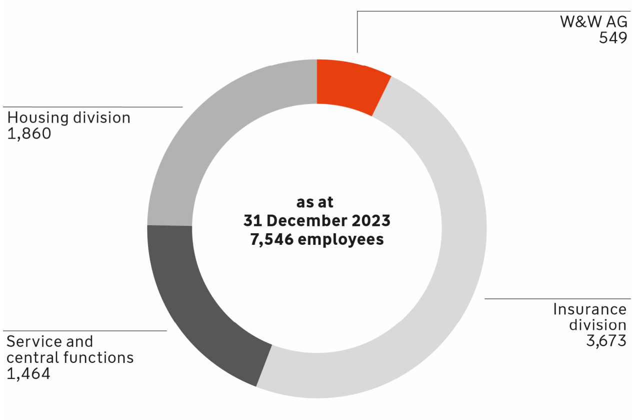
The risk management system occupies an important role within the management system of the W&W Group. The risk strategy requirements are to be complied with when pursuing the corporate objectives. This is addressed separately in the section "Risk reporting" in the opportunity and risk report. Besides, in order to support our products and our business process with reasonable effort in the best possible way, our IT strategy pursues the objective to reach a sustainable orientation of the information technology.

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

Employees

As at 31 December 2023, the W&W Group had 7,546 permanent employees (previous year: 7,390), calculated by number of contracts in Germany and abroad, not including trainees or working students at the Cooperative State University (Duale Hochschule). As at the end of the year, a total of 256 (previous year: 261) trainees and Duale Hochschule students were employed.

Employees in W&W Group including abroad



The W&W Group completed the relocation to its new headquarters in Kornwestheim in 2023. The W&W campus offers around 4,000 office workstations plus flexible work areas for up to 2,000 people in a modern office environment that allows flexible and hybrid working. For the first time in the history of the W&W Group, all of the companies are now together at one site. The campus provides employees with ergonomic workstations, modern media technology and a wide range of catering and healthcare facilities.

In connection with the move, the W&W Group offered comprehensive training programmes to support employees on their way to the workplace of the future. The related further training services have been combined. The focus was on helping employees to find their way around the W&W campus, (hybrid) collaboration and health.

To absorb financial loads for employees due to a high inflation a bonus was paid in February 2023.

The W&W Group also faces a growing challenge to fill vacancies amid demographic changes and a skilled labour shortage. To counteract this, the W&W Group once again attended various university career fairs and established a more professional image with a new exhibition stand and corporate fashion. It also implemented a range of new measures, such as a Group-wide employee referral programme. Active sourcing and social media campaigns for specific jobs provide additional support for employee recruitment. A networking event was held at the campus for the first time for all new trainees joining the sales, service and office staff in 2023 to enable them to bond and network.

The Group-wide onboarding survey that was launched in 2022 was continued in 2023. This revealed areas where there was potential for improvement and enabled us to take measures to ensure we can retain new employees in the long term.

The W&W Group offered extensive training programmes to meet the growing need for training due to regulatory requirements in the financial industry. In addition, an internal video platform was introduced in 2023, which constitutes a new component of the learning landscape at the W&W Group. On “W&W-Tube”, employees can create tutorial videos themselves, upload them and share them with colleagues. The aim of W&W-Tube is to facilitate the internal exchange of knowledge and encourage employees to learn from each other.

We seek to ensure very high levels of employee satisfaction at the W&W Group. In the 2023 survey, we repeated the very high scores. In addition, the W&W Group received multiple awards again in 2023. In particular, it received the title of “Top Employer Germany 2023” from the Top Employers Institute for its human resources work.

We would like to extend our special thanks to our in-house employees and our mobile sales force staff for their dedication, expertise, extraordinary commitment and loyalty in the 2023 financial year. We would also like to thank the employee representatives and their committees, the representatives of the mobile sales force organisations and the executive representative committees for their close cooperation.

Ratings

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

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

Ratings Standard & Poor's

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

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

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

We work with
passion
and enthusiasm.

Stock

Stock price performance

The W&W share got off to a bullish start in 2023 and, starting from €15.44 at the end of 2022, had climbed to its high for the year of €17.70 by the beginning of March. Shares in the European finance sector also came under pressure during the banking crisis that briefly flared up in the US in March. In this context, the W&W share had returned to around the €16 mark by the start of April. After recovering temporarily up until mid-May, the W&W share price then entered a downward trend. The weakness of the share price intensified at the end of October when the W&W Group had to adjust its results targets, causing the price of W&W shares to drop to an annual low of €12.90. However, a recovery then began, partly thanks to more favourable developments on the market as a whole, and the W&W share closed the year at €13.34. This translates into a share price decline of -13.6% in the 2023 calendar year. Taking into account the dividend distribution of €0.65, overall performance was -9.4% in the reporting period, which was below the benchmark indices Prime Insurance and Prime Banks.

Number of shares	units	93,749,720	93,749,720	93,749,720
of which treasury shares	units	34,335	34,632	79,966
Market cap as at 31.12.	in € million	1,250.2	1,447.0	1,654.2
Dividend per share	in €	0.65[1]	0.65	0.65
Dividend yield	in %	4.87	4.21	3.68
High/Low	in €	17.70/ 12.90	19.58/ 13.44	19.66/ 16.52
Year-end share price	in €	13.34	15.44	17.66
Average daily trading volume	units	24,448	25,237	26,332

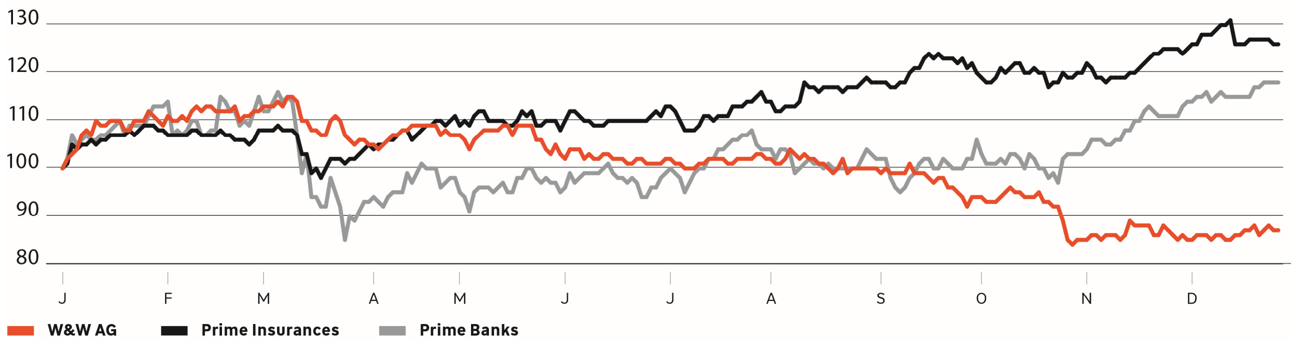
1 Dividend proposal.

Further information and all basic data about W&W stock can be found on the company's website at ww-ag.com under "Investor Relations". You can also register here for our newsletter. If you have any further questions about the W&W share or other issues relating to capital markets, please contact our investor relations team on +49 711 662 725252 or at ir@ww-ag.com.

The shareholder structure of Kornwestheim-based W&W AG remained stable over the course of the reporting year. The majority shareholder is the non-profit foundation Wüstenrot Stiftung, Gemeinschaft der Freunde Deutscher Eigenheimverein e. V., Ludwigsburg. It holds an indirect stake of 67.38% in W&W AG through two holding companies. Of this, 27.47% is held by WS Holding AG, Stuttgart, and 39.91% by Wüstenrot Holding AG, Ludwigsburg. The other major shareholder of W&W AG is FS BW Holding

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

2023 indexed



GmbH, Munich, with more than 10% of the shares. 0.04% of the issued shares are non-voting treasury shares.

7.9% (previous year: 8.2%) of all shares issued by W&W AG are held by foreign shareholders.

Dividend policy

W&W AG strives for a stable and reliable dividend for its shareholders. Accordingly, the Executive Board will propose to the Annual General Meeting an unchanged dividend of €0.65 per share for the financial year just ended. Based on the final closing price for 2023, this corresponds to a dividend yield of 4.87%.

Employee shares

In April 2023, W&W AG once again issued employee shares across the whole Group. Eligible employees received a €5.00 discount on the XETRA closing price on 27 March 2023 for a maximum of 40 shares. By continuing this solid tradition, our company is seeking to further expand the shareholder value orientation among staff and boost employer attractiveness and employee loyalty. In total, nearly 30% of eligible employees took advantage of the offer. See the notes for details. Employees are to be offered shares again in 2024.

Analyst recommendations

W&W AG is regularly tracked and valued by numerous financial analysts. The current analyst recommendations for W&W stock, as well as the target prices that analysts assign to the stock, can be retrieved on the website at ww-ag.com. The current average price potential from the target prices for W&W stock set by banks and securities firms is €20.00.

Analyst recommendations

	Date	Recommendation/ target price
Institution		
LBBW	24.11.2023	HOLD/€15,00
Bankhaus Metzler	01.11.2023	BUY/€22,00
Montega	07.12.2023	BUY/€23,00

Investor Relations (IR)

In the reporting year, W&W AG successfully continued its intensive dialogue with institutional investors, private investors and financial analysts. As part of the digitalisation process, many digital activities have also become established in investor relations. We maintained constant communications with international investors through roadshows and capital market conferences, for example by attending the Equity Forum in Frankfurt am Main. In addition, the investor relations team issues a regular newsletter with information about current topics.

W&W AG presented new business figures in the form of teleconferences and a financial statements press conference. The Annual General Meeting was again held virtually in 2023.

The upcoming Annual General Meeting will also take place virtually at 10 a.m. on 14 May 2024.

Business report

Business environment

Macroeconomic environment

According to preliminary calculations, the German economy recorded a moderate decline in economic output of -0.1% in the 2023 calendar year. Several negative factors were responsible for this weak economic development. Persistent and unusually high inflation reduced the real purchasing power of private households, curbing consumer demand. At the same time, spending programmes that were introduced during the coronavirus pandemic ended, so growth was also depressed by weak demand from the government. Growth in exports was also muted due to lower demand in key foreign markets. Finally, higher interest rates increasingly weighed on economic activity in sectors that are more sensitive to interest rates, leading to a sharp drop in housing construction contracts, for example.

Following the shock rise in the previous year, inflation eased significantly in 2023. While the rate of inflation was still at 8.7% in January, by the end of the year it had dropped to 3.7%. The main reasons for this slowdown were favourable base effects from energy prices over the course of the year and relatively modest consumer demand. Despite the drop in inflation over the year, however, the 2% target of the European Central Bank (ECB) was significantly exceeded at 5.9%.

Capital markets

Bond markets

After significant interest rate hikes in the previous year, changes in yields on the German bond market were more moderate in the 2023 calendar year. In the short-term maturity range, for example, the yield on two-year German government bonds fell from 2.76% at the end of 2022 to 2.40% at the end of 2023. There was a slightly more substantial decline in interest rates in the long-term maturity range, with the yield on ten-year German government bonds falling from 2.57% at the end of 2022 to just 2.02%. Although these changes in yields appear moderate overall, they conceal significant fluctuations during the course of the year. The yield on two-year German government bonds climbed above the 3.3% mark several times during the year, for instance, due to the ECB's continuous raising of key interest rates. Long-term yields reached their annual high at the beginning of October, when the yield on ten-year German government bonds was briefly in 3% territory. However, a fundamental change of direction then occurred on the bond markets in late October/early November due to the significant fall in inflation, unexpectedly weak data for the US labour market and the first indications by major central banks that the cycle of hikes in key interest rates could gradually be coming to an end. Interest rates fell across all maturities in the last two months of the year.

Equity markets

European equity markets got off to a very positive start in the first trading days of the year and continued their upward trend until the beginning of March. A crisis that ultimately turned out to be limited to a few relatively small US banks then caused a temporary drop in prices in March, although this had been corrected by early April. Until the beginning of August, European equity markets trended sideways within a broad price range. Growing concerns that leading central banks could raise key interest rates even higher and thus significantly dampen companies' business prospects, together with rising yields on the bond markets, then led to a further phase of falling share prices up to the end of October. These fears evaporated when substantial falls in inflation and unexpectedly weak data for the US labour market were reported. In addition, there were growing signs from leading central banks that key interest rate rises could have come to an end. This triggered a year-end rally in early November, causing the DAX to climb to new record highs. In the end, the DAX recorded impressive growth of 20.3% for the calendar year, while the Euro STOXX 50 gained 19.2%.

Industry trends

The financial services sector in 2023 was driven by persistent high inflation, high interest rates and prices, and regulatory requirements. The implementation of changes made by the Basel Committee on Banking Supervision, as well as legal acts by the EU, continues to pose a challenge for the European banking and insurance sectors.

According to figures from the Verband der privaten Bausparkassen (Association of Private Building Societies), the sector's net new business, as measured by total home loan savings contracts, increased 7% to around €99 billion in 2023 (previous year: around €92 billion). New business in private residential financing declined in 2023. According to the Deutsche Bundesbank, providers disbursed approximately €161 billion (previous year: approximately €257 billion) in residential construction loans to households. This corresponds to a decline of 37%.

Wüstenrot Bausparkasse AG outperformed the market in both construction financing and net new home loan savings business. Net new home loan savings business increased 1.9 percentage points, resulting in a market share of 16.9%. Wüstenrot Bausparkasse AG ranks second among private home loan and savings banks, as measured by new business.

Based on provisional industry numbers for 2023 published by the German Insurance Association (GDV), the life insurance industry posted a 4.3% increase in new regular premiums to €6.4 billion in 2023 (previous year: €6.2 billion). By contrast, single-premium business fell 13.6% to €24.4 billion (previous year: €28.3 billion). New premiums collected by life insurers thus fell 10.4% in 2023 to €30.9 billion (previous year: €34.4 billion). Total premiums from new business increased 2.3% to €174.5 billion (previous year: €170.6 billion).

Gross premiums written by life insurers decreased 4.0% to €89.0 billion (previous year: €92.8 billion) in the reporting period, primarily due to the lower single-premium business.

Compared to the previous year, new business for pension funds as measured by new premiums fell 0.4% to €166.2 million (previous year: €166.9 million). Gross premiums written by the pension funds amounted to €1.9 billion (previous year: €2.0 billion). This was 5.1% below the previous year's level.

Württembergische Lebensversicherung AG most recently ranked twelfth in its peer group of German life insurers in terms of gross premiums written. In terms of premiums written, the market share of Württembergische Lebensversicherung AG rose to 2.0% (previous year: 1.9%).

According to provisional calculations by the GDV, premium income in the Property/Casualty Insurance segment grew 6.8% to €84.5 billion (previous year: €79.1 billion) as recognised in commercial accounts. Claims expenses, which had dropped 6.2% in the previous year, increased 12.5% due to inflation, among other reasons. This led to a net underwriting gain of around €1.5 billion (previous year: €4.2 billion). Both the overall loss ratio for the financial year of approximately 79% (previous year: 74.6%) and the combined ratio of claims and expenses for the sector of approximately 98% (previous year: 94.6%) were higher than in the previous year. In terms of gross premiums written, Württembergische Versicherung AG grew by 10.8% in 2023 – this was significantly stronger than the market (around 6.8%).

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

We act responsibly with a view to future generations.

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

Development of business

Amid the continuing challenging economic conditions, the W&W Group achieved consolidated net profit of €140.5 million (previous year: €237.7 million). The Group's results were impacted in particular by the claims performance in the second half of the year, which was affected by an increase in adverse weather events and thus higher claim numbers and claims expenses.

Composition of consolidated net profit

in € million	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Housing segment	54.6	61.5
Life and Health Insurance segment	40.8	62.8
Property/Casualty Insurance segment	8.3	130.3
All other segments/reconciliation	36.8	-16.9
Consolidated net profit after taxes	**140.5**	**237.7**[1]

1 Retrospective adjustment due to the introduction of IFRS 17.

Sales-related key figures showed an overall positive picture. Although the volume of new business in the Housing segment remained below the very high level of the previous year, it outperformed the sector as a whole. Total premiums for new life insurance business increased. Growth was driven by both single and regular premiums. In health insurance, annual new premiums increased for both full-coverage premium and supplementary rates. In the Property/Casualty segment, new and replacement business also increased significantly.

Group key figures

	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022	Change
	in € million	in € million	in %
New business total Housing (new lending & new home loan savings business (gross))	21,529	25,142	-14.4
Total premiums in new business (Life insurance)	3,468	3,284	+5.6
Annual new premiums (Health insurance)	10.1	7.7	+31.2
Annual contribution to portfolio (new and replacement business; property/casualty insurance)	423.6	342.9	+23.5

Disclosure of changes in accounting policies

The W&W Group has applied the new standard IFRS 17 Insurance Contracts since 1 January 2023. The comparative figures are restated from the transition date 1 January 2022. IFRS 17 replaces IFRS 4 Insurance Contracts, which had been in effect since 1 January 2005, in full and for the first time introduces standardised requirements for the recognition, valuation, presentation and notes on insurance contracts and reinsurance contracts issued or held by the W&W Group's insurance companies. Further details of the introduction of IFRS 17 can be found in the notes in the section "Disclosure of changes in accounting policies".

Financial performance

Total comprehensive income

Consolidated income statement
In the 2023 financial year, the consolidated net profit after taxes was €140.5 million (previous year: €237.7 million). Earnings per share stood at €1.48 (previous year: €2.51).

With the new accounting standard IFRS 17, part of the consolidated net financial result is attributable to insurance contracts with direct participation features (in life and health insurance). This part of the net financial result is allocated to the technical result. Previously, the net financial result amounted to €1,676.3 million (previous year: €135.7 million).

- This increase is primarily attributable to the far better measurement result of €283.3 million (previous year: –€1,187.9 million), which benefited from capital markets that were stabler than in the previous year.
- Current net financial result stood at €1,320.1 million (previous year: €1,195.1 million). Rising refinancing costs were more than compensated for by higher interest income and a prior-period non-recurring effect in the Housing segment, among other things.
- Net income from disposals fell to €97.8 million (previous year: €144.1 million). Net income from disposals was lower than in the previous year, especially for fixed-income securities.

After the allocation, the net financial result still grew to €582.1 million (previous year: €322.1 million).

The technical result (net) decreased to €121.8 million (previous year: €308.2 million). In particular, increased claims expenses in the automotive business and those attributable to natural disasters and large losses led to a significant decline in the result in the Property/Casualty Insurance segment. In Life and Health Insurance, the application of IFRS 17 had an overall smoothing effect, resulting in a comparatively stable result.

Net commission expense amounted to –€42.8 million (previous year: –€1.9 million). This decrease is primarily attributable to account maintenance fees that are no longer applicable.

General administrative expenses (gross) increased around 5% to €1,149.8 million (previous year: €1,093.9 million). In particular, investments in our IT infrastructure drove up software and consulting costs within materials costs. Personnel expenses, however, were slightly below the previous year's level, which was impacted by special payments related to inflation and the coronavirus pandemic. As already described with regard to the net financial result, cost components attributable to the technical result were also allocated to general administrative expenses (in both life and health insurance and property and casualty insurance). This put general administrative expenses (net) at €519.7 million (previous year: €495.2 million).

Net other operating income came to €59.9 million (previous year: €183.9 million). Among other things, this was the result of lower income from settlement transactions in connection with home loan savings deposits.

Consolidated statement of comprehensive income
Total comprehensive income for the 2023 financial year stood at € 135,5 million (previous year: –€203.0 million). It consists of consolidated net profit and other comprehensive income (OCI).

OCI in the 2023 financial year was –€5.0 million (previous year: –€440.6 million). The slight drop in interest rates in 2023 had a positive effect on the market values of fixed-income securities and registered securities. Their unrealised gains and losses, which were recognised in OCI, came to €916.0 million (previous year: –€6,255.8 million). This was countered by the decline in interest rates for the valuation of technical liabilities/provisions under IFRS 17. The resulting unrealised gains and losses amounted to –€847.7 million (previous year: €5,420.7 million). Actuarial gains and losses from defined benefit plans amounted to –€75.0 million (previous year: €395.2 million). Interest had also increased significantly in the previous year and led to correspondingly high unrealised gains in provisions and losses in capital investments.

As a complement to the consolidated income statement, OCI serves to depict profit and loss that is recognised directly in equity and that results from accounting under IFRS 9 and IFRS 17. It essentially reflects the interest rate sensitivity of the assets side of our balance sheet and of underwriting on the liabilities side. The application of the new standard to account for insurance contracts, IFRS 17, significantly reduced measurement discrepancies.

Housing segment

New business

At €21,529 million (previous year: €25,142 million), new business for housing purposes for urgent financing, modernisation and the accumulation of equity (total from new business (gross) and the new lending business total including brokering for third parties) remained below the very strong previous year's figure.

Gross new business in terms of total home loan savings contracts was €17,615 million, slightly below the previous year's record result (previous year: €18,720 million). It performed better than the market.

Net new business in terms of total home loan savings contracts spiked up 20.5% to €16,734 million (€13,885 million), the best figure in the company's history.

The decline in new lending business to €3,914 million (previous year: €6,422 million) was largely driven by the economic and political environment.

New construction financing (approvals) on the company's own books fell to €3,070 million (previous year: €4,795 million). This is another area in which Wüstenrot Bausparkasse AG outperformed the sector as a whole and was able to further expand its market share.

New business key figures

	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022	Change
	in € million	in € million	in %
New business volume	**21,529**	**25,142**	**–14.4**
New lending business volume (including brokering for third parties)	3,914	6,422	–39.0
Gross new business home loan and savings	17,615	18,720	–5.9

Financial performance

Segment net income after taxes dropped to €54.6 million (previous year: 61.5 million).

Net financial result climbed to €453.4 million (previous year: €305.4 million). This was due to the following factors:

- The current net financial result rose to €273.1 million (previous year: €214.1 million). It benefited from the reversal of the additional liabilities recognised as part of the purchase price allocation of the former Aachener Bausparkasse AG for acquired contracts with customers in the home loan and savings pool, which ran into the double-digit millions. The reversal resulted from the revaluation due to the rise in interest rates and the gradual shift in customer behaviour. Net interest income of the interest rate swaps used to manage the interest rate book and higher refinancing expenses had a negative impact.

- Net income/expense from risk provision declined to –€23.7 million (previous year: –€18.1 million), in part due to the full reversal in the first half of 2022 of the risk provision recognised for the potential consequences of the coronavirus pandemic. An increase in net new business as well as lower acquisition fee receivables resulting from lower gross new business had a positive impact.

- The measurement result was €12.7 million (previous year: €45.8 million). This was negatively impacted chiefly by poorer net income from discounting provisions for home loan savings business and lower hedge income. The market values of the derivatives concluded to manage interest rate change risks moved in the opposite direction.

- Net income from disposals stood at €191.3 million (previous year: €63.6 million). This results from transactions related to managing the interest rate book.

Net commission income declined to –€38.6 million (previous year: €4.0 million). This development was primarily driven by the removal of account maintenance fees in the savings phase and lower net commission income from new home loan savings business as a result of a drop in gross new business.

General administrative expenses amounted to €346.7 million (previous year: €334.7 million). As a result of our digitalisation initiatives, materials costs and depreciation on capitalised acquisition costs for major IT projects increased. Personnel expenses decreased as a result of special inflation- and coronavirus-related payments that were made to our employees in the previous year.

Net other operating income declined to €12.3 million (previous year: 115.1 million). This was mainly the result of lower income from settlement transactions in connection with home loan savings deposits.

Life and Health Insurance segment

New business/premium development

Total premiums for new life insurance business increased 5.6% to €3,468 million (previous year: €3,284 million). Growth was driven by both single and regular premiums. The growth in total premiums was stronger than that of the market for life insurance and pensions funds. Market shares were gained.

Total premiums also went up for company pension schemes. They rose 14.6% to €1,146 million (previous year: €1,000 million).

New business key figures

	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022	Change
	in € million	in € million	in %
Total premiums in new Life insurance business	**3,468**	**3,284**	**+5.6**
Total premiums in new business (not including company pension schemes)	2,322	2,284	+1.7
Total premiums in new business for company pension schemes	1,146	1,000	+14.6
Annual new Health insurance premiums	**10.1**	**7.7**	**+31.2**

In health insurance, annual new premiums increased to €10.1 million (previous year: €7.7 million). New business reported growth in full-coverage premium rates as well as supplementary rates.

Financial performance

Segment net income after taxes stood at €40.8 million (previous year: €62.8 million).

With the new accounting standard IFRS 17, almost all the net financial result is attributable to contracts with direct participation features. This share of the net financial result is recognised in the technical result and allocated to the contractual service margin in the adjustment through other comprehensive income. Before the allocation, the net financial result in the Life and Health Insurance segment amounted to €1,096.5 million (previous year: –€195.4 million). This was due to the following income components:

- The current net financial result was €911.4 million (previous year: €850.8 million). Interest income from new investments and reinvestments increased as a result of higher interest rates. Rental income was also higher. Distributions from alternative investments went up as well.

- The measurement result was €268.8 million (previous year: –€1,150.8 million). In the previous year, higher inflation resulted in measurement losses for interest-bearing securities, fund units and equities. This year, on the other hand, there were measurement gains on interest-bearing securities and shares. This development was also evident in the case of investments for unit-linked life insurance policies.

- Net income from disposals stood at –€82.8 million (previous year: €102.4 million). The decline resulted from the restructuring within the scope of the active duration management of our bond portfolios, which was accompanied by higher reinvestment yields.

The technical result (net) fell to €101.7 million (previous year: €130.3 million). Insurance revenue (technical income) increased to €1,227.2 million (previous year: €1,158.8 million). The previous year's increase in interest rates led to growth in the contractual service margin (CSM) of around 66% compared to the previous year and thus higher revenue. Technical expenses increased to €1,108.9 million (previous year: €1,017.1 million). In the previous year, the increase in interest rates resulted in one-off income for our pension fund.

Gross general administrative expenses (before the attribution of components of profit or loss attributable to the technical result) were on a par with the previous year at €261.3 million (previous year: €256.7 million). Increased materials costs were offset by lower personnel expenses. After the allocation to the technical result, net general administrative expenses amounted to €35.4 million (previous year: €36.3 million).

Property/Casualty Insurance segment

New business/premium development

New business in terms of the annual contribution to the portfolio increased to €423.6 million (previous year: €342.9 million). Both brand new business and replacement business were increased compared with the previous year. There was significant growth in the corporate customer and motor businesses. Business with retail customers was on a par with the previous year and higher than planned. In terms of gross premiums written, the growth was stronger than that of the insurance market. Market shares were gained.

New business key figures

	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022	Change
	in € million	in € million	in %
Annual contribution to the portfolio (new and replacement business)	**423.6**	**342.9**	**+23.5**
Motor	238.3	184.6	+29.1
Corporate customers	117.3	90.4	+29.8
Retail customers	68.0	67.9	+0.1

Financial performance

Segment net income after taxes stood at €8.3 million (previous year: €130.3 million).

Net financial result climbed to €46.3 million (previous year: €15.2 million). It comprises the following components:

- The current net financial result came to €78.9 million (previous year: €95.6 million). Both interest income and interest expenses, especially current interest expenses from unwinding discounts on pension provisions, increased in connection with higher interest rates. Distributions, on the other hand, declined.
- The measurement result rose to €1.8 million (previous year: −€63.3 million). While the previous year saw considerable measurement losses on account of the substantial interest rate hikes, there were measurement gains in the current financial year, especially for equities and investment funds.
- Net income from disposals stood at −€7.3 million (previous year: −€14.4 million).

The technical result (net) fell significantly to €19.3 million (previous year: €170.9 million). All in all, the insurance portfolio grew well thanks to the good new and replacement business. As a result, technical revenue rose to €2,580.8 million (previous year: €2,310.1 million). As well as the increase in claims expenses due to large losses in the corporate customer business and higher natural disasters in the summer months, the technical result was particularly negative impacted by higher claims inflation in combination with the increase in claims frequency in motor. The flooding in Germany in December 2023 only had a minor impact on losses from natural disasters. The combined ratio (net) in accordance with IFRS 17 stood at 99.3% (previous year: 92.7%).

General administrative expenses (gross) came to €462.8 million (previous year: €433.7 million). Both materials costs and personnel expenses increased. This was partly driven by increased expenses in connection with our IT investments. In addition to collectively bargained wage increases, the increase in personnel expenses is primarily due to the increased payment to the Württembergische pension fund as a result of the inflation-driven pension adjustments. After the allocation to the technical result, net general administrative expenses amounted to €58.5 million (previous year: €55.4 million).

Net other operating income fell year-on-year, mainly due to lower income from the sale of own-used properties in connection with the relocation of the Group headquarters to the W&W campus in Kornwestheim. It stood at €19.5 million (previous year: €48.3 million).

All other segments

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

Segment net income after taxes amounted to €90.7 million (previous year: €33.4 million).

Net financial result climbed to €117.3 million (previous year: €7.3 million). The following components were factors in this development:

- The current net financial result picked up to €94.6 million (previous year: €63.4 million), primarily due to higher distributions.

- The measurement result increased to €27.2 million (previous year: –€49.4 million). Declining capital markets in the previous year led to measurement losses for shares and investment funds, which did not occur in 2023. As part of the pending sale of a participating interest, valuation gains of €20 million were recognised from the write-up on the sales price.

Net commission income decreased slightly to €44.3 million (€45.0 million).

General administrative expenses amounted to €91.7 million (previous year: €90.8 million). Personnel expenses decreased as a result of special inflation- and coronavirus-related payments that were made to our employees in the previous year. Higher write-downs were recognised on account of our investment in digitalisation initiatives and in the campus buildings.

Net other operating income declined to €23.8 million (previous year: €49.2 million). Income was driven up in the previous year by construction projects at Wüstenrot Haus- und Städtebau GmbH.

Net assets

Asset structure

The W&W Group's total assets came to €68.7 billion (previous year: €66.6 billion). Assets essentially comprise building loans and investments.

Building loans rose to €26.7 billion (previous year: €25.4 billion). This upturn is due primarily to the higher number of advance and bridge financing loans. In the financial year, Wüstenrot Bausparkasse AG also acquired a lending portfolio with a volume of around €100 million and exclusively comprising building loans, most of which are secured by property.

Capital investments totalled €38.9 billion (previous year: €37.5 billion). The slight decline in interest rates over the course of 2023 resulted in moderate increases in value.

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 liabilities and liabilities to customers.

Technical liabilities (technical provisions) came to €31.9 billion (previous year: 30.3 billion). Of this amount, €28.2 billion (previous year: €27.1 billion) was attributable to life insurance, €2.3 billion (previous year: €1.9 billion) to property/casualty insurance and €1.4 billion (previous year: €1.3 billion) to health insurance.

Most liabilities are liabilities to customers, which come to €23.5 billion (previous year: €22.9 billion). They largely comprise deposits from the home loan savings business and savings deposits amounting to €19.6 billion (previous year: €19.7 billion).

The carrying amount of subordinated capital was €641.9 million (previous year: €641.5 million). It was issued by W&W AG, Wüstenrot Bausparkasse AG and Württembergische Lebensversicherung AG.

Consolidated equity

As at 31 December 2023, the W&W Group's equity totalled €4,961.0 million compared to €4,894.3 million as at 31 December 2022. This includes consolidated net profit as well as results incorporated in equity totalling €135.5 million. The dividend distribution reduced equity by €61.4 million.

Liquidity

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

In the cash flow statement, operating activities resulted in a cash outflow of –€108.1 million (previous year: –€2,234.4 million) and investment activities, including capital investments, in a cash inflow of €53.7 million (previous year: €2,553.0 million). Financing activities generated a cash outflow of –€98.2 million (previous year: –€102.5 million). Overall, cash and cash equivalents experienced a net change of –€152.6 million in the year under review (previous year: €216.1 million). Further information is provided in the cash flow statement in the notes.

Capital expenditures

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

In addition, investments were made for the construction of new office buildings in Kornwestheim (W&W campus), for which a total of €472 million was capitalised as at 31 December 2023.

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

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

Customer development in the Group

New customers increased considerably to 489.5 thousand (previous year: 461.6 thousand). Both divisions contributed to this encouraging growth, although the increase was more pronounced in the Insurance division.

The number of customers amounted to 6,515 thousand (previous year: 6,532 thousand). The number of customers in the Insurance division increased. Adam Riese, in particular, continued to expand its customer base and had well over 400 thousand in-force customers by the end of the year. The Housing division, on the other hand, recorded a decline due to weaker new construction financing business, among other reasons.

Overall view

The following comparison of the Group's performance in the reporting year with the estimates provided in last year's annual report shows that exceptional loss events, particularly in motor insurance, had a negative impact on the Group's results. It is the view of the Executive Board that business performance did not meet expectations due to this negative impact on earnings.

At the same time, the development of new business was largely encouraging: In the financial year, we were able to significantly increase net new business by contract volume in the Housing segment as well as new and replacement business (in terms of annual portfolio premium) in the Property/Casualty Insurance segment. New business by total premium in the Life and Health Insurance segment was slightly above the previous year's level.

Comparison of business development with forecast

Group

Given the exceptionally challenging circumstances, we amended our expectations for the 2023 financial year on 25 October 2023. The increase in adverse weather events and higher claims expenses, especially in motor insurance, meant that we now expected consolidated net income under IFRS to be between €130 million and €160 million, below our previous forecast of between €220 million and €250 million. In the reporting year, we generated consolidated net profit of around €140 million, which was within our updated forecast.

General administrative expenses were slightly higher than in the 2022 financial year.

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

Housing segment

At approximately €55 million, segment net income after taxes was down significantly year-on-year in 2023 due to the effects described in the section on business development. In the forecast, we assumed a moderate decline in net income.

As expected, general administrative expenses in the Housing segment were slightly higher in the 2023 financial year than in the previous year.

Our forecast for new construction financing business (approvals) was that it would be considerably below the 2022 level, while we expected net new business by contract volume to outperform 2022 considerably. This forecast was met.

Life and Health Insurance segment

In the Life and Health Insurance segment, segment net income after taxes of around €41 million was slightly higher than the level of around €38 million reported in the annual report for 2022 due to capital market effects. In the forecast, we assumed a moderate increase.

General administrative expenses in the Life and Health Insurance segment were on a par with the previous year and therefore better than the expected moderate increase. This is due to lower personnel expenses.

For the 2023 financial year, we had forecast new business by total premium to be on a par with the previous year. Higher single and regular premiums resulted in a slight increase over the forecast.

Property/Casualty Insurance segment

Segment net income after taxes in the 2023 financial year was approximately €8 million and thus markedly lower than the previous year's level.

General administrative expenses were moderately higher than in 2022. The forecast was met.

As expected, new and replacement business (according to annual contribution to the portfolio) in 2023 was significantly higher than in the previous year.

Development of business and position of W&W AG

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

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

Development of business

W&W AG closed the 2023 financial year successfully with net profit pursuant to the German Commercial Code (HGB) of €131.7 million (previous year: €119.4 million). Net income was characterised by dividends and profit transfers from subsidiaries.

Financial performance

Net income

W&W AG's net profit (HGB) for the 2023 financial year stood at €131.7 million (previous year: €119.4 million). The Executive Board and Supervisory Board decided to allocate €52.0 million (previous year: €40.0 million) to retained earnings for the purpose of strengthening equity. After carrying forward €0.1 million in retained earnings from 2022, the unappropriated surplus amounted to €79.9 million (previous year: €80.0 million). Based on this result, we will propose to the Annual General Meeting that a dividend of €0.65 (previous year: €0.65) per share be paid for the 2023 financial year and that €18.0 million (previous year: €19.0 million) be allocated to retained earnings and €1.0 million of retained earnings be carried forward.

Net investment income

In 2023, W&W AG's net investment income increased to €238.6 million (previous year: €184.1 million). In the year under review, profit transfers from our subsidiaries declined from €140.0 million to €117.3 million.

Reinsurance/net underwriting income

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

Prior to additions to the claims equalisation reserve, net underwriting income amounted to −€27.1 million, which was €30.9 million below the previous year's value.

Gross premiums written increased 16.4% to €581.6 million (previous year: €499.6 million) in the year under review, due to an increase in the premium income of Württembergische Versicherung AG and thus in the volume of reinsurance business ceded. Net premiums earned increased 9.2% to €349.4 million (previous year: €320.1 million).

Gross claims expenses increased from €294.3 million to €442.6 million since the financial year was characterised by various adverse weather events and large fire insurance losses. Owing to reinsurance, net claims expenses rose to €262.8 million (previous year: €194.2 million). The net loss ratio increased to 75.2% (previous year: 60.7%). Expenses for insurance business for own account decreased from €120.9 million in the previous year to €111.4 million. Per the requirements, €27.9 million had to be released from the claims equalisation reserve (previous year: addition of €6.3 million). The claims equalisation reserve amounted to €76.8 million (previous year: €104.7 million). This corresponds to 22.0% (previous year: 32.7%) of net premiums earned. After additions to the claims equalisation reserve, the net underwriting gain stood at €0.9 million (previous year: loss of €2.5 million).

Lines

Gross premiums increased from €246.4 million to €303.4 million in the fire and other property insurance lines. After a release of €2.2 million (previous year: addition of €10.9 million) from the claims equalisation reserve, a net underwriting loss of €15.4 million (previous year: €12.4 million) was recorded.

Gross premiums from the motor lines increased to €152.5 million (previous year: €142.5 million). After a release from the claims equalisation reserve of €24.0 million (previous year: €1.6 million), the net loss stood at €5.9 million (previous year: €14.8 million).

Gross premiums from the liability line increased to €59.5 million (previous year: €50.6 million). After the release of €0.9 million (previous year: €5.5 million) from the claims equalisation reserve, a net gain of €14.9 million (previous year: €17.6 million) was recorded.

Gross premiums from the accident line grew to €24.1 million (previous year: €23.6 million). After additions to the claims equalisation reserve, a net gain of €5.3 million (previous year: €5.8 million) was recorded.

Transport and aviation hull insurance premiums rose to €5.8 million (previous year: €4.5 million). After additions to the claims equalisation reserve, a net underwriting gain of €0.8 million (previous year: €0.3 million) was posted.

Gross premiums from other insurance lines (mainly legal expenses insurance) increased to €36.3 million (previous year: €31.9 million). The net underwriting gain after additions to the claims equalisation reserve was €1.1 million (previous year: gain of €1.1 million).

Taxes

Taxes on income were €41.7 million (expenses) (previous year: €0.2 million (income)). The increase in tax expenses is due to higher earnings before taxes and lower tax relief effects.

Net assets and capital structure

Asset structure

W&W AG's total assets increased €66.8 million in the financial year to €4,437.5 million (previous year: €4,370.6 million). Investments make up most of the assets. Receivables are another large item.

The liabilities side consists mainly of equity, other provisions and technical provisions, as well as the subordinated bonds of €300.0 million that were newly issued in 2021.

Equity

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

W&W AG's equity amounted to €2,203.8 million as at 31 December 2023 (previous year: €2,133.4 million). On the one hand, equity increased as a result of net profit of €131.7 million and the sale of treasury shares totalling €1.0 million in connection with the employee share ownership programme in 2023. On the other, the dividend distribution of €60.9 million that was made for the 2022 financial year and the repurchase of our shares in the amount of €1.5 million had the opposite effect and decreased equity. In total, equity thus increased by €70.3 million.

Retained earnings included in equity increased as well. In accordance with the resolution adopted by the Annual General Meeting, €19.0 million from the unappropriated surplus from the 2022 financial year and €52.0 million from net profit in 2023 were allocated to retained earnings.

Capital investments

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

The carrying amount of investments increased €69.3 million to €4,117.0 million (previous year: €4,047.8 million). This figure mainly includes interests in affiliated companies and participations of €1,450.1 million (previous year: €1,420.0 million) as well as shares, units or shares in investment funds and other non-fixed-income securities of €938.6 million (previous year: €892.3 million).

Valuation reserves

Valuation reserves are formed if the fair value of an asset is higher than the value at which it is carried in the balance sheet (carrying amount). W&W AG's valuation reserves for capital investments amounted to €2,024.0 million (previous year: €1,994.4 million). This includes €2,029.2 million (previous year: €2,076.6 million) for interests in affiliated companies, €62.5 million (previous year: €39.2 million) for funds and –€9.5 million (previous year: –€16.9 million) for debenture bonds and registered bonds. The hidden liabilities of the investments recognised in accordance with Section 341b (2) of the German Commercial Code (HGB) amounted to –€84.9 million (previous year: –€101.7 million). The hidden liabilities are interest-related and not considered permanent.

Pension provisions

Pension provisions of €1,178.6 million (previous year: €1,196.9 million), together with technical provisions of €522.3 million (previous year: €504.4 million), constituted a large share of W&W AG's liabilities. In addition to W&W AG's own pension provisions, this item includes the pension provisions for eight (previous year: eight) subsidiaries. W&W AG assumed joint liability for the pension commitments of these subsidiaries, and it made an internal agreement with them to meet these pension obligations.

Financial position

W&W AG always had sufficient liquidity in the year under review. The company obtains liquidity from reinsurance business and from financing activities. As part of intensified liquidity management, a cash pooling system was implemented between W&W AG, Württembergische Versicherung AG and Württembergische Lebensversicherung AG in the 2023 financial year in order to optimise cash flow in the W&W Group. For more information on liquidity management, please see the risk report.

Overall view

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

Comparison of business performance with forecast (HGB)

Due the holding company structure, W&W AG's net profit in accordance with HGB is determined primarily by dividends and profit transfers from subsidiaries. We exceeded the forecast level in the 2023 reporting year.

We help each other out, learn from each other and are open to new ideas.

Opportunity and risk report

Opportunity report

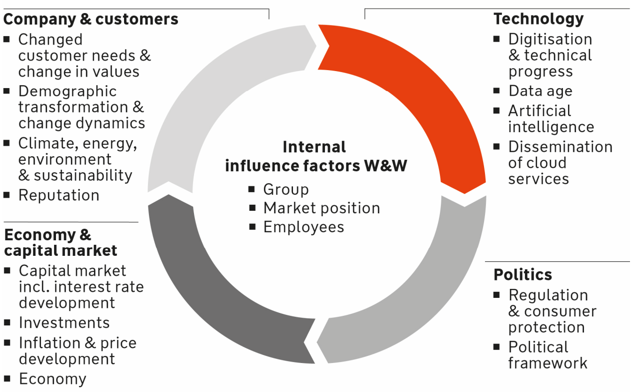
Recognising and exploiting opportunities is a fundamental requirement for the successful development of our Group. We thus aim to systematically identify, analyse and evaluate opportunities and initiate suitable measures to capitalise on them.

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

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

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

External and internal influence factors for W&W



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

External influence factors

Society and customers

Opportunities from changed customer needs and changes in values

Changes are emerging in the behaviour of retail and commercial customers. Values such as sustainability, digitalisation and security are becoming increasingly important.

At the W&W Group, our aim is to provide people with financial planning from a single source. We also increasingly provide customers with simple, transparent, individualised and flexible products and integrate our services across all our interaction channels. We are increasingly taking account of sustainability and security issues in our product range in order to reach new customer groups with corresponding values/needs and thus gain greater market share.

The need for financial security offers tremendous business opportunities. Comprehensive customer journeys are expected, with consistent messaging and communication across many channels. We adapt strategically to these changes in the financial planning market with our sustainable, comprehensive advisory approach – which includes the four pillars of financial security, residential property ownership, risk protection and savings and investment – as well as with our target group concepts and solutions.

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

An increase in remote working has also changed customer behaviour and led to a greater awareness of the quality of one's own living circumstances. The desire to own a home has intensified. In addition, the trend towards sustainable living is consolidating. This offers opportunities for us to serve not only as a reliable partner for all types of financing needs but also, and in particular, as a provider of digital advice in the online world and expertise in the physical world. For example, the Housing division offers financing for energy-related renovations and upgrades.

An increase in losses due to natural disasters and inflation is leading to uncertainty in the population. People in Germany are evincing an increased need for protection and security as a result of these events. This increased need for protection in society means that our Insurance division has the potential for higher sales in areas such as liability, residential buildings, life and household insurance.

Opportunities from rapid change and demographic shifts

Demographic shifts and a changing society offer new growth opportunities. In particular, shifts in society are being dominated by the megatrend of connectivity, leading to social, economic and cultural changes.

Increased life expectancy means that people are staying active for longer. In the long run, the government pension alone will not be sufficient to finance this self-determined, independent lifestyle. Independence, mobility and an active lifestyle in old age will increasingly have to be financed with a private source of capital. Society is demanding that we be more flexible and offer customised products, advice and communications to accommodate new lifestyles.

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

Life insurance continues to play an important role in maintaining living standards in old age, offering security and stability. This opens up opportunities for Württembergische Lebensversicherung AG thanks to its broadly diversified product range in the field of life and annuity insurance.

Modern living concepts such as multi-generational living, building with friends or groups and living in house shares are also becoming increasingly popular. There will be additional substantial demand for housing that is suitable for the elderly. The current capacity is already almost completely utilised. As such, this offers corresponding construction financing opportunities for the Housing division of the W&W Group.

Opportunities relating to the climate, energy, environment and sustainability

The consequences of climate change are now being felt in Germany and, in view of the intensity and increasing number of natural disasters, are becoming more noticeable every year. As a member of the German Insurance Association (GDV), the W&W Group supports the sustainability positioning of German insurers. Climate neutrality, sustainability and environmental protection are important decision-making criteria for us as a company and for our current and future customers. Both the Insurance division and the Housing division want to reach this steadily growing target group by focusing on sustainability.

The Insurance division considers and documents the aspects of ESG-compliant capital investments in the capital process. Its efforts are reflected in products such as those marketed by Württembergische Lebensversicherung AG. We are also constantly strengthening the ESG focus of our versatile fund range for the unit-linked annuity insurance "Genius". Growing demand for such products on the market gives rise to corresponding sales opportunities for us. Insurance protection for home owners in the area of natural disaster cover continues to offer the potential for expansion of private residential building insurance.

The building industry will play a key role in reaching the political objectives for reducing CO_2 emissions, particularly in the residential property sector. In addition to focusing on energy-efficient new construction, a top priority of climate policy is to accelerate energy renovations and upgrades, opening up growth potential as a result. With our climate-related residential loan product “Wohndarlehen Klima” and the home loan savings contract with a climate bonus, the W&W Group is offering various solutions. Furthermore, a comprehensive package of service offers and information on the topic of sustainable, climate-friendly building/renovating and government subsidies is available to current and potential customers. We are gradually expanding our Wüstenrot energy consulting services for customers using existing networks and partnerships, such as dena and DEN, to meet growing demand for energy and renovation advice.

Opportunities through reputation

Corporate social responsibility (a company’s responsibility towards society in the sense of doing business sustainably) is becoming increasingly important in the eyes of society. The way that a company positions itself and communicates as an attractive employer is gaining in significance. At the same time, a sociocultural shift is becoming apparent in the workplace. In this context, the W&W Group considers it important to focus not only on monetary remuneration, but also on new factors such as work-life balance, different forms of working and the work environment.

The W&W Group also promotes itself as an attractive employer externally. It moved into its new headquarters at the beginning of 2023. The campus in Kornwestheim offers a modern office environment that allows flexible and hybrid working. In addition, the energy efficiency of the buildings meets today’s high standards. The Group sees sustainability as a particular opportunity, both in its role as an employer and with respect to competitors.

Moreover, a company’s position with regard to sustainable corporate governance, its attitude to the environment, its social commitment and its ethics will have an increasing impact on its reputation. Accordingly, the W&W Group is expanding and refining its standards and guidelines for responsible corporate governance. This positioning is also important in respect of the growing challenges on the labour market and the “war for talent”. We would also like to emphasise that our products are regularly awarded top ratings.

Economy & market

Opportunities from the capital market, including changes in interest rates

Interest on property loans rose comparatively quickly, driven by inflation and interest rates on the capital market (for example for refinancing). Building equity for house purchases continues to be very important in view of current property prices and higher financing costs. In the Housing division, home loan and savings contracts are gaining importance in the context of rising construction interest rates. They serve as a tool for our customers to lock in interest rates and build equity.

If interest rates stay elevated, this will have a positive long-term effect on the life insurance participation surplus and thus on the yields of classic annuity insurance products marketed by Württembergische Lebensversicherung AG. Last year, this interest rate rise prompted the first life insurers to increase their participation surplus moderately. Württembergische Lebensversicherung AG also responded to rising interest rates on the capital market and increased its participation surplus for 2024. This higher participation surplus makes our products more attractive, thereby also helping us to be more competitive on the market.

Opportunities through investment

The W&W Group’s stable financial performance gives us scope for investment.

Sustainability has become one of the core objectives of the global community of states. It is therefore highly likely that the restructuring of our economy to make it more sustainable will remain relevant and that this will continue to offer investment opportunities for investors with a corresponding risk appetite in future.

The W&W Group has underlined the sustainable orientation of its investment business by signing up to the Principles for Responsible Investment. Environmental, social and governance (ESG) issues are increasingly being incorporated into analysis and decision-making processes and these activities are being progressively refined.

Opportunities from inflation and changes in prices

Our customers will continue to face high levels of uncertainty in 2024, especially due to issues relating to inflation and overall economic development. Inflation in Germany remains high. Although experts expect it to fall significantly in 2024, society is increasingly focusing on financial security. It is precisely in times of economic volatility that a lack of insurance protection can lead to a significant financial burden. For the W&W Group, this will result in opportunities in the prevention and mitigation of losses in particular. In this way, we can manage inflation risk as an insurance company and offer customers financial security.

Opportunities from the economy

The insurance industry is in a difficult situation, with cost pressure increasing. This challenging period of recession and inflation offers opportunities for insurers to review their business models and sales structures and, above all, to position themselves on the market with new and innovative products.

In this process, it is especially important for companies to be aware of the market situation and of competitors and to keep them in mind. Targeted analyses of the market and competition can help to identify trends and strategic action areas at an early stage, allowing the company to respond to such changes. We identify our internal strengths and external opportunities on the market through analyses conducted as part of our strategy and planning process, enabling us to exploit the potential we have identified in a targeted manner.

For Württembergische Lebensversicherung AG in particular, the current economic environment means there is a chance that rising interest rates will make life insurance more attractive again. In addition, falling inflation and wage increases relieve budgets.

Politics

Opportunities from tightening regulation and consumer protection

Compliance with growing regulation in connection with the quality of advice and support can be used to strengthen customer relationships and engage in deeper dialogue with customers. Tighter consumer protection and data protection regulations build trust in the industry as a whole and therefore in us as a provider.

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

Opportunities from general political conditions

Government subsidies to enable residential property ownership have been expanded through the increase in the housing construction bonus and the adjustment of income limits, thereby making home loan and savings contracts more attractive as products. General political conditions are therefore boosting sales opportunities for Wüstenrot’s home loan savings products.

The same applies to government subsidies for energy-related renovations and for new buildings and conversions. Customers who prioritise high energy efficiency and the use of renewable energies when building or renovating a property benefit in particular from government subsidies for energy-related upgrade work. The German government aims to achieve a “climate-neutral building stock” and is offering funding programmes to support building renovations that permanently reduce energy consumption and thus protect the climate. In particular, the amendment to the German Building Energy Act (Gebäude-Energie-Gesetz) in late September 2023 is aimed at promoting the switch to renewable energies. This in turn helps our customers’ properties retain their value and gives us opportunities to grow our financing business.

Technology

Opportunities from digitalisation and technical progress

The spread of digital technologies and their use continues to increase. IT is one of the key success factors in the digital age and plays an essential role in how business models change and develop. Technical progress supports things such as increasing process automation. The resulting productivity improvements and cost-cutting opportunities can be used to increase income and also free up time, energy and capital to invest in cutting-edge issues.

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

Collaborative networks enable us to better serve the needs of our customers. Important elements for this, for example with regard to all matters involving the home, are ImmobilienScout 24 and Bosch Smart Home. Digital networking can also dramatically reduce response times, which in the event of a claim in the Insurance division, for instance, makes it possible to limit consequential damages or even to avoid them altogether. The digitalisation of interaction with customers, such as via smartphone apps, is changing the access channels available to customers. Proprietary platforms – such as the W&W customer portal as a private smartphone app, the "new BaufiPortal" (Interhyp Standard) and the implementation of video consultations via "FinTrust" – provide extensive customer support and assistance in addressing concerns and settling services in many areas. These kinds of digital tools aim to help W&W AG increase its customer focus and customer satisfaction and facilitate day-to-day processes and workflows.

Cyber security insurance also offers significant sales opportunities in the context of increasing digitalisation and associated cyber crime.

Opportunities in the data age

Effective data management is an essential requirement for companies in the financial services sector to ensure that they remain competitive in the age of digitalisation and can address customers individually. Professional data analysis in the form of predictive analytics and data analytics offers major opportunities for companies. At the W&W Group, we also harness the available potential and implement intelligent solutions for customer interaction and data analytics. The responsible and targeted use of customer data enables us to create ever more personalised products so that we can approach our customers in a more targeted way. For example, specific evaluations and analyses allow us to identify patterns and make forecasts. Additional information makes it possible to better assess risks and avoid losses. Moreover, additional sales opportunities arise through the legally permitted use of data.

In addition, strong demand for digital products, services and consultations is evident throughout the sector and in almost all divisions. The roll-out of broadband and the resulting possibilities for digital data transmission will facilitate and accelerate the spread of digital services. The use of digital customer communication solutions such as FinTrust and Flexperto allows our customers to access digital consultations that are nevertheless still personal. This saves our employees time that they would have spent travelling, enabling them to arrange more appointments.

Opportunities from artificial intelligence

The use of digital services based on artificial intelligence (AI), e.g. in the form of chatbots, enables financial service providers to intensify their contact with customers. By using AI to generate responses to queries that lead directly to the next step, routine tasks are reduced and pressure on our employees is relieved, giving them more time to deal with customers' concerns.

Internal processes at the W&W Group itself are also optimised through the use of AI. For example, GenAI (generative artificial intelligence) is used to simplify administrative tasks. Among other applications, GenAI converts unstructured texts containing insurance-relevant data into structured tables that can be processed.

Moreover, innovative AI-based systems can provide a better assessment of individual risks and effectively identify cases of fraud. Artificial intelligence can also improve accuracy in credit scoring and property valuations, among other things. Through the targeted use of AI, robotics and APIs (application programming interfaces) at an early stage in its service functions, the W&W Group has the opportunity to leverage efficiency potential and automate more of its processes.

At Adam Riese GmbH, the W&W Group's digital insurance brand, AI supports risk assessments for dog owner liability, for example.

Opportunities from the growing use of cloud services

The growing use of cloud services and software-as-a-service applications can be observed throughout the sector. The innovation cycles for such cloud services are becoming shorter and shorter. Issues such as cloud security and cloud compliance require particular attention. In particular, cloud services present opportunities for the W&W Group in terms of the ability to save costs, security in the use of the application, the availability of data and the fact that programs are always up-to-date.

Internal influence factors

Opportunities through the Group

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

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

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

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

Opportunities through market position

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

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

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

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

Opportunities from our employees

For the W&W Group as a service company, recruiting and retaining skilled employees is a key component in ensuring its future and competitiveness. The W&W Group’s comprehensive employer benefits strengthen its attractiveness as an employer. For example, the employer benefits package “Beruf+” includes a wide range of programmes and services relating to health management, mobility, family, training, and agile, connected and flexible working, particularly digitally and at the new W&W campus.

An internal employee referral programme has also been launched. Likewise, the W&W Group offers various retention and networking programmes for vocational trainees and students from the Cooperative State University (Duale Hochschule).

As we want the W&W Group to conduct its business in a way that is environmentally sustainable, socially responsible and economically successful, we are also working on a concept to encourage our employees’ commitment to society.

We collaborate
in a spirit of
mutual trust
and cooperation.

Risk report

Risk management system in the W&W Group

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

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

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

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

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

For information on the enhancements planned for 2024, please see the chapter “Enhancements and planned measures”.

Goals and strategy

The W&W Group’s risk management pursues the following overarching objectives:

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

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

The **integrated risk strategy** establishes the strategic framework of the risk management system of the W&W Group, the Solvency II group and W&W AG. The risk management system is an integral component of a proper and effective business organisation. As part of this framework, definitions are established in line with business strategy for risk appetite, which is derived from the risk profile, for the overall risk objectives and for the application of harmonised standards, methods, procedures and tools. The risk strategy is in line with the W&W business strategy and the principles for long-term protection of the company as a going concern. It takes into account the nature, scope, complexity and risk content of the business operated by the individual companies that belong to the W&W Group. The aim is to maintain an appropriate balance-between taking advantage of business opportunities and incurring risks, while ensuring the effectiveness of the Group-wide risk management system. The requirements specified in the integrated risk strategy are designed to contribute to securing the long-term entrepreneurial capacity to act and to promoting the Group-wide risk culture. The risk strategy of the W&W Group is reviewed, adopted by the Executive Board of W&W AG and discussed by the Supervisory Board at least once a year.

The **Group Risk Policy** defines the organisational framework for risk management and is a prerequisite for an effective risk management system within the W&W Group. This framework is intended to ensure that the standard of quality is comparable across all business areas and that risk management is highly consistent on all levels of the W&W Group. As a key component of the common risk culture, the Group Risk Policy and the processes and systems defined in it promote the requisite risk awareness. The central elements of the Group-wide risk culture are:
- Leadership culture with a role model function (tone from the top),
- Open communication and critical dialogue,
- Responsibility of employees, and
- Appropriate incentive structures.

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

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

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

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

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

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

Capital management in the W&W Group

The individual companies and W&W AG maintain risk capital in order to cover losses if assumed risks should occur. Risk management is responsible for managing and monitoring the ratio of risk capital to risk capital requirements (capital adequacy, risk-bearing capacity). Risk is managed from two perspectives:
- With respect to regulatory capital adequacy, the ratio of regulatory capital to regulatory solvency requirements is monitored. Statutory and supervisory requirements relating to capital resources, risk-bearing capacity and other regulatory indicators apply for the financial conglomerate, the Solvency II group and W&W AG as an individual company.
- Within the scope of economic capital adequacy, economic risk capital requirements are determined on the basis of an economic risk-bearing capacity model and compared with the available economic capital.

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

Regulatory capital adequacy

Regulatory provisions establish requirements for regulatory capitalisation at the level of the individual companies and at the consolidated level.
- As at the reporting date, Wüstenrot Bausparkasse AG fulfilled the regulatory capital requirements. As at 31 December 2023, the total capital ratio of Wüstenrot Bausparkasse AG was 20.0% (previous year: 20.3%).

- As at the reporting date, the regulatory Solvency II coverage ratios of the insurance companies were likely well above 100%. The final results will be published in the second quarter. The ratios calculated as at 31 December 2022 were reported to BaFin in the second quarter of 2023. The reported ratios were 418.1% for W&W AG, 372.2% for Württembergische Lebensversicherung AG and 226.9% for Württembergische Versicherung AG. Württembergische Lebensversicherung AG received approval from BaFin to apply transitional measures for technical provisions and a volatility adjustment, both of which are also currently being applied by it.
- As at the reporting date, the regulatory coverage ratio for the Solvency II group was likely well above 100%. The final results will be published in the second quarter. The ratio for the previous year, which stood at 248.8%, was reported to BaFin in the second quarter of 2023.
- As at the reporting date, the coverage ratio for the financial conglomerate of the W&W Group was likely well above 100%. In the previous year, the coverage ratio stood at 238.9% as at 31 December 2022.

In its risk strategy, the W&W Group has set internal target solvency ratios for the Solvency II group, the financial conglomerate and W&W AG, among others, that exceed the current statutory requirements. The minimum target ratio for the Solvency II group and the financial conglomerate is 130% (in application of the transitional measures for technical provisions and the volatility adjustment); for W&W AG, it is 365%.

Internal calculations on the basis of the data for 2023 and on the basis of the planning horizon show that the regulatory requirements concerning capital resources will be satisfied by the financial conglomerate, the Solvency II group and W&W AG in the future as well, under the assumptions on which the planning is based.

Economic capital adequacy

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

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

Responsibility for implementation and limit monitoring lies with the individual decentralised risk controlling units and, for the Group as a whole, with the Risk and Compliance department. The risk strategy defines an economic risk-bearing capacity ratio of over 145% as a target for the W&W Group and over 125% for W&W AG.

The risk position presented below is based on the data used by company management for economic risk governance and internal risk reporting. Material risks, which are determined by means of a standardised approach, are aggregated to form the risk capital requirements and compared with the financial funds available for risk coverage. As at 31 December 2023, the W&W Group's total risk capital requirements after diversification amounted to €3,222.2 million (previous year: €3,002.7 million). The risk capital requirements are met by risk capital in the amount of €6,771.5 million (previous year: €6,070.8 million). At 210% (previous year: 202%), the degree of coverage (ratio of risk capital to risk capital requirements) is above target.

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

Diversification

The assumption and management of risks is a key aspect of the W&W Group's business model. The risk profiles for the home loan and savings bank, for property/casualty insurance companies and for life and health insurance companies differ considerably. Since the risks assumed by these companies usually do not occur at the same time, the risk capital requirements of the Group are lower than the sum of the risk capital requirements of the individual companies. For example, a drop in interest rates, which may constitute a risk for life insurance companies or, depending on positioning, the home loan and savings bank, is largely independent of the occurrence of a natural disaster, which mainly affects only property/casualty insurance companies. The extent of this risk diversification effect depends, on the one hand, on the intercorrelation of the risks and, on the other, on their size in the individual companies. In terms of confidence-based modelling, the economic risk-bearing capacity model at the Group level takes into account only diversification effects that arise between the individual companies within the individual risk areas. The resulting reduction in the economic risk capital requirements at Group level totalled 17.0% (previous year: 18.6%) as at 31 December 2023.

Accordingly, diversification is of strategic importance for the W&W Group due to our business model, which features a broad product portfolio over various business segments and regions, and the resulting risk profile.

Risk governance/risk bodies

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

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

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

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

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

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

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

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

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

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

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

- The business units that are responsible for operational decentralised risk governance constitute the **first line of defence**. Within the scope of their competencies, these units deliberately decide to assume or avoid risks. In this context, they must observe centrally determined standards, risk limits and risk lines as well as the adopted risk strategies. Internal controls verify that they stay within their competencies and comply with the aforementioned standards.
- The **second line of defence** comprises the (independent) risk controlling function/risk management function, the compliance function and the actuarial function.
  The (independent) **risk controlling function** or risk management function handles in particular the operational implementation of risk management and reports to management on the overall risk profile, among other matters. The Risk and Compliance department at W&W AG ("Risk" section) is responsible for risk management at the level of the W&W Group and W&W AG. The head of the "Risk" section holds the key function of "risk management" in accordance with Section 26 German Insurance Supervision Act (ISA) at the level of the W&W Group and W&W AG. In addition, the Insurance and Housing divisions each have their own risk management units. In each case, they perform the duties of the risk controlling function at the level of the respective subsidiaries. They also remain in close contact with the risk controlling function at the Group level.
  The **compliance function** is responsible for adequate legal monitoring and the effectiveness of the compliance with internal and external regulations. It regularly reports directly to the Executive Board of W&W AG and to the Group Board Risk about compliance-related matters and risks. The compliance function is supported in the operational performance of its duties by the Risk and Compliance department ("Compliance" section) at W&W AG.
  The **actuarial function** is responsible, inter alia, for the correct calculation of the technical provisions, and it assists the relevant (independent) risk controlling function or risk management function in risk assessment. The actuarial function at W&W AG is exercised by the head of the Actuarial Services and Property and Casualty Reinsurance department of Württembergische Versicherung AG. For the Solvency II group, it is carried out at the level of W&W AG by the head of Risk Management Life and Health Insurance of Württembergische Versicherung AG.
- The **Internal Audit** department represents the **third line of defence**. It independently audits the appropriateness and effectiveness of the internal control system as well as the effectiveness of corporate processes, including the first two lines of defence. The internal audit duties at the Group level and at W&W AG are performed by the Group Audit department at W&W AG. The head of this unit acts as the responsible function holder. Corresponding audit functions have been established at the level of the individual companies.

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

Risk management process

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

Risk identification

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

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

Risk assessment

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

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

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

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

In addition, risks are assessed from a supervisory (normative) perspective using regulatory risk parameters.

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

Risk taking and risk governance

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

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

Key management parameters at Group level are the consolidated net profit and division-specific indicators. As part of the planning and extrapolation process, we perform scenario analyses on key performance indicators to link earnings management and risk governance. As well as consolidated net income under IFRS, the earnings of individual companies in accordance with HGB are also relevant for management.

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

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

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

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

Risk monitoring

Risk indicators are used to recognise risks at an early stage and reveal changes in the risk situation. Such indicators include financial and risk indicators (e.g., risk-bearing capacity ratios, limit utilisations), supervisory indicators (e.g., capital ratios, liquidity coverage ratio) and market indicators (e.g., stock prices, credit spreads).

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

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

Risk reporting

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

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

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

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

Risk landscape and risk profile of the W&W Group

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

Risk landscape of W&W Group

Overview of risk areas

Overall risk profile

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

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

Sustainability risks are not an independent risk type but are included in the relevant risk types. Sustainability risks may materialise from internal and external risk drivers or triggering events in the areas of the climate, the environment, social affairs, politics, corporate governance and compliance, which, in the individual risk areas, may have a negative impact on the net assets, financial position or financial performance of the W&W Group.

Sustainability risks include external risks that affect the W&W Group and its risk factors (outside-in) as well as internal risks from sustainability factors that are caused by the W&W Group and can have a negative impact on the environment (inside-out). The climate and environment areas cover physical risks (arising both from individual extreme weather events and their consequences, and from long-term changes in climatic and environmental conditions) and transition risks (arising from the transition to a low-carbon economy), as well as interdependencies between the two categories of risk.

Accordingly, sustainability risks are addressed in the organisation and actions of the W&W Group and the associated individual companies in such a way as to avoid manifestations that pose a threat to their existence. Sustainability risks are treated in a forward-looking manner. In this regard, the risk strategy of the W&W Group also specifies the framework with which sustainability risks are integrated into risk management.

The W&W Group's risk management system addresses sustainability risks along the established risk management process. This particularly includes the risk strategy framework, risk identification and assessment within the risk inventory, risk taking and monitoring within the defined strategic framework, and risk reporting. Sustainability risks are thus also an element of the monitoring of the risk profile by the Group Board Risk.

Sustainability risks are identified and assessed as part of the risk inventory process. This involves reviewing the scope of the relevant ESG drivers and assessing the relevance of sustainability aspects for the individual risk areas and risk types.

In the ESG categories, ESG events from the following areas are assessed with regard to the inside-out and outside-in perspective of the W&W Group:

- Environment category: climate change, natural disasters, man-made disasters, resource scarcity;
- Social category: political environment, social environment, global human rights, business environment;
- Governance category: corporate governance, compliance.

The impact of the individual ESG events on the existing risk types is assessed on the basis of their urgency and their impact intensity on the respective risk type in order to identify the ESG events that are material for the W&W Group. Urgency is determined by the time horizon applicable to the event, combined with the probability of occurrence within that time horizon. The time horizon analysis distinguishes between short term (5 years), medium term (15 years) and long term (30 years and more). The impact intensity describes the extent to which the risk would affect the respective risk type if it were to materialise.

The ESG drivers that are considered material are those that have a high impact intensity and urgency according to the ESG heat map and can therefore contribute as a factor to the materiality of individual risk types.

Of particular importance in this regard are ESG events that affect the risk areas of capital investments (mainly transitory risks) and underwriting risks (mainly physical risks). Violations of our sustainability strategy can also lead to reputation risks.

When taking risks, we must comply with PSI, PRI, the Supply Chain Due Diligence Act (LkSG) and the Diversity Charter.

Adequate consideration must be given to sustainability aspects, particularly in strategic asset allocation as an investment framework. This includes, among other things, the constant addition of sustainable instruments to the investment portfolio and the constant reduction of the portfolio's CO_2 emissions in order to achieve the long-term goal of climate neutrality within the portfolio.

Physical risks from extreme weather events and natural disasters are limited in the area of underwriting risks through underwriting policies and reinsurance agreements, among other things. In addition, physical risks within our internal work processes can lead to failures in infrastructure or system availability or an increased workload in operations, for example. The established management tools in the individual operational risk types are used to manage the risks arising from sustainability aspects.

To limit reputation risks that arise from sustainability aspects, among other risk types, the W&W Group's sustainability strategy specifies measures for addressing sustainability in the individual action areas.

Sustainability risks are accounted for in the risk-bearing capacity model. Their share in total risk capital requirements is minor. The assessment of sustainability risks is complemented by the consideration of climate change scenarios that reflect the impact of transition risks and physical risks. Different plausible scenarios derived from scientific evidence are used and an appropriate length of observation period is selected.

Early warning indicators are used to monitor risks, including, but not limited to, sustainability-related early warning indicators. These include technical key figures, compliance with sustainability-related investment restrictions and the objectives of the sustainability strategy.

Sustainability risks are taken into account in risk reporting.

Emerging risks can arise because of changing basic conditions, such as those of an economic, geopolitical, social, technological or environmental nature. These are new developments relating to the future, the impact of which is still subject to a high degree of uncertainty. For our company, the main challenges are posed by technological trends (digitalisation, cybertechnologies), social trends (demographics, changed customer behaviour, pandemic) and economic trends (current interest rates, systemic risks). In the risk management process, emerging risks are observed with the aim of identifying the strategic risks that result from them in a timely manner (early risk warning) and of taking them into consideration in setting the company's business strategy. As part of the risk identification process, emerging risks are assessed for their relevance to the W&W Group on the basis of external information sources and internal expert assessments.

Risk concentrations can arise from the accumulation of similar or different risks. Because of the business model of the W&W Group and its individual companies, potential risk concentrations may result, in particular, from capital investments and from the economic and regional structure of customer business (customer lending business, insurance business). However, owing to regulatory requirements and internal rating requirements, the W&W Group is heavily invested, in sectoral terms, in government bonds and financial services companies and, in regional terms, in Europe, which is typical for the industry. Accordingly, in addition to the credit risk associated with the relevant counterparty, the W&W Group in particular bears the systemic risk of the financial sector and the specific counterparties belonging to it. Other concentrations exist through positions that we intentionally take in certain assets classes (equities, holdings, bonds) through strategic asset allocation.

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

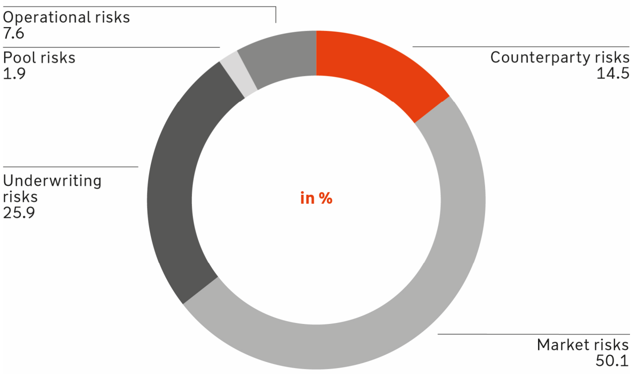
Operational risk concentrations may arise in connection with outsourcing (a single comprehensive mandate or several equivalent mandates), through process dependencies of IT systems and through an accumulation of projects, particularly large projects.

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

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

The risk profile of the quantified risk areas was determined in accordance with our methods for economic risk-bearing capacity measurement (see the section "Economic capital adequacy"). The risk profile was distributed as follows as at 31 December 2023:

Risk profile of the W&W Group [1]



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

Market price risks currently account for the largest share of risk capital requirements at 50.1% (previous year: 54.8%). These include interest rate, credit spread and equity risks as the most significant types of risk. **Underwriting risks** account for 25.9% (previous year: 20.9%). Due to the exposures in our investment portfolios and our customer lending activities, **counterparty credit risks** also constitute a significant risk area, accounting for 14.5% (previous year: 14.2%).

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

Market price risks

Risk definition

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

Market environment

We provide information concerning trends in interest rates and equity prices in the “Economic report – Capital markets” section. Credit spreads narrowed over the course of 2023 after a temporary widening at the end of the year. For example, the Itraxx Senior Financials 5Y rose to 67.0 (previous year: 99.3) basis points as at 29 December 2023.

Risk position

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

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

If interest rates rose further or credit spreads widened to a comparable degree, hidden liabilities would increasingly build up on the assets side in the commercial accounts, necessitating write-downs. In addition, customers might increasingly make use of their option rights, which would realise hidden liabilities. Under IFRS, financial instruments would increasingly result in valuation losses or have a negative impact on other comprehensive income (OCI). In the medium to long term, however, the scenario would reduce the asset-liability mismatch since it would reopen the possibility of making new investments and reinvestments at higher interest rates.

From an HGB perspective, capital investments were reclassified as fixed assets (Section 341b HGB) in the previous year in light of rising interest rates. However, the reclassification and the existing hidden liabilities limit our future income management options.

A decline in interest rates, on the other hand, would either have positive short-term effects on earnings due to the fair value measurement of financial instruments measured at fair value in accordance with IFRS, or hidden liabilities would be reduced or asset reserves built up under HGB. At the same time, assumed obligations would present medium- to long-term risks since new investments and reinvestments can only be made at a lower interest rate. This would present additional risks since the asset-liability mismatch would be increased and reserves might have to be realised to meet future customer claims.

The effects of possible interest rate change scenarios on the Group’s earnings and equity are presented and explained in Note 48 in the notes to the consolidated financial statements.

In the Life and Health Insurance segment (mainly Württembergische Lebensversicherung AG), we continued to take the following risk-minimising measures:

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

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

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

The interest rate reversal of the last two years has eased the previously challenging financing situation of building up the additional interest rate reserve/interest rate reinforcement in the HGB balance sheet of Allgemeine Rentenanstalt Pensionskasse AG under the ancillary condition of regulatory solvency to the extent that a lower allocation to the additional interest rate reserve/interest rate reinforcement is necessary. A return to a low-interest phase would exacerbate the situation. The interest rate calculation basis is also appropriate in the long term if the current interest rate level is maintained.

The current interest rates are linked to the current inflation rate. The impact of inflation on the risk profile is discussed more fully in the Business risks section.

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

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

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

In connection with strategic asset allocation, investments are increasingly being made in alternative investments in private equity and private debt holdings as well as in infrastructure, which resulted in our exposure to market values expanding to €3,445.8 million (previous year: €3,136.2 million). Alternative investments are accounted for in the economic risk-bearing capacity model mainly together with equity price risks. Valuations of alternative investments were stable to slightly positive in the private equity and infrastructure sector. Valuation declines are also counteracted by opposing valuation increases. Private debt valuations were stable. A sharp economic downturn or a further rise in interest rates/inflation could trigger a decline in the valuation of alternative investments.

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

Stock price risk. Of the companies of the W&W Group, significant equity portfolios are currently held by Württembergische Versicherung AG, Württembergische Lebensversicherung AG and W&W AG. Accordingly, sudden and severe price slumps on equity markets could impair the risk-bearing capacity of the Group companies that invest in equities by forcing HGB write-downs or IFRS measurement losses that are recognised in profit or loss. Stock risks are mitigated through hedging strategies based on derivatives (e.g. put options, short futures).

The equity holdings of the W&W Group companies with significant equity portfolios decreased in terms of market value to €385.8 million (previous year: €428.6 million), mainly due to sales. An index fluctuation of the EURO STOXX 50 would result in the following market value changes as at 31 December 2023:

Market value changes in key equity portfolios

	Market value	Change in market value	
in € million		Increase by 10%	Decrease by 10%
Württembergische Lebensversicherung AG[1]	305.9	25.4	–22.5
Württembergische Versicherung AG[1]	40.2	3.1	–2.6
W&W AG[1]	39.7	3.3	–2.8
Total	**385.8**	**31.8**	**–27.9**

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

Foreign currency risk. Foreign currency risks can result from net FX positions in globally aligned investment funds, as well as from foreign currency bonds and equity instruments held by of our insurance companies (mainly Württembergische Lebensversicherung AG and Württembergische Versicherung AG). In accordance with our strategic orientation, our foreign currency exposure is concentrated in Danish krone and U.S. dollar. Within the scope of individual fund mandates, we also have minor exposure in other currencies. The foreign currency exposure of the insurance companies' capital investments amounting to €8,272.4 million (previous year: €8,616.3 million) is 91.8% (previous year: 94.3%) hedged against exchange rate fluctuations. In view of interest rate-related hidden liabilities, foreign currency fluctuations can nevertheless make it more difficult to manage profits.

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

The effects of possible exchange rate scenarios on the Group's earnings and equity are presented and explained in Note 48 in the notes to the consolidated financial statements.

Real estate risk. Within the W&W Group, Württembergische Lebensversicherung AG, W&W AG and Württembergische Versicherung AG hold property portfolios with a market value of €3,519.3 million (previous year: €3,197.9 million) in the form of direct investments and via fund mandates and holdings. Our diversified property portfolios are an integral part of our investment portfolio.

Our property investments focus on direct investments and real estate funds in Germany, Austria and Switzerland with projected stable value growth and high fungibility.

The situation in the property markets deteriorated over the course of 2023. The difficult economic environment, interest rate trends and the increase in remote working have brought down prices for residential property and particularly for commercial/office property. Measurement losses/gains on investment property measured at fair value totalled –€14.6 million for the year (previous year: €145.1 million).

In this environment, it is impossible to rule out further impairment losses, particularly among commercial properties. This may initially relate to property portfolios held directly or in funds.

Regarding Bausparkasse Wüstenrot AG's lending portfolios, the loan-to-value calculations continue to be conservative. The general assumption is that the collateral will remain sufficient even in the event of a further decline in property prices. However, negative effects on the property loan portfolios and property portfolios of other banks could have an impact on their earnings situation and thus worsen the valuations of the bank bonds held by the W&W Group.

Given rising construction costs and the general economic situation, the property projects developed directly by the W&W Group are exposed to cost and earnings risks if sales fail to materialise or can only be realised at a discount.

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

Strategy and organisation

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

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

The property portfolio management unit develops investment concepts for the "real estate" asset class. The Alternative Investments section is responsible for investments in private equity, private debt, renewable energies and infrastructure. Our strategic participation activities are supervised by Group Controlling. The decentralised and centralised risk controlling units operate as independent monitoring units for investment risks, including by means of operational limit monitoring.

Risk management methods and risk controlling

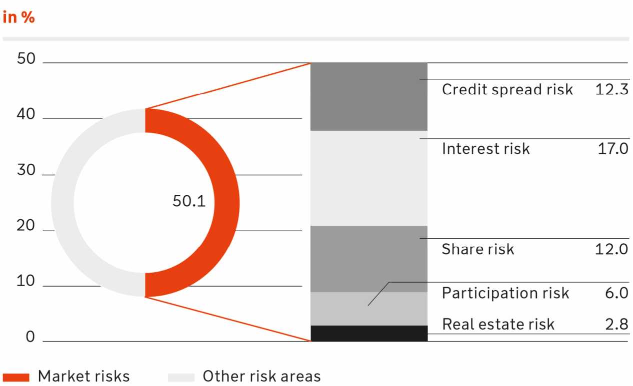
Economic risk-bearing capacity model. Risks from interest rate changes are quantified both on the assets side and on the liabilities side using economic models. The companies included in our economic risk-bearing capacity model at the Group level measure market price risks economically, i.e. they take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

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

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

The **risk profile** of the market price risk area was determined according to our methods for risk-bearing capacity measurement (see section "Economic capital adequacy"), and as at 31 December 2023, it was distributed as follows:

Risk profile for market risks



Risk capital requirements. Interest rate risks, which accounted for 17.0% (previous year: 21.3%), are the most significant of the market price risks, followed by credit spread risks at 12.3% (previous year: 11.7%) and stock price risks at 12.0% (previous year: 12.9%).

The assumed market price risks were in line with the risk strategy in 2023. The risk limit for market price risk was consistently complied with at Group level.

Sensitivity and scenario analyses. From the Group perspective, we regularly run economic stress scenarios in order to identify credit spread and interest rate sensitivities and simulate trends on the equity and property markets under changed assumptions. The effects of possible market price scenarios on the Group's earnings and equity are presented and explained in Note 48 in the notes to the consolidated financial statements.

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

Financial instruments. In terms of strategic and tactical asset allocation, the companies of the W&W Group made use of derivative financial instruments in 2023. Stock price, interest rate and foreign currency risks in particular are reduced with suitable hedging strategies using derivatives (e.g. put options, futures, interest rate swaps and forward exchange contracts). Financial instruments are explained in Note 39.

Participation controlling. We influence the business and risk policy of our holdings, inter alia, through our representation in supervisory bodies, depending on the size and significance of the holdings. Holdings are subject to stringent controlling. Among other things, this comprises the annual planning of dividends, medium-term economic planning, projections during the year and monthly target/actual comparisons for material equity holdings. Additionally, separate processes for risk governance and risk controlling are in place for private equities and alternative investments. In this way, impending equity risks can be responded to at an early stage.

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

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

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

Counterparty credit risks

Risk definition

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

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

Risk position

Counterparty credit risk from investments. Exposed to counterparty credit risks from investments are in particular Württembergische Lebensversicherung AG, Württembergische Versicherung AG, W&W AG and Wüstenrot Bausparkasse AG. In line with our strategic orientation, the credit rating structure of our interest-bearing investments is conservative, with 90.7% (prior year: 90.3%) of investments in the investment grade range.

Current inflationary trends and increased market interest rates may have a negative impact on borrowers' creditworthiness and refinancing capacity in the medium term. The credit rating structure of our interest-bearing investments was largely stable in the financial year.

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

Interest-bearing investments
Rating (Moody's scale)

	2023		2022	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	in € million	in %	in € million	in %
Aaa	8,553.2	32.3	8,785.4	33.9
Aa1	3,852.5	14.6	3,888.3	15.0
Aa2	1,286.7	4.9	2,220.3	8.6
Aa3	3,322.6	12.6	2,145.4	8.3
A1	991.5	3.7	576.5	2.2
A2	1,029.3	3.9	1,157.9	4.5
A3	1,591.9	6.0	1,386.6	5.4
Baa1	993.8	3.8	908.5	3.5
Baa2	1,391.5	5.3	1,351.5	5.2
Baa3	976.5	3.6	993.4	3.8
Non-investment-grade	2,283.8	8.6	2,352.7	9.0
Non-rated	187.0	0.7	168.7	0.7
Total	**26,460.4**	**100.0**	**25,935.2**	**100.0**

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

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

Interest-bearing investments Collateralisation structure in 2023

	Portfolio carrying amount				
	Public	German covered bond	Deposit guarantee or government liability	Uncovered	Total
in € million	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Housing	1,580.9	1,189.8	–834.8	2,374.8	4,310.7
Life and Health Insurance	8,463.9	3,894.8	1,818.3	4,760.2	18,937.2
Property/Casualty Insurance	790.6	523.1	278.9	414.0	2,006.6
All other segments	432.1	472.4	94.1	207.3	1,205.9
Total	**11,267.6**	**6,080.1**	**1,356.5**	**7,756.3**	**26,460.5**
Share of collateralisation structure, in %	42.6	23.0	5.1	29.3	100.0

The scope of consolidation for accounting purposes serves as the basis for the presentation of our counterparty exposure; it consists of interest-bearing investments in the direct portfolio and within fully consolidated funds.
The negative value of the deposit guarantee in the Housing segment is due to negative market values of a swap used to hedge customer deposits and the home loan and savings pool. The negative market value is offset by the positive value of customer deposits.

Interest-bearing investments Collateralisation structure in 2022

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

The scope of consolidation for accounting purposes serves as the basis for the presentation of our counterparty exposure; it consists of interest-bearing investments in the direct portfolio and within fully consolidated funds.
The negative value of the deposit guarantee in the Housing segment is due to negative market values of a swap used to hedge customer deposits and the home loan and savings pool.
The negative market value is offset by the positive value of customer deposits.

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

Public-sector bonds by region 2023

								Portfolio carrying amount	Share in total exposure in %
in € million	Domestic	Europe	Central/South America	North America	Asia	Africa	Other	Total	
Housing	106.9	1,474.0	–	–	–	–	–	1,580.9	14.0
Life and Health Insurance	2,279.6	4,377.2	255.2	820.1	101.1	118.4	512.3	8,463.9	75.1
Property/Casualty Insurance	129.2	388.6	35.3	102.5	9.5	16.6	108.8	790.5	7.0
All other segments	133.3	192.9	18.5	29.3	5.2	8.3	44.7	432.2	3.8
Total	**2,649.0**	**6,432.7**	**309.0**	**951.9**	**115.8**	**143.3**	**665.8**	**11,267.5**	**100.0**
Share in %	23.5	57.1	2.7	8.4	1.0	1.3	5.9	100.0	

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

Public-sector bonds by region 2022

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

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

In the area of emerging markets, negative effects from country-specific developments and from the uncertain further development of the world economy are able to be ruled out. The exposure of interest-bearing investments in emerging markets to market values amounted to €1,976.7 million at year-end (previous year: €1,917.9 million).

On the financial markets, increased credit-rating-induced default risks persist for uncovered and subordinate exposures. Losses of interest and reductions in nominal value (haircuts) still cannot be ruled out. Although our subordinate exposures (profit participation rights, silent partnerships and other subordinate receivables) increased to €1,462.4 million (previous year: €1,379.7 million), they still account for only a small proportion of the total volume of our investment portfolio.

Counterparty credit risk in customer lending business. The most significant counterparty credit risks for the W&W Group from customer loans exist in Wüstenrot Bausparkasse AG with an HGB carrying amount of €23,078.8 million (previous year: €21,867.3 million). Less important are the mortgage portfolios of Württembergische Lebensversicherung AG, which at the end of the year had a carrying amount pursuant to HGB of €883.2 million (previous year: €1,034.2 million).

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

	Portfolio	Share	Portfolio	Share
		2023		2022
	in € million	in %	in € million	in %
Not in default	22,742.5	98.5	21,612.90	98.8
In default	336.3	1.5	254.4	1.2
Total	**23,078.8**	**100.0**	**21,867.3**	**100.0**

At the end of the year, the credit risk provision ratio of Wüstenrot Bausparkasse AG pursuant to the German Commercial Code (HGB) (net credit risk provision in relation to the credit portfolio) amounted to 0.05% expense (prior year: 0.02% expense), and the credit default ratio pursuant to the HGB (credit default in relation to the credit portfolio) amounted to –0.01% (prior year: –0.01%). As at the reporting date, the expected probability of default in the loan portfolio was 0.83% (previous year: 0.90%). The average loss given default amounted to 7.40% (previous year: 8.24%).

The receivables portfolio of Wüstenrot Bausparkasse AG mainly consists of loans, most (87.7%) of which are secured by land charges (Grundpfandrechte), which are similar to mortgages, and are intrinsically diversified. Because of the high granularity, there are no appreciable risk concentrations in our customer loan portfolio. Due to our strategic orientation, our loan portfolios are mainly subject to pool and structural risks. Detailed upper limits are set for the customer lending business and municipal lending business of Wüstenrot Bausparkasse AG in order to avoid potential risk concentrations from high-volume individual risks. For an additional examination of counterparty credit risks from customer business under IFRS accounting, please see Note 49.

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

Receivables from policyholders and intermediaries that were overdue by more than 90 days at the reporting date totalled €94.9 million (previous year: €81.1 million). The average default rate (HGB) over the last three years amounted to 4.3% (previous year: 6.6%).

As at the reporting date, 97.9% (previous year: 97.8%) of the recognised receivables of W&W AG from reinsurance business of €391.1 million (previous year: €346.8 million) were predominantly due from companies with a rating of A or better. All told, the increase in receivables from reinsurance business compared with the previous year was attributable to the claims development.

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

	2023		2022	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	in € million	in %	in € million	in %
AAA	0.0	–	0.0	–
AA	270.3	69.1	205.0	59.1
A	112.6	28.8	134.1	38.7
BBB	0.5	0.1	2.6	0.7
BB	0.0	–	0.0	–
B	0.0	–	0.0	–
CCC and lower	0.0	–	0.0	–
No rating	7.7	2.0	5.1	1.5
Total	**391.1**	**100.0**	**346.8**	**100.0**

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

Strategy and organisation

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

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

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

Risk management methods and risk controlling

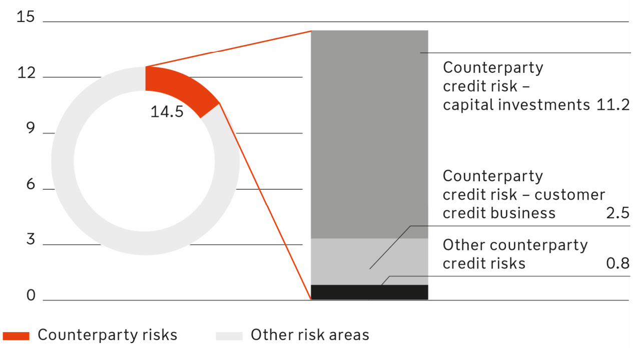
Economic risk-bearing capacity model. With regard to our home loan and savings bank and our insurance companies, we not only monitor counterparty credit risks from investment activities at an individual level but also evaluate them at the portfolio level with our credit portfolio model. This a based on a credit-value-at-risk approach that is standard in the industry. Risk capital requirements are calculated as value at risk applying one-year default and migration probabilities. The loss distribution is generated with Monte Carlo simulations. The stochastic model is based on market data and takes default probabilities as well as the probability of migrations between different credit rating classes into consideration. The constantly enhanced credit portfolio model within our governance toolkit enables us to dynamically adapt credit lines to rating changes.

The customer loan portfolios of Wüstenrot Bausparkasse AG are also measured with a standard credit-value-at-risk model. Default, migration and realisation risks are also taken into account. Following a model adjustment in mid-2023, the distribution of present value losses in the customer lending business is also generated using Monte Carlo simulations. The stochastic model is based on market data and takes default probabilities as well as the probability of migrations between different credit rating classes into consideration.

The **risk profile** of the counterparty credit risk area was determined according to our methods for risk-bearing capacity measurement (see section "Economic capital adequacy"), and as at 31 December 2023 it was distributed as follows:

Risk profile for counterparty risks

in %



Risks from our investments constitute the greatest proportion of risk capital requirements for counterparty credit risks. Measured against total economic risk capital, the proportion amounted to 11.2% (previous year: 10.7%). In 2023, the counterparty credit risks were in line with the risk strategy. The risk limit was consistently complied with at the Group level.

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

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

Limit and line system. To assess counterparty credit risks from investments and determine limits and lines, the W&W Group draws on the evaluations of international rating agencies, which it verifies and supplements with its own creditworthiness analyses. The lines are subject to regular review. Risk limitation serves to limit risks to a maximum permissible level that corresponds to the risk appetite. It is carried out by allocating risk capital to risk areas. In order to prevent risk concentrations from forming with respect to individual investment counterparties, a limit is set at the level of issuer groups (borrower units). A Group-wide risk line system is used for this purpose.

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

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

Risk provisions. Impending defaults relating to customer transactions, investments or reinsurance business are taken into account by means of appropriate impairment allowances. The methodology for the creation of risk provisions and impairment allowances, as well as how they changed in 2023, are presented in Note 49 "Counterparty credit risks" to the consolidated financial statements.

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

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

Underwriting risks

Risk definition

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

Risk position

Underwriting risk arises primarily from property/casualty insurance, particularly from the risk of natural catastrophes. Property/casualty insurance losses from natural disasters increased year-on-year in the financial year to €176.6 million (€109.3 million) on a gross basis and €162.2 million (€103.2 million) on a net basis. The net loss ratio was 76.3% in the financial year (previous year: 61.1%)%. The increase in the financial year was strongly driven by exceptional large losses, claims inflation, natural disasters and a reserves policy that can be considered forward-looking in this environment. The underwriting risk in life insurance is closely related to the interest guarantee risk, which is described in the chapter "Market price risks". Concerning the presentation of the risks from our insurance portfolio, please also see the information in Note 50 "Underwriting risks" in the notes to the consolidated financial statements.

The exceptionally high inflation rates in 2023 increased claims expenses for Württembergische Versicherung AG. This can be expected to continue in the future, which is why Württembergische Versicherung AG will maintain its cautious premium calculation and appropriate reserves policy. Württembergische Lebensversicherung AG may see the effects of high inflation in the form of higher material and personnel costs in the future, which will be taken into account in calculating adequate rates. Inflation will still likely drive up benefit payments for Württembergische Krankenversicherung AG, which can be accommodated through future premium adjustments. The effects of increased inflation have also been incorporated into the W&W Group's risk models and corporate planning.

Biometric and cancellation risks are particularly relevant to underwriting risk in life and health insurance.

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

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

We are currently not seeing a significant increase in cancellation rates. The cancellation rate of Württembergische Lebensversicherung AG in terms of annual premium increased to 3.9% (previous year: 3.8%) in 2023. Cancellations in the portfolio of Württembergische Versicherung AG rose from €238.0 million to €265.9 million in terms of premium income.

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

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

The underwriting risk of the W&W Group is largely determined by Württembergische Versicherung AG, which accounts for around 66% of the risk capital requirement. The long-term trends in net loss ratios (ratio of net expenses for insured events to net premiums earned) and net settlement ratios (ratio of net settlement results from provisions for outstanding insurance claims to initial loss provisions) for Württembergische Versicherung AG were as follows:

Claims and settlement ratios for own account

in %	Loss ratios	Settlement ratios
2013	74.1	6.8
2014	68.5	4.9
2015	65.8	6.8
2016	63.8	6.7
2017	63.6	6.6
2018	61.8	7.1
2019	63.3	6.3
2020	64.1	2.8
2021	62.6	7.8
2022	61.1	7.8
2023	76.3	3.0

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

Reserve risk. Reserve risk means the risk of inadequate loss reserves. The settlement of claims can fluctuate with respect to time and amount, meaning that the reserves set up for claims benefits may not be sufficient. The change in loss reserves can be seen from the run-off triangles presented in Note 50 in the notes to the consolidated financial statements. This overview shows that adequate loss reserves have always been created thus far. The settlement ratios can be found in the table presented above.

Strategy and organisation

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

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

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

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

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

Risk management methods and risk controlling

Economic risk-bearing capacity model. We use an economic model for measuring underwriting risks that is based on the value-at-risk approach at a confidence level of 99.5%. These results are incorporated in our stochastic model.

At Württembergische Versicherung AG, underwriting risk is quantified on the basis of a stochastic approach. In property and casualty insurance, the calculation is performed with Monte Carlo simulations. In order to estimate disasters, the W&W Group makes use, inter alia, of simulation results provided by reinsurance companies and brokers that specialise in this area. W&W AG's underwriting risk is largely calculated on the basis of business that is assumed by Württembergische Versicherung AG and retained by W&W AG. At Württembergische Lebensversicherung AG, underwriting risk is quantified based on the stress scenarios provided for under Solvency II.

Risk capital requirements. Biometric scenarios, a mass cancellation scenario and a direct permanent increase and decrease of the cancellation rate are all examined in the analysis. In all, underwriting risks accounted for 25.9% (previous year: 20.9%) of total risk capital requirements of the W&W Group. The main risk bearer is Württembergische Versicherung AG, followed by Württembergische Lebensversicherung AG and W&W AG. The year-on-year increase in underwriting risk is particularly attributable to an increase at Württembergische Versicherung AG due to portfolio growth and claims performance.

In 2023, underwriting risks were in line with the risk strategy. The risk limit was consistently complied with at Group level.

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

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

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

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

However, the current state of the reinsurance market is leading to higher reinsurance premiums and higher deductibles. This tends to make results more volatile.

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

Reserves. W&W insurers create appropriate provisions for reported claims both on an individual and on a collective basis. Technical provisions, as well as the structure of our provisions for future policy benefits, are explained in Note 19 in the notes to the consolidated financial statements.

For further information on underwriting risks (property/casualty insurance and life and health insurance business), please see Note 50 in the notes to the consolidated financial statements.

Operational risks

Risk definition

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

Risk position

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

Legal risk. We are seeing an increase in regulation in the form of laws and supervisory rules with regard to supervisory law, creditor and consumer rights and disclosure requirements. Moreover, legal proceedings that are pending in the financial sector may lead to subsequent financial recovery claims. New legal interpretations by administrative authorities and judicial rulings in particular pose considerable risks and may have a significant impact on the future results of operations. Of particular relevance here are the legal interpretation concerning the permissibility of account maintenance fees in the savings phase of home loan savings contracts and a likely evolving view on the part of the fiscal administration about the continued future existence of taxable entities with home loan and savings banks. In response to a ruling handed down by the German Federal Court of Justice on the invalidity of a fee clause at another home loan and savings bank, the Executive Board of Wüstenrot Bausparkasse decided, after conducting its own legal review, to stop charging comparable account fees.

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

Personnel risk. Unforeseen large-scale staff shortages could mean that we do not have the necessary quality or quantity of resources available. This is being exacerbated by changing demographics and a shortage of skilled labour.

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

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

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

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

Strategy and organisation

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

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

- Compliance risks are identified, assessed and managed according to the Compliance Management System via the Compliance organisational unit of the Risk and Compliance department of W&W AG. The Group Compliance Committee is the central body for compliance-relevant matters. This committee regularly discusses fraud, data protection, information security, compliance and money laundering issues with the involvement of Risk Controlling.
- The Customer Data Protection and Operational Security area coordinates the Group Security and ICT Risk Committee, ensures an IT security and ICT risk management system, a data protection organisation, a business continuity management system and an internal control system in line with uniform methods and standards.
- Service provider risks are managed and monitored by centralised and decentralised outsourcing officers. These risks are regularly assessed and monitored through active outsourcing management via the Retained Organisation, e.g. in the form of risk analyses.
- The Group's legal department is primarily in charge of identifying, evaluating and managing legal risks.
- The HR department is responsible for appropriate personnel management and identifying, evaluating and managing personnel risks.
- Model risks are analysed by the risk controlling units within the framework of a model risk inventory and managed through regular validation processes and appropriate refinement of the risk models.

Economic risk-bearing capacity model. Our economic risk-bearing capacity model takes into account the risk capital requirements for operational risks. For Wüstenrot Bausparkasse AG, Life and Health Insurance and W&W AG, the determination takes place on the basis of a mathematical-statistical model (value at risk), which is based on the simulation of potential loss events. For Württembergische Versicherung AG, we use the standard approach pursuant to Solvency II. In total, operational risks accounted for 7.6% (previous year: 7.8%) of total risk capital requirements. In 2023, operational risks were in line with the risk strategy. The risk limit was consistently complied with at Group level.

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

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

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

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

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

Fraud prevention. The W&W Group has put measures in place to prevent the risk of fraud. These are designed, on the one hand, to ensure compliance with statutory and regulatory requirements concerning controls and technical security systems and, on the other, to make employees aware of the issue of fraud prevention. Fraud risks are counteracted through implemented and documented process controls. To assess and manage the risk of fraud, all organisational units are also required to record cases of fraud in the loss event database for operational risks.

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

Information security management/IT risk management. Extensive testing and backup procedures for application and computing systems form the basis for the effective management of information security risks with respect to the goals of protecting availability, confidentiality and integrity. In order to ensure continued business operations in the event of process or system outages, critical processes are identified Group-wide in an impact analysis. The cyber resilience centre within the W&W Group that constantly adapts to the cyber threat situation plays an important role in ensuring a balanced suite of preventive and reactive measures to detect and defend against cyber attacks. It also takes into account the latest information from the German Federal Office for Information Security (BSI). Risks from potential cyber attacks are identified at least once a year or as warranted by event by means of appropriate penetration tests and measures are derived as required. We maintain cyber insurance to further minimise the risk from cyber threats.

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

Business continuity management. The contingency plans associated with the processes are subject to regular functionality checks. Our business continuity management system is designed to ensure that critical business processes will remain intact and continue to function even in the event of a major disruption to business operations. In this regard, the W&W standard for emergency and crisis management governs the organisational and operational structure in a crisis situation, such as requirements for setting up a crisis team for processes and communication channels.

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

Business risks

Risk definition

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

Risk position

Business risks are inevitable in general business operations and in the event of changes in the industry environment. All companies in the W&W Group are exposed to business risks. Among business risks, the following types of risks are monitored:

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

In addition to cost risks from factors such as rising inflation rates or required investments, our material earnings risks consist of potential negative deviations from projected economic earnings. Particularly exposed to this risk are, among others, property/casualty insurance companies in terms of their net underwriting income, life insurance companies in terms of their investment income as well as the home loan and savings bank in terms of its interest income. Failure to meet self-imposed targets with respect to sales, planned growth or the generation of earnings at the new digital subsidiaries also would have a negative effect.

In light of this, achieving the established yield targets places high demands on our strategic asset allocation, our management of underwriting risks and on various front-office units.

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

Significant potential for risks is emanating, in particular, from the political and social environment (geopolitical, global trends, e.g. from military conflicts, trade disputes, terrorism, social unrest, migration/refugee movements). Negative growth effects must be expected from factors such as higher energy and commodity prices, economic sanctions, resulting disruptions to global supply chains and worse sentiment among economic players. Other effects, such as an increase in cyber risks, may also arise from the environment. Ongoing inflation and geopolitical conflicts, such as the war in Ukraine, mean that there is still a great deal of uncertainty regarding forecasts for future economic and capital market developments. The current interest rates and significant real estate price increases in recent years also mean that there is a risk that broad sections of the population will not be able to buy property. Accordingly, depending on future developments, inflation and smouldering geopolitical conflicts with their macroeconomic effects may also lead to a deterioration in net assets, financial position and risk.

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

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

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

- Change to the Solvency II regime as a result of the Solvency II review, including the impact on solvency indicators, as well as adjustments to the interpretation decisions and calculation bases of the German Federal Financial Supervisory Authority (BaFin),
- Regulations under the EBA's Supervisory Review and Evaluation Process (SREP) and supervision by the European Central Bank,
- Changes resulting from the 7th MaRisk Amendment,

- BaFin stipulations on capitalisation as part of macro-prudential packages of measures,
- Sustainability, including the EU Taxonomy Regulation and the German Supply Chain Act (Lieferkettensorgfaltspflichtengesetz),
- Potentially heightened regulatory requirements in the area of digitalisation, e.g. DORA (Digital Operational Resilience Act).

Accounting regulations, in particular the application of the requirements of IFRS 9 “Financial Instruments” and IFRS 17 “Insurance Contracts”, are expected to increase profit volatility. We report on the Solvency II review in the section “Regulatory requirements” of the chapter “Group fundamentals”.

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

Reputation risk. Damage to the company’s reputation or brand poses a risk of an immediate or future loss in business volume. This could lower the enterprise value.

Strategy and organisation

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

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

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

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

Rating. In June 2023, S&P confirmed the ratings of the W&W core companies W&W AG, Wüstenrot Bausparkasse AG, Württembergische Lebensversicherung AG and Württembergische Versicherung AG. This confirmation reflects factors including the positive view of the W&W Group’s risk management system.

Risk management methods and risk controlling

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

Economic risk-bearing capacity model. Collective risks are depicted under the business risks of the home loan and savings bank, whose risk capital requirements accounted for 1.9% (previous year: 2.3%) of the Group’s total risk capital requirements. The business risks were in line with the risk strategy in 2023. Risk limits were consistently complied with at the Group level.

Other business risks are deducted from the capital available for risk coverage. Business risks beyond these are assessed by means of event based scenario calculations and expert estimates and then assigned risk coverage potential.

Reputation management. We permanently monitor the W&W Group’s public image, and we strive to maintain our reputation by means of a transparent communication policy when faced with critical situations.

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

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

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

Strategy process. The principles and objectives of business policies are set out in the business strategy. The business strategy process comprises the definition of vision and guiding principles, the identification of internal and external factors that impact strategy (SWOT analysis), the development of strategic goals and measures and the definition of the Group's principles. The business strategy therefore provides the framework for managing business risks.

Liquidity risks

Risk definition

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

Market environment

As at the end of 2023, the rate for main refinancing operations was 4.50% (previous year: 2.50%) and the rate for the marginal lending facility was 4.75% (previous year: 2.75%). The rate for the deposit facility was raised to 4.00% in 2023 (previous year: 2.00%).

Risk position

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

Liquidity is secured at the level of the W&W Group. Sufficient liquidity is available to ensure solvency. Even under adverse scenarios, the W&W Group and the individual companies have sufficient liquidity or can procure it at short notice, meaning that, as things stand today, we do not expect any acute liquidity shortages.

Refinancing risk. Because of its business model, Wüstenrot Bausparkasse AG, in particular, requires careful liquidity management. Refinancing on a rolling basis is required in order to satisfy the demand for loans and to make loans. Its refinancing volume is assured through a diversified funding potential. The main sources of potential funding are the available offer volume for open-market operations/repos, issuing potential of German covered bonds, available money market and credit lines, issues of promissory notes and uncollateralised securities, and funding from new deposit business.

Wüstenrot Bausparkasse AG has higher refinancing requirements in the medium term on account of the planned growth. Measures taken to strengthen the liabilities side (including incentives to promote incoming customer savings deposits and German covered bond issues) and current business performance have a positive impact on liquidity.

A sudden decline in institutional funding sources would present a particular challenge for banks. As central banks tighten their monetary policy, it is entirely possible that refinancing conditions will be tightened.

Based on a haircut of 22.5% (previous year: 23.0%) on the funding potential, refinancing costs would be €80.1 million (previous year: €75.5 million). That value assumes refinancing costs of 5.5% (previous year: 5.5%) (maximum Euribor interest rate during the financial market crisis) on the arising maximum liquidity gap in the adverse scenario.

The life and health Insurance and the property/casualty Insurance segments normally exhibit a positive liquidity balance at the end of the financial year. This is due to the conditions of the business model, which is characterised by the continuous flow of premium income and returns on investments. The high level of liquid capital investments provides an opportunity to cover additional liquidity needs. These investments are being closely managed, taking into account the potential negative impact on earnings in the current interest rate environment.

In the current capital market environment, sales to raise liquidity have a negative impact on earnings.

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

The current situation on capital markets does not indicate any acute material market liquidity risks for the W&W Group's investments. Based on a haircut of 22.5% (previous year: 23.0%) for emergency liquidity, this would result in a value loss of €112.5 million (previous year: €115.0 million).

For further information about the liquidity and refinancing structure, please see "Development of business" (section "Financial position: refinancing/liquidity") and the presentation of the measurement hierarchies for our financial instruments (Note 51).

Strategy and organisation

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

Diversification. As a financial conglomerate, we benefit from the diversification of our funding sources, especially in difficult markets. In addition to having a lower refinancing risk, we also benefit from the reduction of our refinancing costs through diversification of funding potential. Through a defined share of good-quality securities that are eligible for central bank and repurchase transactions, our home loan and savings bank retains flexibility in refinancing. We use savings deposits and fixed-term deposits primarily in order to substitute short-term, uncovered refinancing. Aspects of maturity diversification are incorporated into our investment policy. The maturity structure of our financial instruments is shown in Note 51 in the notes to the consolidated financial statements.

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

Cash pool. A cash pool was established in the W&W Group in the reporting year to optimise the allocation of liquidity and to enable free cash and cash equivalents to be invested to improve profitability. Essentially, the aim is to optimise cash flow and short-term liquidity within the W&W Group.

Risk management methods and risk controlling

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

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

Liquidity classes. In order to monitor the liquidity of our investments, we group them into liquidity classes so as to control concentrations in illiquid asset classes.

Sensitivity and scenario analyses. In the area of liquidity risks, we regularly view stress scenarios from a Group perspective. On this basis, we analyse, among other things, the effects of changed cash inflows and outflows, simulated discounts to our funding potential, changed refinancing costs and our emergency liquidity.

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

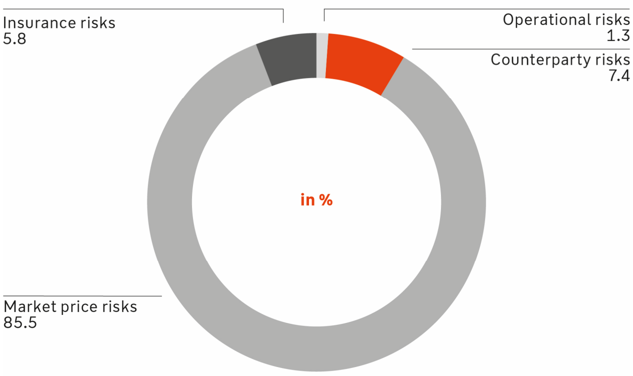
Contingency measures. Contingency plans and the monitoring of liquidity buffers are designed to ensure that we are able to handle even extraordinary situations. If a company is unable to cope with existing liquidity shortages on its own, internal Group refinancing options are available pursuant to contingency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

Risk landscape and risk profile of W&W AG

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

As at 31 December 2023, the W&W Group's total risk capital requirements amounted to €1,879.2 million (previous year: €1,982.5 million). The risk profile of the quantified risk areas as at 31 December 2023, which was determined according to our methods for calculating risk-bearing capacity (see the section "Economic capital adequacy"), was distributed in accordance with the following chart.

Risk profile of W&W AG



We take business risks and liquidity risks into consideration in our calculation of risk-bearing capacity by performing a flat-rate discount in determining risk capital. Owing to the volume of our holdings, market price risks constituted the predominant risk area, accounting for 85.5% (previous year: 87.6%).

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

Market price risks

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

As at 31 December 2023, under a parallel shift in the swap yield curve, fixed-income securities (direct and fund portfolios, including interest rate derivatives) with a market value of €1,936.2 million (previous year: €1,836.8 million) experienced the following changes in market value:

Interest rate change

	Market value change	
in € million	31.12.2023	31.12.2022
Increase by 100 basis points	-85.7	-79.6
Decrease by 100 basis points	96.3	89.4

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

Equity risk. Changes in the value of investments (write-downs), non-payment of investment income and the need to make contributions to earnings lead to equity risks. For W&W AG, the strategic participation portfolio constitutes the key risk. As at 31 December 2023, investments in affiliated companies and holdings as well as in equities, investment interests and other variable-yield securities had a total carrying amount of €2,944.7 million (previous year: €2,829.8 million). This also included alternative investments (private equity, private debt and infrastructure investments), which were additionally expanded. Interests in affiliated companies accounted for €1,429.7 million (previous year: €1,399.4 million). When investment risks materialise, measurement losses can lead to changes in value of investments being recognised as a loss (write-downs), the non-payment of investment income or the need to make contributions to earnings.

Stock price risk. Sudden and severe price slumps on the equity markets could impair the value of the stock portfolio held by W&W AG by forcing write-downs. For our portfolios with a market value of €39.7 million (previous year: €43.3 million), an index fluctuation of the EURO STOXX 50 would result in the following changes in market value as at 31 December 2023:

Index change

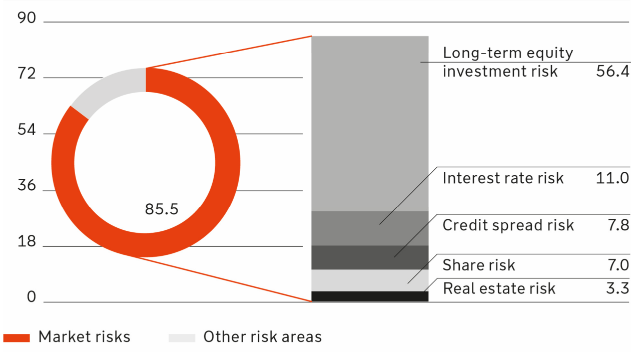
	Market value change	
in € million	31.12.2023	31.12.2022
Increase by 10%	3.3	2.7
Decrease by 10%	-2.8	-2.3

Real estate risk. The W&W campus in Kornwestheim is a key component of W&W AG's property portfolio with a market value of €450.4 million (previous year: €458.2 million).

Risk capital requirements. Since W&W AG's investments mainly consist of equity holdings, equity risks within market price risks were the most significant in terms of risk capital weighting. Measured against total economic risk capital, the proportion amounted to 56.4% (previous year: 60.7%).

Risk profile for market risks

in %



In 2023 the market price risks that we accepted were in conformity with the risk strategy and the strategic asset allocation. The risk limit of W&W AG for market price risk was consistently complied with.

Counterparty credit risks

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

Investments. In line with our strategic orientation, the credit rating structure of our interest-bearing investments according to HGB carrying amounts is conservative, with 94.6% (previous year: 94.3%) of investments in the investment grade range.

Interest-bearing investments
Rating (Moody's scale)

	2023		2022	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	in € million	in %	in € million	in %
Aaa	576.9	28.6	573.6	28.9
Aa1	107.7	5.3	103.5	5.2
Aa2	65.5	3.3	95.5	4.8
Aa3	122.7	6.1	119.9	6.1
A1	52.8	2.6	22.4	1.1
A2	73.5	3.7	72.1	3.6
A3	188.9	9.4	207.3	10.5
Baa1	586.2	29.1	528.2	26.7
Baa2	67.5	3.4	84.2	4.3
Baa3	62.8	3.1	61.3	3.1
Non-investment-grade	109.3	5.4	113.5	5.7
Non-rated	0.1	0.0	0.0	0.0
Total	**2,013.9**	**100.0**	**1,981.5**	**100.0**

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

Interest-bearing investments
Seniority

	2023		2022	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	in € million	in %	in € million	in %
Public	529.0	26.3	522.4	26.4
German covered bond	452.5	22.5	452.0	22.8
Deposit guarantee or government liability	108.4	5.4	113.4	5.7
Uncovered	924.0	45.8	893.7	45.1
Total	**2,013.9**	**100.0**	**1,981.5**	**100.0**

Subordinate exposure. Our subordinate exposures (profit participation rights, silent partnerships and other subordinate receivables) amounted to €345.5 million (previous year: €249.5 million).

Reinsurance. Counterparty credit risks in reinsurance business remain low, accounting for 1.3% of total risk capital requirement. No material risks are currently foreseeable. Also, our retrocessionaires have very good credit ratings.

Credit ratings. As at the end of the reporting period, 97.5% (previous year: 97.3%) of the recognised receivables from reinsurance business of €327.6 million (previous year: €285.9 million) were due from companies with a rating of A or better. All told, the increase in receivables from reinsurance business compared with the previous year was attributable to the general claims development.

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

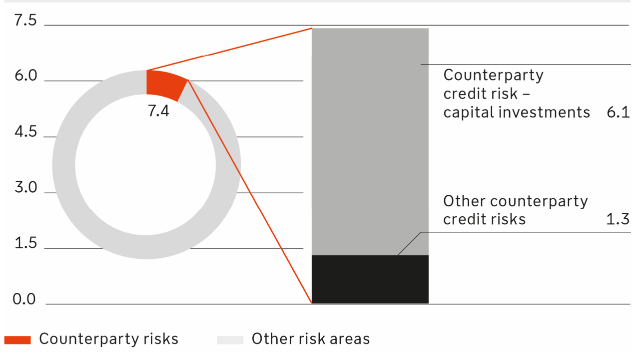
	2023		2022	
	Portfolio carrying amount	Share	Portfolio carrying amount	Share
	in € million	in %	in € million	in %
AAA	–	–	–	–
AA	206.8	63.1	144.1	50.4
A	112.6	34.4	134.1	46.9
BBB	0.5	0.2	2.6	0.9
BB	–	–	–	–
B	–	–	–	–
CCC and lower	–	–	–	–
No rating	7.7	2.3	5.1	1.8
Total	**327.6**	**100.0**	**285.9**	**100.0**

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

As at the reporting date, €43.6 million (previous year: €8.1 million) of the recognised receivables due from reinsurers had been outstanding for more than 90 days.

Risk capital requirements. At 7.4% (previous year: 6.6%), counterparty credit risks accounted for the second-largest share of the total risk capital requirements of W&W AG. Among counterparty credit risks, the risks from our investments accounted for the major share, at 6.1% (previous year: 5.4%).

Risk profile for counterparty risks



In 2023, counterparty credit risks were consistently in line with the risk strategy. The risk limit of W&W AG was consistently complied with.

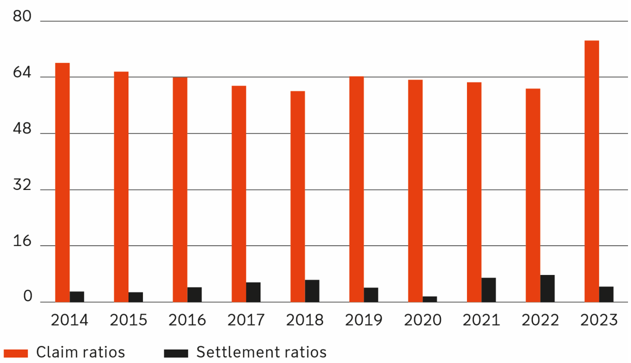
Underwriting risks

W&W AG is subject to the same risk types as the W&W Group. Underwriting risk is a particularly important type of risk in property/casualty insurance, and in this regard, W&W AG is exposed especially to premium risk. To a lesser extent, there are also underwriting risks in life and health insurance from the reinsurance of personal accident, motor accident and liability annuities assumed from Württembergische Versicherung AG.

Premium risk. If costs and claims remain stable or increase, premiums may be inadequate if they fall or are not calculated in line with needs. The long-term trends in net loss ratios and net settlement ratios for W&W AG were as follows:

Claim and settlement ratios

in %



Risk capital requirements. Underwriting risks accounted for a share of 5.8% (previous year: 3.9%) of the total risk capital requirements of W&W AG.

In 2023, underwriting risks were consistently in line with the risk strategy. The risk limit of W&W AG was consistently complied with.

Operational risks

Risk capital requirements. Risk capital requirements for operational risks are ascertained through simulations on the basis of the operational risks included in the risk inventory and their loss potential and probability of occurrence. In all, operational risks at W&W AG accounted for 1.3% (previous year: 1.9%) of total risk capital requirements.

In 2023, the assumed operational risks were consistently in line with the risk strategy. The risk limit of W&W AG was consistently complied with.

Business risks

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

Liquidity risks

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

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

In 2023, we had sufficient financial resources to cover the risks assumed with a high degree of certainty, meaning that the W&W Group and W&W AG at all times had sufficient economic and supervisory risk-bearing capacity.

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

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

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

In particular, continued inflation in conjunction with the current interest rate level could adversely affect expenses, costs and provisioning in particular and weaken the overall economy. This could also drive up loan defaults and adversely affect new business. Links within the financial sector give rise to a systemic risk of contagion that the W&W companies are, of course, not completely immune to.

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

Underwriting risks include risks from large or frequent natural disasters. However, these risks are contained by reinsurance. Higher deductibles make results more volatile.

To strengthen information security, measures were continued and optimised to proactively manage the potential rise in threats from cyber attacks. However, even the W&W Group cannot completely avoid potential cyber risks.

New regulatory requirements are implemented in our risk management system through cross-company or Group-wide projects. The requirements of tighter regulation tie up a significant amount of financial, technical and personnel resources and change the legal environment, which may pose substantial cost and earnings risks.

The W&W Group is generally economically robust overall. This is manifested in our current risk-bearing capacity, particularly on the basis of our economic risk-bearing capacity model. Expanding the robustness of the W&W Group remains the subject of our ongoing risk management activities.

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

Enhancements and planned measures

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

Systematic advancement of the existing Group-wide risk management system is intended to ensure the stable, sustained development of the W&W Group also in future. We intend to constantly and vigorously raise our risk management standards in the 2024 financial year. For this purpose, we have defined a number of measures and projects in connection with our risk management process. In this regard, we are focussing on the following issues in particular:

- Regulations: adapting to new and changing regulatory requirements,
- Sustainability: further development of established management instruments for managing sustainability risks in the risk management system of the W&W Group,
- Risk-bearing capacity: continuation of measures to ensure risk-bearing capacity, continuous development of risk-bearing capacity concepts and models in a dynamic environment,
- Risk management system: further development of management processes and the structure of the finance department,
- Process and data optimisation: ongoing optimisation of processes and data processing in risk management.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We know we can achieve more together than when we act alone.

Outlook

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

Macroeconomic outlook

Germany's economic outlook remains muted in 2024. One reason for this is the rise in interest rates, which will continue to weigh on areas of the economy that are more sensitive to interest rates this year, particularly the construction and property sectors. Prospects for business investment have also been dampened by higher financing costs, banks' reluctance to lend, and the cautious sales outlook for businesses. Export prospects for German companies have been depressed by expectations of muted growth in demand in key sales markets (particularly China and the US). Moreover, the latest ruling by the Federal Constitutional Court will limit the state's fiscal scope. From an economic perspective, the most important glimmer of hope for the next year is private consumer demand. Wages are now rising faster than prices, which means that private households' real incomes are increasing again. Combined with the fact that the employment situation remains very favourable, this widens consumers' financial scope and is likely to revive consumer demand in 2024. However, surveys currently show that, while consumer sentiment has improved, it remains highly pessimistic in historical terms. In summary, for example, Deutsche Bundesbank is forecasting a real-terms increase in gross domestic product of 0.4% for the 2024 calendar year adjusted for calendar differences.

It seems likely that inflation will continue to fall in 2024, but momentum is expected to slow considerably as energy prices, for instance, are no longer below the previous year's level. In addition, the further massive increase in the CO_2 levy and the return of the VAT rate in the catering trade to its normal level will push inflation up again at the turn of the year. Finally, the current above-average rises in labour costs, which many companies will pass on in the form of price increases, are curbing the decline in inflation. As a result, inflation in the 2024 calendar year is likely to be lower than in the previous year but still above the target of 2% pursued at a monetary policy level.

Short-term interest rates track key interest rates closely. It is looking increasingly likely that the ECB completed its cycle of interest rate hikes last year. This is indicated by the anticipated further easing of inflation and muted economic growth in the EMU. Developments on the futures markets also clearly show that the capital markets expect the ECB to cut key interest rates again several times in 2024. This supports expectations of falling interest rates in the short-term maturity range, even if financial markets may have already taken this development into account to some extent. The picture is slightly more nuanced in the long-term maturity range, where yields fell significantly in the final quarter of 2023 due to the economic and monetary policy outlook. If these market expectations were to prove correct, it is likely that there would be little change in yields in net terms. However, a further substantial drop in interest rates would be expected in the event of an unexpectedly pronounced economic slump. By contrast, if there were a further rise in inflation and if the expected interest rate cuts by the ECB were not implemented, higher yields would be likely again.

Various scenarios are also conceivable with regard to the outlook for European equity markets. In principle, the prospect of muted economic growth creates a relatively unfavourable fundamental environment for businesses, as it makes it difficult for them to increase revenue or profitability. Moreover, share prices have already risen significantly in the last year, while leading stock exchange indices have reached new record highs. The geopolitical environment is also likely to remain unsettled for stock markets in view of the ongoing war in Ukraine and the upcoming US presidential election campaigns. On the other hand, overall monetary conditions on the equity market are set to brighten in view of imminent cuts to key interest rates by leading central banks. Companies have also demonstrated in past years that they are able to achieve revenue and earnings growth even in difficult economic periods. Analysts therefore expect company profits to increase again in 2024. In addition, the drop in interest rates that has now occurred makes the rival asset class of bonds less attractive. As a result, limited share price gains on the equity market in 2024 seem to be the most likely scenario. However, significant price losses cannot be ruled out in the event of unfavourable economic or geopolitical developments.

Industry outlook

Residential housing construction, individual construction projects, the transaction market for existing properties and the market for (energy-efficient) renovation of residential buildings are all starting out in slightly different positions. This situation is made more difficult by increased construction costs due to stricter legal standards, costlier materials and interest-rate-related increases in financing costs. At the same time, falling property prices and legally enshrined incentives, particularly for energy-efficient renovations of residential buildings, are stimulating the market. The Building Energy Act (GEG) and the associated new federal incentive guidelines for the promotion of energy-efficient buildings (BEG) have also been adopted. This means that there is once again clarity regarding the legal requirements and the funding framework for 2024.

Demand for home loan and savings contracts will slow somewhat but remain strong due to the continued high interest rates. The construction financing market is expected to pick up somewhat, particularly in the second half of the year, meaning that the market volume will be higher than in the previous year.

The German Insurance Association (GDV) expects life insurance premiums to be almost stagnant in 2024 in both the regular premium and single premium business. Premiums to pension funds are expected to decrease slightly.

The GDV expects premium income for property and casualty insurance to increase 7.7% in 2024, mainly due to inflation-related catch-up effects in motor insurance. However, the forecast remains highly uncertain in the current environment.

Company outlook

The 2023 financial year was characterised by a weak economy with persistently and unusually high inflation, capital market uncertainty and exceptional loss events.

The following forecasts are based on our Group-wide planning process (see the section “Business management system”).

When calculating our results and general administrative expenses, we assumed modest macroeconomic growth and a declining rate of inflation compared to 2022 and 2023.

Interest rates were very volatile over the course of 2023. By the end of the year, however, interest rates had fallen across all maturities. We expect interest rates to decline in 2024 based on signals from the central banks, especially for shorter maturities. At the same time, we are projecting low increases in stock prices and an improved claims experience compared to 2023. However, it will not yet return to the levels of previous years.

All in all, economic and geopolitical risks remain high. If the basic conditions darken, this will also have an effect on the following forecasts.

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

Due to the uncertainties outlined above, we expect **consolidated net profit** in the 2024 financial year to be higher than in the previous year and below our previous medium to long-term target corridor of €220 million to €250 million.

The forecast reflects the aforementioned general conditions. The requirements of IFRS 17 and IFRS 9 also pose risks in terms of potential profit volatility.

We will also continue the digital transformation in 2024. Despite the associated investments and the predicted inflation trend, we expect **general administrative expenses** in the Group for the 2024 financial year to come in at the level of the reporting year.

We plan to add at least 450 thousand **new customers** in 2024. This indicator is a new key performance indicator (see the section "Business management system").

Housing segment

For the 2024 financial year, we expect **segment net income after taxes** in the Housing segment to be significantly below the level of the reporting year, mainly due to lower income from transactions related to managing the interest rate book.

General administrative expenses are expected to come in slightly below the level of the 2023 reporting year thanks to targeted cost-cutting measures.

The very positive trend in new home loan savings business due to the interest rate reversal from 2022 is expected to weaken, while we expect demand for new financing to increase. In 2024, we therefore expect **net new home loan and savings business** to be moderately lower than in the reporting year and **new construction financing business** (approvals) to be significantly higher than in the reporting year.

Life and Health Insurance segment

For the 2024 financial year, we expect the Life and Health Insurance segment to post **segment net income after taxes** between €30 million and €50 million.

We plan **general administrative expenses** to be moderately higher in 2024 than in the reporting year, in particular due to major projects.

In terms of new business, we are striving for the sale of capital market-oriented pension products, such as our Genius products. For the 2024 financial year, we expect **new business by total premium** to remain at the previous year's level.

Property/Casualty Insurance segment

In the 2024 financial year, we plan **segment net income after taxes** in the Property/Casualty Insurance segment to come in significantly above the reporting year's level. This is based on the aforementioned expected recovery in claims performance.

Due to targeted productivity improvements, **general administrative expenses** are expected to remain stable at last year's level despite further premium growth.

We plan **new and replacement business** (according to annual contribution to the portfolio) to decrease significantly in 2024 compared to 2023 due to our focus on profitable products.

Future business performance of W&W AG (HGB)

Due to its structure as a holding company, W&W AG's net profit according to HGB is determined by the dividends and profit transfers from subsidiaries and participations.

For 2024, we expect **net profit in accordance with HGB** to remain at the previous year's level.

Forward-looking statements

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

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

We are therefore unable to assume any liability for forward-looking statements.

Other disclosures

Disclosures pursuant to Sections 289a and 315a of the German Commercial Code (HGB)

Pursuant to Sections 289a and 315a HGB, we are required to make the following statements as at 31 December 2023, provided they are relevant to Wüstenrot & Württembergische AG:

Composition of subscribed capital

The share capital of W&W AG amounts to €490,311,035.60 and is divided into 93,749,720 registered no-par-value shares that are fully paid in.

A total of 960 shares are covered by the exclusion of voting rights within the meaning of Section 136 (1) of the German Stock Corporation Act (AktG) since they are owned by members of the Supervisory Board or the Executive Board. W&W AG holds a total of 34,335 treasury shares. Pursuant to Section 71b AktG, W&W AG is not entitled to any rights in connection with treasury shares. A total of 254,316 employee shares are subject to a restriction on sale. The restriction applies until April/May 2024 for 82,787 employee shares, until April/May 2025 for 86,334 employee shares and until April/May 2026 for 85,195 employee shares. The restriction on sale starts on the day that the purchased employee shares are credited to the employee’s custodial account. There are no further restrictions affecting voting rights or the transfer of the registered shares. Each share entitles the holder thereof to one vote at the Annual General Meeting. The amount of the company’s profit to which shareholders are entitled is determined in accordance with the proportion of the share capital that they hold (Section 60 AktG). If the share capital is increased, the participation of new shares in profit may be determined in deviation from Section 60 (2) AktG.

Pursuant to Article 5 (3) of the Articles of Association, no shareholder is entitled to issuance of a share certificate.

The shareholder structure of Kornwestheim-based W&W AG remained stable over the course of the reporting year. The majority shareholder is the non-profit foundation Wüstenrot Stiftung, Gemeinschaft der Freunde Deutscher Eigenheimverein e. V., Ludwigsburg. It holds an indirect stake of 67.38% in W&W AG through two holding companies. Of this, 27.47% is held by WS Holding AG, Stuttgart, and 39.91% by Wüstenrot Holding AG, Ludwigsburg. The other major shareholder of W&W AG is FS BW Holding GmbH, Munich, with more than 10% of the shares. 0.04% of the issued shares are non-voting treasury shares.

There are no shares carrying special rights with powers of control. There are no voting rights mechanisms relating to employee participation schemes.

Provisions concerning the appointment and removal of Executive Board members and the amendment of the Articles of Association

Members of the Executive Board are appointed and removed in accordance with Article 6 (1) of the Articles of Association, Sections 84 and 85 of the German Stock Corporation Act (AktG) in conjunction with Section 31 of the German Codetermination Act (MitbestG) and Sections 24 and 47 of the German Act on the Supervision of Insurance Undertakings (VAG). Amendments to the Articles of Association take place in accordance with Sections 124 (2) sentence 3, 133 (1) and 179 et seqq. AktG. However, pursuant to Article 18 (2) of the Articles of Association in conjunction with Section 179 (2) sentence 2 AktG, resolutions of the Annual General Meeting to amend the Articles of Association are adopted by a simple majority of the share capital represented at the time of adoption, unless required otherwise by law, for example with regard to a change of the company’s purpose. Pursuant to Section 179 (1) sentence 2 AktG in conjunction with Article 10 (10) of the Articles of Association, the Supervisory Board may make amendments to the Articles of Association that relate solely to their wording. The Executive Board has no powers over and above the general statutory rights and duties of a management board under German law of stock corporations.

Powers of the Executive Board to issue shares

Authorised capital 2022

Pursuant to Article 5 (5) of the Articles of Association, the Executive Board is authorised to increase the company’s share capital, on one or more occasions on or before 24 May 2027, by up to €100,000,000.00 via issuance of new registered no-par-value shares in exchange for cash or contributions in kind, subject to approval by the Supervisory Board (Authorised Capital 2022). The shareholders have a statutory subscription right. Shareholders may also be accorded the statutory subscription right by having one or more credit institutions or companies equivalent thereto pursuant to Section 186 (5) of the German Stock

Corporation Act (AktG) subscribe to the new shares under an obligation to offer them to shareholders for subscription (indirect subscription right). Subject to approval by the Supervisory Board, the Executive Board is however authorised to preclude shareholders from exercising the statutory subscription right in the following cases:

- for fractional amounts; or
- in the case of capital increases in exchange for contributions in kind, in order to be able to offer the new shares in connection with company mergers or in the case of the direct or indirect acquisition of companies, parts of companies or participations in companies or for the direct or indirect acquisition of other assets (including claims, also to the extent that they are directed against the company or subordinate group companies); or
- if, pursuant to Section 186 (3) sentence 4 AktG, new shares are issued in exchange for cash at a price that is not significantly below the stock exchange price of the shares that are already listed and the pro rata amount of the new shares does not exceed 10% of the share capital at the time this authorisation is recorded in the commercial register or, if less, at the relevant time the authorisation was exercised. Counting towards the 10% limit are other shares that may have been newly issued or, following buyback, resold by the company during the term of this authorisation under preclusion of the subscription right or, in accordance with Section 186 (3) sentence 4 AktG, in connection with a cash capital in-crease. Also counting towards the 10% limit are shares with respect to which a warrant or conversion right, a warrant or conversion obligation, or a right in favour of the company to delivery of shares exists on account of warrant bonds, convertible bonds or profit participation certificates with warrant or conversion rights or obligations, or rights in favour of the company to delivery of shares that had been issued by the company or its subordinate Group companies during the term of this authorisation under preclusion of the subscription right pursuant to Section 221 (4) sentence 2 in conjunction with Section 186 (3) sentence 4 AktG; or
- insofar as it is necessary in order to grant holders or creditors of warrant rights or convertible bonds or profit participation rights with conversion rights that have been or will be issued by the company or its subordinate Group companies a right to subscribe to new shares to the extent to which they would be entitled after exercising warrant rights, conversion rights or rights to delivery of shares or after satisfying warrant or conversion obligations.

Subject to approval by the Supervisory Board, the Executive Board is authorised to specify the profit participation of the new shares in derogation from Section 60 (2) AktG and to stipulate the further details of capital increases out of Authorised Capital 2022 and their implementation, including the issue price and the contribution to be paid for the new no-par-value shares. The Supervisory Board is authorised to modify the wording of the Articles of Association after implementation of an increase of the share capital out of Authorised Capital 2022 to conform to the respective increase of the share capital, as well as after expiry of the term of the authorisation.

Contingent Capital 2022/Authorisation to issue warrant bonds, convertible bonds, profit participation certificates, profit participation bonds or a combination of these instruments

The Annual General Meeting resolved on 25 May 2022 to authorise the Executive Board to issue bonds with warrants, convertible bonds, participation rights, participating bonds or a combination of these instruments until 24 May 2027. Article 5 (6) of the Articles of Association accordingly provides that the share capital is contingently increased by at most €240,000,003.46, divided into at most 45,889,102 no-par-value registered shares (Contingent Capital 2022). The contingent capital increase is to be implemented only if

- holders or creditors of warrant rights or conversion rights or those obligated to exercise the warrant or to convert under warrant bonds, convertible bonds or profit participation rights that, on the basis of the authorisation granted to the Executive Board by the Annual General Meeting on 25 May 2022, are issued by the company or a subordinate Group company or guaranteed by the company on or before 24 May 2027 make use of their warrant rights or conversion rights, or
- holders or creditors of warrant bonds, convertible bonds or profit participation rights that, on the basis of the authorisation granted to the Executive Board by the Annual General Meeting on 25 May 2022, are issued by the company or a subordinate Group company or guaranteed by the company on or before 24 May 2027 are obligated to exercise the warrant or to convert and satisfy such obligation, or
- the company exercises a right to deliver to holders or creditors of bonds or participation rights that, on the

basis of the authorisation granted to the Executive Board by the Annual General Meeting on 25 May 2022, are issued by the company or a subordinate Group company or guaranteed by the company on or before 24 May 2027 shares of the company in lieu of cash payment, either in whole or in part, and provided that neither cash settlement is granted nor shares from authorised capital, treasury shares or shares of some other publicly traded company are used to service it. The new shares are to be issued at the warrant or conversion price to be stipulated in accordance with the aforementioned authorisation resolution of 25 May 2022. The new shares participate in profit from the start of the financial year in which they come about. To the extent permitted by law, and subject to approval by the Supervisory Board, the Executive Board is authorised to stipulate that in the event that, at the time of issue, a resolution on appropriation of profit has not been adopted for the financial year immediately preceding the year of issue, the new shares are to participate in profit from the start of the financial year immediately preceding the year of issue. Subject to approval by the Supervisory Board, the Executive Board is further authorised to stipulate the further details of the implementation of the contingent capital increase. Use may be made of the authorisation granted by resolution of the Annual General Meeting on 25 May 2022 to issue warrant bonds, convertible bonds and profit participation rights only if the warrant bonds, convertible bonds or profit participation rights are structured in such a way that the capital that is paid in for them satisfies the supervisory requirements in effect at the time the authorisation is used for eligibility as own funds at the level of the company and/or the Group and/or the financial conglomerate and does not exceed any intake limits. Furthermore, use may be made of the authorisation granted by resolution of the Annual General Meeting on 25 May 2022 to permit subordinate Group companies to issue warrant bonds, convertible bonds and profit participation rights and have them guaranteed by the company if this is permissible under the supervisory provisions applying in each case.

Authorisation to purchase and use treasury shares

By resolution of the Annual General Meeting of 25 May 2022, the Executive Board was authorised pursuant to Section 71 (1), No. 8 of the German Stock Corporation Act (AktG) until 24 May 2027 to purchase own shares with the approval of the Supervisory Board in an amount of up to 10% of the share capital in existence at the time of adoption of the resolution or – if this value is lower – of the share capital in existence at the time of exercise of the authorisation and to use such shares for other purposes. Taken together with other treasury shares in the possession of the company or that are attributable to them in accordance with Sections 71a et seqq. AktG, these shares must not at any point make up more than 10% of the share capital. The shares purchased pursuant to this authorisation may be used under exclusion of the subscription right of other shareholders for all legally permissible purposes, including those specified in the authorisation.

Change-of-control agreements

There are no material agreements of W&W AG or of W&W AG as parent company that are subject to the condition of a change of control as a result of a takeover offer.

Change-of-control remuneration agreements

Also, no remuneration agreements have been concluded with members of the Executive Board or employees covering the case of a takeover offer.

We keep
our promises.

Declaration on Corporate Management/Corporate Governance

Wüstenrot & Württembergische AG (W&W AG) hereby provides an insight into its corporate governance practices as part of the corporate governance statement pursuant to Section 289f HGB and for the W&W Group pursuant to Section 315d HGB in conjunction with Section 289f HGB. In the entire W&W Group, corporate governance means responsible management and control of the companies in a manner aimed at long-term added value. We seek to affirm and continuously strengthen the trust placed in us by customers, investors, financial markets, business partners, employees and the public. Important factors in this regard are good relationships with shareholders, transparent and timely reporting, and effective and constructive collaboration between the Executive Board and the Supervisory Board.

We are guided in this by our corporate values. We have set out our principles of conduct in our Code of Conduct, which can be viewed at https://www.ww-ag.com/de/ueber-uns/compliance (German only). In addition to complying with binding legal requirements, we believe that ethical behaviour is also part of corporate governance. Like the German Corporate Governance Code (GCGC), our basic understanding of correct behaviour is based on the concept of the honourable businessman.

In 2007 BaFin (Germany's Federal Financial Supervisory Authority) determined that Wüstenrot Holding AG, Ludwigsburg, which at that time held about 66% of the shares of W&W AG, and affiliates of Wüstenrot Holding AG constitute a financial conglomerate. In this regard, W&W AG was defined as the superordinate financial conglomerate undertaking. With the spin-off of WS Holding AG from Wüstenrot Holding AG in August 2016, the financial conglomerate now consists of W&W AG and the affiliates of W&W AG.

The insurance group of W&W AG is covered by the scope of Solvency II and thus is likewise subject to supervision by BaFin. W&W AG is the ultimate parent undertaking of the Solvency II group of W&W AG.

Statement of compliance by Wüstenrot & Württembergische AG with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) dated December 2023

The German Corporate Governance Code (GCGC) contains principles, recommendations and suggestions for the management and supervision of a company in its own best interest. We support this approach and particularly welcome the GCGC's focus on ethical and moral standards as well as legal standards. We believe that respecting these parameters is also critical to the success of a business. Therefore, the existing deviations of our Group from the recommendations of the Code should not be interpreted as a rejection of the Code's objectives but are solely due to the specific business characteristics of our Group. As a generally applicable code, the GCGC cannot take account of these special characteristics, which is why the preamble to the GCGC states that deviations from the recommendations of the Code may be further good corporate governance where there are appropriate reasons to do so. The Executive Board and the Supervisory Board of W&W AG are convinced that this is the case in all instances where we deviated from the recommendations. The material reasons for any deviation are set out in the following statement of compliance pursuant to Section 161 AktG. Now, therefore, the Executive Board and Supervisory Board of W&W AG declare the following:

Since the submission of the last statement of compliance on 13 December 2023, W&W AG has complied, and will continue to comply, with the recommendations of the Government Commission for the German Corporate Governance Code, in the version of 28 April 2022, which were made public by the German Federal Ministry of Justice in the official part of the German Federal Gazette, except as follows:

According to Recommendation D.4 of the Code, the Supervisory Board is to form a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting. Section 25d (11) of the German Banking Act (KWG) assigns further responsibilities to the financial holding companies' Nomination Committee. These are to be handled not just by shareholder representatives on the Supervisory Board. By way of letter dated 22 July 2020, the German Federal Financial Supervisory Authority (BaFin) determined that supervision was to be discontinued on the basis of the consolidated situation of W&W AG as a financial holding company pursuant to Article 4 (1) No. 20 of the CRR (Regulation (EU) No 575/2013). Since then, W&W AG has not been obligated by law to comply with the requirements of Section 25d (11) of the German Banking Act (KWG). Nevertheless, the Supervisory Board of W&W AG decided to continue to maintain the previous, sound assignment of other tasks to the Nomination Committee. Therefore, in departure from Recommendation D.4 of the Code, the Nomination Committee also continues to include employee representatives. However, it is assured that the candidates that the Nomination Committee proposes to the Supervisory Board for its nominations to the Annual General Meeting are determined only by the shareholder representatives on the committee.

According to Recommendation F.2, 2nd part, of the Code, the interim financial reports and quarterly reports of the Group must be publicly accessible within 45 days after the end of the respective reporting period. This recommendation also applies under the new accounting standard IFRS 17 “Insurance Contracts”, which has to be applied since 2023. The application of IFRS 17 not only requires significantly more complex calculations than previously applicable accounting standards, but also uses the previous German Commercial Code (HGB) values as inputs. These values would have to be estimated or approximated in order to comply with the existing timeline. This would entail the risk of subsequent corrections or even a last-minute postponement of the publication. For this reason, W&W AG is deviating from Recommendation F.2, 2nd part, of the Code until further notice.

In departure from Recommendation G.10 sentence 1 of the Code, the variable remuneration of Executive Board members is not predominantly invested by them in company shares or granted predominantly as share-based remuneration, taking their respective tax burden into consideration. The remuneration system for members of the Executive Board of W&W AG provides diverse incentives so that they align their actions with sustainable, long-term business performance. Therefore, it does not appear necessary for variable remuneration to be additionally invested in company shares or to be granted as share-based remuneration.

Contrary to Recommendation G.15 of the Code, if Executive Board members also serve on Supervisory Boards within the Group, any remuneration they receive for this is not counted against their remuneration as Executive Board members. This is mainly based on two considerations. First, by serving on Supervisory Boards within the Group, Executive Board members are exposed to additional liability risks. Second, the remuneration of Executive Board members appears reasonable on whole, including taking into consideration additional remuneration for serving on Supervisory Boards within the Group.

Further information to Corporate Governance practices

In addition to the provisions of the GCGC and the statutory requirements, W&W AG uses a number of other instruments to ensure the best possible corporate governance and organisation.

W&W AG works to ensure compliance with national and European statutory requirements and internal company guidelines by means of a Group-wide compliance organisation. The compliance function is an essential component of the W&W compliance management system, and it is embedded in the W&W governance system and forms part of the internal control system of the W&W Group. The Group Compliance Officer coordinates the operational implementation of the compliance control loop and the handling of rules violations.

In order to further enhance integrity in the sales-related tied-agents organisations of the W&W Group, the Group Compliance Officer is supported by Sales Compliance Officers, who take into account each of their sales-specific features and are available as separate points of contact and coordinators specifically for sales issues. In addition, the Compliance Officer is supported by various compliance points of contact in each of the subsidiaries.

In order to enhance efficiency, as well as provide a basis for the regular exchange of information, a Group Compliance Committee has been set up, which is convened by the Compliance Officer on a regular basis. It is composed of representatives from all compliance-relevant areas (inter alia, Group Legal, Risk Management/Controlling, Group Audit, Group Accounting and Taxes, Sales Compliance, Fraud and Money Laundering Prevention, Securities Compliance, Data Protection/Information Security, Outsourcing Management, Fraud Prevention, etc.).

A Code of Conduct is in place to provide all persons working in the W&W Group with binding orientation for their daily work – including with respect to ethical conduct – in implementing internal and external legal requirements, and it is regularly updated. It applies to all members of governing bodies, managers, in-house employees and the mobile sales force staff. The Code of Conduct specifies the minimum standard for dealings between company employees, as well as in relation to customers, competitors, business partners, government authorities and shareholders. There are also specific codes of conduct for the sales organisations. Our Code of Conduct can be viewed at https://www.ww-ag.com/de/ueber-uns/compliance (German only).

In addition to the Compliance Officer, an electronic whistleblower system is available to all W&W Group employees should they wish to bring to light events that are harmful to it or are criminally significant. This is intended to ensure that notifications can be made anonymously if desired.

Together with its subsidiaries that conduct primary insurance business, W&W AG has acceded to the “Code of Conduct for the Sale of Insurance Products” enacted by the German Insurance Association (GDV). Following the amendment of the Code on 25 September 2018, audits are conducted every three years for whether a company has adopted the arrangements contained in the Code in its (internal) rules and is practising them. The independent audit called for in the Code was most recently performed in the period from January to March 2023. The Code and the audit reports can be viewed at www.gdv.de.

Managers and all employees are provided with extensive documentation to keep them abreast of insider-trading legislation, antitrust legislation, money laundering and the issues of corruption and compliance. The legal areas are explained in understandable terms using examples and self-monitoring options.

The W&W Group conducts its business in a sustainable manner. As a financial planning specialist in the areas of financial security, residential property ownership, risk protection and savings and investment, we generate sustainable growth that retains value. This understanding is not only part of the W&W business strategy, but it also has expressly been made binding in W&W AG’s the sustainability strategy. It comprises specific action areas comprising goals and measures that serve to realise the W&W Group’s sustainability ambitions. In addition, the W&W Group has established a Sustainability Code, which defines certain sustainability standards and forms the basis for the W&W Group’s interactions with suppliers, service providers and business partners. The Sustainability Code and the sustainability strategy can be viewed at https://www.ww-ag.com/en/about-us/sustainability.

The task of comprehensive sustainability management has been assigned to the Group Development department in order to further intensify the sustainability activities of the W&W Group and meet the increasing requirements. A Sustainability Board was also established. It consists of the sustainability officer (Chair of the Sustainability Board), members of the Executive Board of W&W AG and people in charge of various areas of the Group. Every three months, the Sustainability Board analyses social developments and trends with respect to sustainability, evaluates current and anticipated standards and rules, and initiates and monitors the sustainability activities that result from this.

By signing on to the Principles for Sustainable Insurance and the Principles for Responsible Investment, the W&W Group is underscoring its commitment to sustainability activities. By doing so, the W&W Group is, on the one hand, placing greater emphasis on environmental, social and governance (ESG) aspects in its insurance business and, on the other, underscoring the sustainable orientation of its investment business.

In addition, the W&W Group has committed to promoting diversity within the company by signing the “Diversity Charter”. By implementing the charter, the W&W Group is seeking to become even more engaged in creating an appreciative work environment for all employees – regardless of age, ethnic origin and nationality, gender and gender identity, physical and mental capabilities, religion and ideology, sexual orientation or social background.

Further information on the W&W Group’s voluntary commitments can be viewed at https://www.ww-ag.com/en/about-us/sustainability.

Structure of W&W AG

As a German publicly traded company, W&W AG has the following bodies: the Annual General Meeting, the Executive Board and the Supervisory Board. Their duties and powers are derived from the law, the Articles of Association, the bylaws, the right of co-determination and the company's internal regulations.

In addition, there are specific insurance and banking supervision regulations that supplement and modify the general requirements regarding the business organisation and the qualifications of management, supervisory board and other individuals.

Annual General Meeting

The Annual General Meeting decides, among other things, on the approval of the actions of the members of the Executive Board and Supervisory Board, the proposal for the appropriation of net retained profits, the election of the auditor, the election of the shareholder representatives on the Supervisory Board, the remuneration system for the members of the Executive Board, amendments to the Articles of Association and corporate actions.

The Annual General Meeting on 23 May 2023 was held as a virtual Annual General Meeting, i.e. without the physical presence of shareholders or their proxies (with the exception of the proxies appointed by the company).

Anyone who is entered in the share register as a shareholder and has registered for the Annual General Meeting is authorised to attend the Annual General Meeting of W&W AG and exercise their voting rights. Each share entitles the holder thereof to one vote at the Annual General Meeting. Shareholders were able to exercise their voting rights by mail or by issuing instructions to the company's proxies. Registered shareholders were able to follow the Annual General Meeting in its entirety via the online service provided by the company. All resolutions and nominations proposed by the Executive Board and the Supervisory Board were approved by the Annual General Meeting. The voting results are published on the company's website at https://www.ww-ag.com/de/investor-relations/aktie/hauptversammlung-ww-ag (German only).

Executive Board

The Executive Board manages W&W AG on its own responsibility with the aim of sustainable valuation creation for the benefit of the W&W Group. It represents the company in transactions with third parties.

The Executive Board of W&W AG has four members.

Members of the Executive Board
Jürgen Albert Junker (Chair)
Alexander Mayer
Jürgen Steffan
Jens Wieland

Tasks and working methods of the Executive Board

The main tasks of the Executive Board have to do with strategic alignment and control of the W&W Group, including maintaining and monitoring an efficient risk management system. The Executive Board is responsible for ensuring a suitable and effective internal auditing and control system. The Executive Board determines the strategies, ensures that the company has an organisational and operational structure that is suitable and transparent, and sets company policy. Bylaws address in detail how the activities of the Executive Board are structured.

The central governance bodies of the W&W Group are the Management Board, the division boards and the Group boards. The Management Board of W&W AG is composed of the members of the Executive Board, along with the heads of the Housing and Insurance divisions. The Management Board is the central management body of the W&W Group and concerns itself with matters such as Group control and the definition and development of the business strategy for the W&W Group. In addition, the Management Board facilitates the exchange of information between the Executive Board and the division heads with regard to the integration of the divisions into the Group strategy. The Management Board holds regular meetings, which are to take place at least twice per month. Those meetings are simultaneously considered to be meetings of the W&W AG Executive Board.

The division boards – i.e. the Housing division board and the Insurance division board – coordinate and decide on division-specific issues. They meet at least once per month, and those meetings are simultaneously considered to be meetings of the Executive Boards of the individual companies. The Group boards coordinate cross-division initiatives in the areas of sales, risk, investments and personnel.

W&W AG's Executive Board has no committees due to its small size.

The Chair of the Executive Board is in charge of the collaboration between the Executive Board and the Supervisory Board. He is in regular contact with the Chair of the Supervisory Board and discusses the undertaking's strategy, business performance risk management and compliance with him. He promptly notifies the Chair of the Supervisory Board about important events that are of major significance for the assessment of the undertaking's position and performance, as well as for its management. The Executive Board coordinates with the Supervisory Board on the strategic alignment of W&W AG and the W&W Group. In addition, the Executive Board regularly reports to the Supervisory Board in a timely and comprehensive manner about all issues of relevance to W&W AG and the W&W Group concerning strategy, planning, business performance, risk position, risk management and compliance. Details are addressed in the Executive Board bylaws.

In view of the special features of the Housing and Insurance divisions, as well as the common Group perspective, it is necessary for members of the Executive Board of W&W AG to have demonstrated experience, professional knowledge and expertise in the areas of insurance, banking and home loan and savings banking, as well as extensive management experience. All Executive Board members satisfy these criteria. This ensures that Executive Board members will meet the comprehensive fit-and proper requirements under supervisory law.

Diversity concept and information on gender-specific targets, minimum participation rates and their achievement

As part of the diversity concept established by the Supervisory Board for the Executive Board, W&W AG is to strive to achieve sufficient diversity on the Executive Board in terms of gender, age and professional background, expertise and experience. Under the provisions of German stock corporation law, at least one woman and at least one man must be a member of the Executive Board of W&W AG. W&W AG did not meet this requirement in the reporting year since the Executive Board does not have a woman on it. However, under a transitional provision, the statutory minimum quota applies only from the next appointment or reappointment of a member of the Executive Board. There were no changes in the Executive Board in the reporting year. W&W AG will satisfy the legal requirements in due course. In addition, attention must be paid to compliance with the age limit of 65 provided for as a target requirement in Section 1 (4) of the Executive Board bylaws. No current Executive Board member is older than age 65. The members of the Executive Board should complement one another in terms of their background and professional experience and expertise, such that proper company guidance is assured. This is reviewed and documented once a year by the Nomination Committee and the Supervisory Board.

Working together with the Executive Board, the Supervisory Board provides for long-term succession planning. When, as part of senior-management development, the Executive Board identifies potential candidates for a manager position, it forwards their names to the Chair of the Supervisory Board. The Personnel Committee also includes these candidates in its regular discussion of long-term succession planning for the Executive Board. In doing do, it takes into account the company's senior-management planning.

The Executive Board has stipulated that women are to make up 30% of the first and second executive level below the Executive Board and has set a target deadline of 30 June 2027 for doing so.

Supervisory Board

In accordance with the Articles of Association, the Supervisory Board of W&W AG is composed of 16 members, of whom eight are shareholder representatives and eight are employee representatives.

Members of the Supervisory Board: overview of qualifications

	Entry date (Month/Year)	Personal aptitude			Diversity	
	Entry date (month/year)	Regulatory requirement	Independence	No overboarding[1]	Gender	Year of birth
Shareholder representatives						
Dr Michael Gutjahr (Chair)	9/2022	√	√	√	Male	1957
Dr Frank Ellenbürger	5/2021	√	√	√	Male	1960
Prof. Dr Nadine Gatzert	6/2018	√	√	√	Female	1979
Dr Reiner Hagemann	6/2006	√	√	√	Male	1947
Corinna Linner	6/2015	√	√	√	Female	1958
Dr Wolfgang Salzberger	9/2022	√	√	√	Male	1963
Jutta Stöcker	6/2016	√	√	√	Female	1954
Edith Weymayr	9/2022	√	√	√	Female	1964
Employee representatives						
Frank Weber (Deputy Chair)	6/2006	√	–	√	Male	1966
Jutta Eberle	5/2021	√	–	√	Female	1973
Jochen Höpken	6/2011	√	–	√	Male	1960
Ute Kinzinger	6/2011	√	–	√	Female	1961
Bernd Mader	6/2016	√	–	√	Male	1968
Andreas Rothbauer	6/2011	√	–	√	Male	1964
Christoph Seeger	6/2011	√	–	√	Male	1962
Susanne Ulshöfer	6/2019	√	–	√	Female	1963

√ Criterion met. The professional aptitude criteria are based on an annual self-assessment by the Supervisory Board. A tick indicates at least "good knowledge" and thus the ability to understand the relevant issues well and make informed decisions on the basis of existing qualifications and continuing education regularly received by all Supervisory Board members. On a scale of A to E, this corresponds to a rating of at least B.

1 According to the German Corporate Governance Code

Professional aptitude									
Actuarial practice	Investments	Accounting	Banking/home loan savings	IT/digital transformation	Human Resources	Risk management	Sustainability	Strategy/ corporate governance/ controlling	Supervisory law/regulatory framework/ auditing
√	√	√	√	√	√	√	√	√	√
√	√	√	√	√	√	√	√	√	√
√	√	√	√	√	√	√	√	√	√
√	√	√	√	√	√	√	√	√	√
√	√	√	√	√	√	√	√	√	√
√	√	√	√	–	√	√	√	√	√
√	√	√	√	√	√	√	√	√	√
–	√	√	√	√	√	√	√	√	√
√	√	√	√	√	√	√	√	√	√
√	√	–	√	√	√	–	√	√	–
√	–	–	√	√	√	–	√	–	–
–	√	√	√	√	√	–	√	√	√
√	–	√	√	√	√	√	–	√	–
–	√	√	√	√	√	–	–	√	√
√	√	√	√	–	√	–	√	√	√
–	√	√	√	√	√	√	√	√	√

The Supervisory Board strives for a composition that ensures that the Executive Board of W&W AG will receive qualified supervision and advice. Therefore, special requirements are placed on Supervisory Board members with respect to their qualification, aptitude and independence. These aims take into account the statutory requirements concerning the composition of the Supervisory Board and the corresponding recommendations of the German Corporate Governance Code. In addition to these personal requirements for each individual Supervisory Board member, an expertise profile and a diversity concept is in place for the body as a whole.

In view of the Housing and Insurance divisions and the common Group perspective, the candidates nominated by the Supervisory Board for election to the body are evaluated in terms of their expertise, experience and professional knowledge, particularly in the sectors of insurance, banking and home loan and savings banking, as well as their individual abilities. Other criteria for

Supervisory Board nominees who are proposed to the Annual General Meeting include whether the candidates are independent and have sufficient time to carry out their duties.

In the estimation of the shareholder representatives on the Supervisory Board, all shareholder representatives on the Supervisory Board are independent.

Dr Reiner Hagemann has been a member of the Supervisory Board of W&W AG for more than twelve years. This means that he exhibits one of the indicators that pursuant to Recommendation C.7 of the German Corporate Governance Code (GCGC) is to be given particular consideration in evaluating independence. However, the shareholder representatives on the Supervisory Board nevertheless consider Dr Reiner Hagemann to be independent. Essentially, a long length of service on the Supervisory Board should therefore be able to be called into question if and when the required distance to the Executive Board and the company is no longer maintained. This is not the case here. Because of his long length of service on the Supervisory Board, Dr Reiner Hagemann is thoroughly familiar with the company's circumstances and its executives. As is shown by the collaborative work on the Supervisory Board, however, this familiarity does not compromise his independence. On the contrary, he employs this familiarity acquired over many years, as well as his expertise, in the work of the Supervisory Board in a way that promotes the proper fulfilment of duties by the Supervisory Board. Therefore, in the assessment of the shareholder representatives, Dr Reiner Hagemann is to be considered independent, notwithstanding that he has served on the Supervisory Board for many years.

Going forward as well, an appropriate number of independent members will belong to the Supervisory Board.

Tasks and working methods of the Supervisory Board

Bylaws address in detail how the activities of the Supervisory Board are structured. The Supervisory Board holds at least two meetings in each calendar half-year. It also meets when necessary. In the 2023 financial year, the Supervisory Board held one extraordinary and four ordinary meetings. The Supervisory Board also met for a joint strategy retreat.

The Supervisory Board regularly reviews the efficiency of its work. The last efficiency review of took place in 2023. The Supervisory Board's work was reviewed on the basis of an internally prepared questionnaire. It focused on the issues of Supervisory Board and committee information, conduct of Supervisory Board and committee meetings, structure and composition of the Supervisory Board and the committees and conflicts of interest/miscellaneous.

Conflicts of interest, particularly those that may arise because of giving advice to or serving on governing bodies of customers, suppliers, lenders or other third parties, are disclosed to the (Chair of the) Supervisory Board and noted in the report of the Supervisory Board.

Committees of the Supervisory Board

In the 2023 financial year, the Supervisory Board of W&W AG had established four standing committees, i.e. the Risk and Audit, Nomination, Personnel and Conciliation Committees.

Risk and Audit Committee

The Risk and Audit Committee meets twice a year to prepare for Supervisory Board meetings dealing with the balance sheet and planning. In addition, it discusses half-yearly financial reports with the Executive Board at a further meeting. It also meets when necessary. The Risk and Audit Committee met three times during the 2023 financial year.

The Risk and Audit Committee concerns itself with the auditing of the accounting and the monitoring of the accounting process. It prepares the decisions of the Supervisory Board regarding the approval of the annual financial statements and the consolidated financial statements, the result of the auditing of the management report and the group management report or, as the case may be, a combined management report, and the proposal for the appropriation of profit, as well as regarding submission of the corporate governance statement including the remuneration report, and regarding the audit of the separate non-financial group report. For this purpose, it is responsible for the advance review and, if necessary, preparation of the corresponding documentation. The auditor participates in these committee negotiations and discusses the assessment of audit risk, the audit strategy and audit planning as well as the audit findings with the Risk and Audit Committee.

The responsibilities of the Risk and Audit Committee also include monitoring the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as dealing with issues involving compliance and the auditing of financial statements. In addition, it advises the Supervisory Board on current and future overall risk tolerance and business and risk strategies at the company and Group level and supports it in monitoring the implementation of these strategies. Furthermore, the Executive Board reports to the Risk and Audit Committee on the risk situation of the company and the W&W Group. In addition, the Risk and Audit Committee receives reports about the work of the Internal Audit and Compliance departments, including the audit plan, as well as about especially serious findings and their handling. Every member of the Risk and Audit Committee can, through the committee chair, obtain information directly from the heads of those central departments that are responsible within the company for the tasks that concern the Risk and Audit Committee in accordance with Section 107 (3) sentence 2 of the German Stock Corporation Act (AktG). The Executive Board is to be informed of this without delay. The committee chair shares the obtained information with all members of the Risk and Audit Committee.

The proposal by the Supervisory Board to the Annual General Meeting concerning the selection of the statutory auditor is based on the recommendation by the Risk and Audit Committee.

The Risk and Audit Committee decides on the agreement with the auditor (in particular, the audit mandate, the specification of the main audit areas and the fee agreement), as well as on termination or continuation of the audit mandate. It adopts suitable measures in order to ascertain and monitor the independence of the auditor and the additional services provided by the auditor for the company. The Risk and Audit Committee can submit recommendations and proposals for ensuring the integrity of the accounting process. In addition, the Risk and Audit Committee regularly assesses the quality of the auditing. The Supervisory Board supports the Executive Board in monitoring the implementation of statutory audits of accounts.

Furthermore, the Risk and Audit Committee supports the Supervisory Board in monitoring the swift rectification by the Executive Board of the deficiencies identified by the auditor.

The Risk and Audit Committee consults regularly with the auditor in the presence or absence of the Executive Board. The Chair of the Risk and Audit Committee regularly discusses the progress of the audit with the auditor and reports to the committee.

The Risk and Audit Committee consists of eight members, of whom four are shareholder representatives and four are employee representatives. All members of the Risk and Audit Committee are familiar with the sector in which the company operates. According to the German Stock Corporation Act (AktG), at least one member of the Supervisory Board and the Audit Committee must have expertise in the field of accounting and at least one other member of the Supervisory Board and the Audit Committee must have expertise in the field of auditing. According to the German Corporate Governance Code, expertise in the field of accounting must consist of special knowledge and experience in the application of accounting principles and internal control and risk management systems, and expertise in the field of auditing must consist of special knowledge and experience in auditing the financial statements. Accounting and financial statement auditing also include sustainability reporting and audits of sustainability reporting.

The Supervisory Board and its Risk and Audit Committee each include Dr Wolfgang Salzberger, a member with expertise in accounting, and the Chairman of the Risk and Audit Committee, Dr Frank Ellenbürger, another member with expertise in auditing.

In the course of his professional career, Dr Wolfgang Salzberger has worked for many years as the chief financial officer of a German investment company and therefore brings special knowledge and experience in the application of accounting principles and internal control and risk management systems, including sustainability reporting. His job as the chief financial officer of an investment company includes handling and reporting on non-financial aspects. He has presented his special knowledge and experience in the application of internal control and risk management systems in numerous publications, among others. In addition, Dr Wolfgang Salzberger was an untenured professor for accounting at the Free University of Bolzano and for general business administration at the University of Essen for many years.

Dr Wolfgang Salzberger follows and monitors current developments in the field of sustainability reporting and actively contributes this expertise to the Supervisory Board and the Risk and Audit Committee of W&W AG.

Dr Frank Ellenbürger has special knowledge and experience in the field of auditing due to his many years of working for a large auditing company (KPMG AG) as well as his work as a self-employed auditor. As acting Chair of the Risk and Audit Committee of W&W AG and from his many years of working at KPMG, Dr Frank Ellenbürger also has expertise in sustainability reporting.

Dr Frank Ellenbürger follows and monitors current developments in the field of sustainability reporting and audits of sustainability reporting. He actively contributes this expertise to the Supervisory Board and the Risk and Audit Committee of W&W AG.

The Chair of the Risk and Audit Committee should not be the Chair of the Supervisory Board or a former member of the company's Executive Board whose appointment ended less than two years ago. He or she should have special knowledge and experience in the application of accounting principles and internal control procedures, be familiar with the audit of financial statements and be independent of the company, the Executive Board and the controlling shareholder. The Chair of the Risk and Audit Committee, Dr Frank Ellenbürger, meets these requirements.

Members of the Risk and Audit Committee
Dr Frank Ellenbürger (Chair)
Prof Dr Nadine Gatzert
Ute Kinzinger
Bernd Mader
Andreas Rothbauer
Dr Wolfgang Salzberger
Jutta Stöcker
Susanne Ulshöfer

Nomination Committee

The Nomination Committee meets at least once per calendar year, as well as when necessary. It held one ordinary meeting during the 2023 financial year.

The Nomination Committee assists the Supervisory Board

- in preparing nominations for submission to the Annual General Meeting regarding the election of the members of the Supervisory Board, whereby only the shareholder representatives are responsible for providing this assistance;
- in establishing targets for women on the Executive Board and the Supervisory Board and setting deadlines and defining a strategy for meeting those targets;
- in conducting the annual review in accordance with the Supervisory Board's policy on "Fit and proper requirements for managers and members of the Supervisory Board", as amended.

The Nomination Committee consists of the Chair of the Supervisory Board, his or her deputy by virtue of his or her office, two additional shareholder representatives and two additional employee representatives. The Chair of the Supervisory Board is the committee chair.

Members of the Nomination Committee
Dr Michael Gutjahr (Chair)
Dr Frank Ellenbürger
Jochen Höpken
Corinna Linner
Christoph Seeger
Frank Weber

Personnel Committee

The Personnel Committee meets at least once per calendar year, as well as when necessary. It met twice during the 2023 financial year.

The Personnel Committee prepares the personnel decisions of the Supervisory Board, in particular the appointment and dismissal of members of the Executive Board and the appointment of the Chair of the Executive Board. It is committed to diversity in the composition of the Executive Board. In addition, the Personnel Committee prepares, among other things, the resolutions of the Supervisory Board on the determination of the remuneration of the Executive Board members, the determination of targets and target achievement for the variable remuneration, the review of the appropriateness of the Executive Board remuneration as well as the annual remuneration report.

The Personnel Committee regularly deliberates on the long-term succession planning for the Executive Board. In doing do, it takes into account the company's senior-management planning.

The Personnel Committee decides in place of the Supervisory Board, in particular, on the conclusion, amendment and termination of the employment and pension agreements of Executive Board members wherever stipulated by law.

The Personnel Committee consists of the Chair of the Supervisory Board, his or her deputy by virtue of his or her office, one additional shareholder representative and one additional employee representative. The Chair of the Supervisory Board is the committee chair.

Members of the Personnel Committee
Dr Michael Gutjahr (Chair)
Dr Reiner Hagemann
Christoph Seeger
Frank Weber

Conciliation Committee

In addition, the Supervisory Board has at its disposal the Conciliation Committee, which is required to be formed by the German Codetermination Act (MitbestG). The Conciliation Committee makes personnel proposals to the Supervisory Board where the required majority is lacking for the appointment and dismissal of Executive Board members. The Conciliation Committee did not meet during the 2023 financial year.

The Conciliation Committee consists of the Chair of the Supervisory Board, his or her deputy by virtue of his or her office, one member elected by the shareholder representatives on the Supervisory Board and one member elected by the employee representatives on the Supervisory Board. The Chair of the Supervisory Board is the committee chair.

Members of the Conciliation Committee
Dr Michael Gutjahr (Chair)
Ute Kinzinger
Frank Weber
Edith Weymayr

Remuneration

The remuneration systems for the members of the Executive Board and Supervisory Board, which were approved by the Annual General Meeting on 20 May 2021, are published on the website at www.ww-ag.com/go/verguetung.

The 2023 remuneration report required by Section 162 AktG will be published after its approval by the Annual General Meeting on 14 May 2024 at www.ww-ag.com/go/media/verguetungsbericht-2023.

Information concerning the total remuneration of the Supervisory Board pursuant to Section 285, No. 9 of the German Commercial Code (HGB) and Section 314 (1), No. 6 HGB is contained in an annex to the remuneration report.

Diversity concept and gender-specific minimum participation rates and their achievement

In accordance with the German Stock Corporation Act (AktG), the Supervisory Board is composed of at least 30% women and at least 30% men. The Supervisory Board currently consists of nine men and seven women, of whom four women represent the shareholders and three the employees. Accordingly, women make up 44% of the Supervisory Board. The shareholder representatives achieve full gender parity at 50%.

As part of the diversity concept, the Supervisory Board strives to achieve sufficient diversity in terms of gender, age and professional background, expertise and experience in the interest of achieving collaboration that is complementary.

In view of the Housing and Insurance divisions and the common Group perspective, the candidates nominated by the Supervisory Board for election to the body are evaluated in terms of their expertise, experience and professional knowledge, particularly in the sectors of insurance, banking and home loan and savings banking, as well as their individual abilities. Other criteria for Supervisory Board nominees who are proposed to the Annual General Meeting include whether the candidates are independent and have sufficient time to carry out their duties.

In terms of shareholder representatives, the shareholder representatives on the Supervisory Board consider at least five independent members to be appropriate.

On account of the company-specific situation, the Supervisory Board does not consider it necessary to strive for a certain minimum number of members who represent, in particular, the quality of "internationality", since the main focus of the W&W Group's business operations are the national insurance and home loan savings sectors. Beyond the aspect of "internationality", however, the inclusion of and collaboration between Supervisory Board members with different backgrounds and ways of thinking fundamentally enriches the body and promotes the discussion culture. This ultimately leads to control and advisory activities that are more efficient and more effective.

The Supervisory Board does not consider it necessary to specify a regular limit to the length of service on the Supervisory Board. It is difficult to recruit qualified Supervisory Board members who meet the requirements of supervisory law, including with respect to whether candidates are fit and proper and do not exceed the maximum number of mandates.

However, pursuant to the bylaws for the Supervisory Board, members of the Supervisory Board should not be older than age 70 at the time of their election. The Annual General Meeting re-elected Dr Reiner Hagemann for a new term of office on the Supervisory Board even though he had already reached the age of 70. He was elected because of his demonstrated expertise and extensive knowledge of the company.

The members of the Supervisory Board should complement one another in terms of their background and professional experience and expertise, such that the body can draw on a well of experience that is a deep as possible and on wide variety of specialised expertise. This is reviewed and documented once a year by the Nomination Committee and the Supervisory Board.

In accordance with the expertise profile for the Supervisory Board, it is necessary for the body as a whole to have an appropriate representation of knowledge and experience in the following sectors: actuarial practice, banking/home loan savings, supervisory law/regulatory framework/auditing as well as strategy, corporate governance, controlling, accounting, risk management, investment, sustainability, IT/digital transformation and human resources.

Once a year, as well as at the time of each new appointment, the members of the Supervisory Board evaluate their strengths in the fields of investment, actuarial practice and accounting by means of a self-assessment. This informs a development plan that the Supervisory Board prepares every year in which it determines areas in which the entire Board or individual Supervisory Board members want to develop further. The self-assessment and development plan are forwarded to the supervisory authority.

We strike out in new directions and see change as an opportunity.

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

We published a report on equality and equal remuneration pursuant to the German Transparency in Remuneration Act (EntgTransG) in our annual report for 2022.

We did not prepare a new report for 2023 in accordance with the five-year rule pursuant to Section 22 (1) of the German Transparency in Remuneration Act (EntgTransG).

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Wüstenrot & Württembergische AG Consolidated financial statements

Consolidated balance sheet

Assets

in € thousands	Cf. Note no. [1]	31.12.2023	31.12.2022	1.1.2022
Cash and cash equivalents	1	**1,045,982**	**1,200,250[2]**	**981,067[2]**
Non-current assets held for sale and discontinued operations	2	**28,454**	**3,647**	**8,258**
Financial assets at fair value through profit or loss	3	**10,629,618**	**10,276,031**	**10,721,688**
Financial assets at fair value through other comprehensive income	4	**23,687,074**	**22,878,366**	**34,492,518**
of which: sold under repurchase agreements or lent under securities lending transactions		862,813	465,270	767,810
Financial assets at amortised cost	5	**28,460,768**	**26,707,313[2]**	**24,963,997[2]**
Subordinated securities and receivables		212,288	185,625	180,764
Senior debenture bonds and registered bonds		57,285	49,899	42,429
Senior fixed-income securities		–	9	9
Building loans		26,707,232	25,424,927	23,819,744
Other receivables		1,180,297	1,160,028[2]	891,424[2]
Asset-side portfolio hedge adjustment		303,666	–113,175	29,627
Positive market values from hedges	6	**1,512**	**522**	**6,099**
Assets from insurance business	7	**356,862**	**344,811**	**509,660**
Insurance contracts issued that are assets		36,734	71,364	116,435
Reinsurance contracts held that are assets		320,128	273,447	393,225
Financial assets accounted for under the equity method	8	**89,224**	**109,604**	**90,638**
Investment property	9	**2,568,883**	**2,440,442**	**2,541,392**
Other assets		**1,812,375**	**2,628,412**	**1,619,305**
Intangible assets	10	133,660	127,788	114,398
Property, plant and equipment	11	537,616	538,494	511,739
Inventories	12	77,763	157,293	193,243
Current tax assets	13	8,960	55,648	36,208
Deferred tax assets	14	1,011,406	1,709,376	735,730
Other assets	15	42,970	39,813	27,987
Total assets		**68,680,752**	**66,589,398**	**75,934,622**

1 See numbered explanations in the notes to the Consolidated financial statements.
2 Previous year's figure restated; see section "Changes in the presentation of the financial statements".

Equity and liabilities

in € thousands	Cf. Note no.	31.12.2023	31.12.2022	1.1.2022
Financial liabilities at fair value through profit or loss	16	**23,876**	**40,462**	**218,201**
Liabilities	17	**28,576,107**	**27,299,037**	**27,258,663**
Liabilities evidenced by certificates		2,841,405	1,885,306	1,866,084
Liabilities to credit institutions		2,219,355	2,697,422	2,145,894
Liabilities to customers		23,479,025	22,932,498	22,587,985
Lease liabilities		52,314	53,455	66,663
Miscellaneous liabilities		544,730	598,457	622,181
Liability-side portfolio hedge adjustment		–560,722	–868,101	–30,144
Negative market values from hedges	18	**–**	**25,466**	**–**
Technical liabilities	19	**31,899,840**	**30,298,791**	**39,128,922**
Insurance contracts issued that are liabilities		31,898,868	30,297,396	39,112,804
Reinsurance contracts held that are liabilities		972	1,395	16,118
Other provisions	20	**1,871,434**	**1,905,562**	**2,720,053**
Other liabilities		**706,617**	**1,484,336**	**806,850**
Current tax liabilities	21	134,570	161,960	212,403
Deferred tax liabilities	22	561,065	1,314,240	581,377
Other liabilities	23	10,982	8,136	13,070
Subordinated capital	24	**641,850**	**641,468**	**641,098**
Equity	25	**4,961,028**	**4,894,276**	**5,160,835**
Share in paid-in capital attributable to shareholders of W&W AG		1,486,190	1,486,252	1,485,588
Share in retained earnings attributable to shareholders of W&W AG		3,440,419	3,376,312	3,648,823
Retained earnings		4,132,249	4,061,795	3,890,408
Other reserves (OCI)		–691,830	–685,483	–241,585
Non-controlling interests in equity		34,419	31,712	26,424
Total equity and liabilities		**68,680,752**	**66,589,398**	**75,934,622**

Consolidated income statement

in € thousands	Cf. Note no.	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Current net financial result	26	**1,320,123**	**1,195,126[2]**
Net interest income		881,885	774,728[2]
Interest income		1,349,631	1,132,504[2]
of which: calculated using the effective interest method		1,157,577	1,006,332[2]
Interest expenses		−467,746	−357,776
Dividend income		316,187	283,526
Other current net income		122,051	136,872
Net income/expense from risk provision	27	**−24,945**	**−15,714**
Income from credit risk adjustments		65,946	90,130
Expenses for credit risk adjustments		−90,891	−105,844
Net measurement gain/loss	28	**283,302**	**−1,187,874**
Measurement gains		3,082,045	5,798,535
Measurement losses		−2,798,743	−6,986,409
Net income from disposals	29	**97,785**	**144,133[2]**
Income from disposals		291,738	507,674
Expenses from disposals		−193,953	−363,541[2]
of which: gains/losses from financial assets at amortised cost	43	−378	−238[2]
Net technical financial result	30	**−1,094,186**	**186,468**
Insurance finance income or expenses from insurance contracts issued (gross)		−1,097,718	186,797
of which: Insurance finance expenses from reinsurance contracts held		3,532	−329
Total net financial result		**582,079**	**322,139**
of which: net income/expense from financial assets accounted for under the equity method		−4,936	19,813
Technical result (net)	31	**121,758**	**308,219**
Technical result (gross)		136,730	358,748
Technical income		3,801,318	3,462,606
Technical expenses		−3,664,588	−3,103,858
Net result from reinsurance contracts held		−14,972	−50,529
Net commission income	32	**−42,842**	**−1,854**
Commission income		269,094	322,074
Commission expenses		−311,936	−323,928
Carryover		**660,995**	**628,504**

in € thousands	Cf. Note no.	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Carryover		**660,995**	**628,504**
General administrative expenses (net)	33	**–519,703**	**–495,191**
General administrative expenses (gross)		–1,149,795	–1,093,947
Personnel expenses		–632,413	–633,842
Materials costs		–434,441	–384,495
Depreciation, amortisation and write-downs		–82,941	–75,610
General administrative expenses attributable to the technical result		630,092	598,756
Net other income/expense	34	**59,923**	**183,941**
Other operating income		255,248	483,649
Other operating expenses		–195,325	–299,708
Earnings before income taxes from continued operations		**201,215**	**317,254**
of which sales revenues [1]		5,976,429	5,565,625
Income taxes	35	–60,678	–79,597
Consolidated net profit		**140,537**	**237,657**
Result attributable to shareholders of W&W AG		138,657	235,420
Result attributable to non-controlling interests		1,880	2,237
Basic (= diluted) earnings per share in €	36	**1.48**	**2.51**
of which: from continued operations in €		1.48	2.51

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

Further information on various items in the consolidated statement of financial position and the consolidated income statement is summarised in the following notes:

- 38–43 Disclosures on financial instruments and fair value
- 44–46 Explanatory notes on insurance contracts
- 47–51 Disclosures concerning risks under financial instruments and insurance contracts
- 52–54 Capital management
- 55 et seqq. Other disclosures

Consolidated statement of comprehensive income

in € thousands	Cf. Note no.	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Consolidated net profit		**140,537**	**237,657**
Other comprehensive income (OCI)			
Elements not reclassified to the consolidated income statement:			
Actuarial gains/losses (-) from pension commitments (gross)	20	–106,066	562,945
Deferred taxes		31,031	–167,756
Actuarial gains/losses (-) from pension commitments (net)		**–75,035**	**395,189**
Unrealised gains on the remeasurement of property (gross)		1,347	–
Deferred taxes		–400	–
Unrealised gains on the remeasurement of property (net)[1]		**947**	**–**
Elements subsequently reclassified to the consolidated income statement:			
Unrealised gains/losses (–) from financial assets at fair value through other comprehensive income (OCI; gross)	37, 42	1,313,850	–8,910,686
Deferred taxes		–397,891	2,654,858
Unrealised gains/losses (-) from financial assets at fair value through other comprehensive income (OCI; net)		**915,959**	**–6,255,828**
Unrealised technical finance income or expenses from insurance contracts issued (gross)	45	–1,208,306	7,676,609
Unrealised technical finance income or expenses from reinsurance contracts held (gross)	45	4,714	45,024
Deferred taxes		355,867	–2,300,908
Unrealised technical finance income or expenses (net)		**–847,725**	**5,420,725**
Unrealised gains/losses (–) from financial assets accounted for using the equity method (gross)	8, 37	863	–709
Deferred taxes		–13	11
Unrealised gains/losses (–) from financial assets accounted for using the equity method (net)		**850**	**–698**
Total other comprehensive income (OCI; gross)		6,402	–626,817
Total deferred taxes		–11,406	186,205
Total other comprehensive income (OCI; net)		**–5,004**	**–440,612**
Total comprehensive income for the period		**135,533**	**–202,955**
Result attributable to shareholders of W&W AG		132,310	–208,478
Result attributable to non-controlling interests		3,223	5,523

1 Due to the change in use of a property from owner-occupied to third-party use, the property measured at amortised cost was measured at market value for the first time at the date of the change in use. The resulting effect is shown in OCI.

Consolidated statement of changes in equity

	Cf. Note no.	Share in paid-in capital attributable to shareholders of W&W AG	
		Share capital	Capital reserve
in € thousands			
Equity 31.12.2021		**489,893**	**995,695**
Effect of initial application of IFRS 17		–	–
Equity 1.1.2022		**489,893**	**995,695**
Total comprehensive income for the period			
Consolidated net profit		–	–
Other comprehensive income (OCI)		–	–
Total comprehensive income for the period		**–**	**–**
Dividends to shareholders	25	–	–
Treasury shares		237	427
Other		–	–
Equity 31.12.2022		**490,130**	**996,122**
Equity 1.1.2023		**490,130**	**996,122**
Total comprehensive income for the period			
Consolidated net profit		–	–
Other comprehensive income (OCI)		–	–
Total comprehensive income for the period		**–**	**–**
Dividends to shareholders	25	–	–
Treasury shares		1	–63
Other		–	–
Equity 31.12.2023		**490,131**	**996,059**

1 Due to the change in use of a property from owner-occupied to third-party use, the property measured at amortised cost was measured at market value for the first time at the date of the change in use. The resulting effect is shown in OCI.

	Retained earnings	Reserve for pension commitments	Reserve for the remeasurement of property[1]	Reserve for financial assets at fair value through other comprehensive income	Reserve for technical finance income or expenses	Reserve for financial assets accounted for under the equity method	Equity attributable to W&W shareholders	Non-controlling interests in equity	Total equity
		Share in retained earnings attributable to shareholders of W&W AG – Other reserves (OCI)							
	3,441,733	**–687,143**	**–**	**604,666**	**–**	**3**	**4,844,847**	**28,727**	**4,873,574**
	448,675	–36,833	–	711,213	–833,442	–49	289,564	–2,303	287,261
	3,890,408	**–723,976**	**–**	**1,315,879**	**–833,442**	**–46**	**5,134,411**	**26,424**	**5,160,835**
	235,420	–	–	–	–	–	235,420	2,237	237,657
	–	393,770	–	–5,994,043	5,157,073	–698	–443,898	3,286	–440,612
	235,420	**393,770**	**–**	**–5,994,043**	**5,157,073**	**–698**	**–208,478**	**5,523**	**–202,955**
	–60,915	–	–	–	–	–	–60,915	–	–60,915
	227	–	–	–	–	–	891	–	891
	–3,345	–	–	–	–	–	–3,345	–235	–3,580
	4,061,795	**–330,206**	**–**	**–4,678,164**	**4,323,631**	**–744**	**4,862,564**	**31,712**	**4,894,276**
	4,061,795	**–330,206**	**–**	**–4,678,164**	**4,323,631**	**–744**	**4,862,564**	**31,712**	**4,894,276**
	138,657	–	–	–	–	–	138,657	1,880	140,537
	–	–74,746	899	875,279	–808,629	850	–6,347	1,343	–5,004
	138,657	**–74,746**	**899**	**875,279**	**–808,629**	**850**	**132,310**	**3,223**	**135,533**
	–60,915	–	–	–	–	–	–60,915	–516	–61,431
	–	–	–	–	–	–	–62	–	–62
	–7,288	–	–	–	–	–	–7,288	–	–7,288
	4,132,249	**–404,952**	**899**	**–3,802,885**	**3,515,002**	**106**	**4,926,609**	**34,419**	**4,961,028**

Consolidated cash flow statement

in € thousands	Cf. Note no.	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Consolidated net profit		**140,537**	**237,657**
Items in the consolidated financial statements that have no effect on cash and are reconciled in "Cash flow from operating activities"			
Net income/expense from financial assets accounted for using the equity method	8, 26	4,936	−19,813
Write-downs (+)/write-ups (−) on intangible assets and property, plant and equipment	33	82,671	74,915
Write-downs (+)/write-ups (−) on financial assets	27, 28	35,339	30,646
Changes in technical assets and liabilities	7, 19	385,406	−943,513
Increase (+)/decrease (−) in other provisions	20	−66,678	−181,468
Changes in deferred tax assets and liabilities	35	−60,157	−46,149
Gain (−)/loss (+) from the disposal of intangible assets and property, plant and equipment	34	−11,031	−20,451
Gain (−)/loss (+) from the disposal of financial investments (excluding participations)	29	−87,850	217,266
Other expenses(+)/income (−) with no effect on cash	26–29	−285,367	485,923
Other adjustments		18,645	2,356
Subtotal		**156,451**	**−162,631**
Changes in assets and liabilities from operating activities			
Increase (−)/decrease (+) in construction loans	5	−1,450,726	−1,783,051
Increase (−)/decrease (+) in other assets	5, 6, 12, 13, 15	1,222,230	2,655,589
Increase (−)/decrease (+) in derivative financial instruments with positive and negative market values	3, 16	−1,717	−3,823
Increase (+)/decrease (−) in liabilities evidenced by certificates	17	956,099	19,223
Increase (+)/decrease (−) in liabilities to credit institutions	17	−478,067	551,528
Increase (+)/decrease (−) in liabilities to customers	17	546,528	344,514
Increase (+)/decrease (−) in other liabilities	17, 18, 20, 21, 23	−1,058,922	−3,855,707
Subtotal		**−264,575**	**−2,071,727**
I. Cash flow from operating activities		**−108,124**	**−2,234,358**

Consolidated cash flow statement (continued)

in € thousands	Cf. Note no.	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Cash receipts from the disposal of intangible assets and property, plant and equipment	10, 11	15,766	36,110
Cash payments for investments in intangible assets and property, plant and equipment	10, 11	–69,930	–122,610
Cash receipts from the disposal of financial assets	3, 4, 5, 9	9,289,560	12,645,740
Cash payments to acquire financial assets	3, 4, 5, 9	–9,181,684	–10,000,961
Cash payments to acquire shares in financial assets accounted for under the equity method	8	–	–5,287
II. Cash flow from investment activities		**53,712**	**2,552,992**
Dividend payments to shareholders	25	–60,915	–60,915
Dividend payments to minority interests	25	–516	–
Transactions between shareholders	25	–488	460
Change in funds resulting from subordinated capital	24	5,042	–
Interest payments on subordinated capital	26	–23,125	–24,527
Cash payments for the reduction of lease liabilities	17	–18,220	–17,538
III. Cash flow from financing activities		**–98,222**	**–102,520**
Cash and cash equivalents as at 1.1.		**1,200,250**	**981,067**
Net change in cash and cash equivalents (I.+II.+III.)		–152,634	216,114
Effects of exchange rate changes on cash and cash equivalents		–1,634	3,069
Cash and cash equivalents as at 31.12.	1	**1,045,982**	**1,200,250**

During the financial year, cash flow from interest received amounted to €1,337.2 million (previous year: €1,209.0 million), cash flow from interest paid amounted to –€399.8 million (previous year: –€177.1 million), cash flow from dividends received amounted to €310.8 million (previous year: €290.7 million) and cash flow from income taxes paid/received amounted to –€106.5 million (previous year: –€194.9 million). These amounts are included in cash flow from operating activities.

Cash flow from regular operating activities is determined using the indirect method. Cash and cash equivalents correspond to the line item “Cash and cash equivalents” in the statement of financial position.

The W&W Group can freely access the balance of cash and cash equivalents.

Reconciliation of changes in liabilities with cash flow from financing activities

	Subordinated capital		Lease liabilities	
in € thousands	2023	2022	2023	2022
As at 1 January	**641,468**	**641,098**	**53,455**	**66,663**
Coupons	−23,125	−24,527	–	–
Issue/redemption	5,042	–	−18,220	−17,538
Net change with an effect on cash	**−18,083**	**−24,527**	**−18,220**	**−17,538**
Acquisitions/disposals of lease liabilities	–	–	16,353	3,820
Change in accrued interest	18,068	24,533	–	–
Amortisation	397	364	726	510
Net change with no effect on cash	**18,465**	**24,897**	**17,079**	**4,330**
As at 31 December	**641,850**	**641,468**	**52,314**	**53,455**

Notes to the consolidated financial statements

General accounting principles and application of IFRS

Disclosure of general information about financial statements

Wüstenrot & Württembergische AG is a publicly traded company with registered office in Kornwestheim (W&W-Platz 1, 70806 Kornwestheim, Germany) and is the parent company of the W&W Group. The company is entered in the commercial register of maintained by the Local Court of Stuttgart under HRB 20203. Wüstenrot & Württembergische AG is the W&W Group's strategic management holding company. It coordinates all activities, sets standards, manages capital and manages the W&W Group. As an individual entity, Wüstenrot & Württembergische AG's operations mainly relate to reinsuring the insurance policies written by the W&W Group. The W&W Group operates almost exclusively in Germany.

The W&W Group is a financial planning group that provides the four components of modern financial planning:

- Financial coverage
- Residential property
- Risk protection
- Savings and investment

The Executive Board of Wüstenrot & Württembergische AG authorised publication of the consolidated financial statements on 4 March 2024. They were presented to the Supervisory Board for approval on 26 March 2024. The consolidated financial statements will be presented to the shareholders (virtually) at the Annual General Meeting on 14 May 2024.

The consolidated financial statements of Wüstenrot & Württembergische AG – consisting of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements – were prepared on the basis of Section 315e (1) of the German Commercial Code (HGB) in conjunction with Article 4 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of IFRS international accounting standards, as they are to be applied in the European Union. In addition, a combined management report was prepared in accordance with the rules of commercial law.

The consolidated financial statements of the W&W Group were drawn up in euros (€) on the basis of the going concern principle. Where figures are provided in millions of euros or thousands of euros, totalled amounts may have rounding differences due to commercial rounding rules, since the calculations for the individual items are based on whole numbers.

Comparative information

Unless indicated otherwise, comparative information about items in the consolidated income statement relates to the period from 1 January 2022 to 31 December 2022, whereas comparative information about items in the consolidated statement of financial position relates to 31 December 2022.

Climate-related circumstances

Climate-related circumstances can impair the value of the W&W Group's assets and liabilities in various ways.

Our **capital investments** include environmentally centred investments that are generally climate-related. These investments are in green/sustainable bonds, renewable energies (mainly wind and solar) and properties with ecological features. As an investor, we recognise that we, along with other major capital providers, have a significant influence on the successful structural transition to a more climate-friendly and low-carbon economy and society and therefore take an active approach to reducing harmful CO_2 emissions in our investment portfolios. We aim to be carbon neutral in our investments (mainly in equities and corporate bonds) by 2050. This active approach also seeks to sustainably promote climate-friendly technologies and their wider use.

Green/sustainable bonds do not necessarily need to differ from conventional bonds in terms of their structure, yield or risk of financing. The key characteristic of a green/sustainable bond is that funds raised from issuing a green/sustainable bond must be used to (re)finance a "green/social" project. The carrying amount of green/sustainable bonds in the

W&W Group is €1,160.0 million (previous year: €1,013.0 million). Most are carried at fair value through other comprehensive income (OCI). Remaining terms range from short periods of less than a year to a few extremely long periods of over 100 years. Governments, banks and companies are the issuers of the green/sustainable bonds in which the W&W Group invests. We also have sustainability-linked bonds (SLBs) with a carrying amount of €33.0 million (previous year: €22.0 million). In the case of SLBs, the SLB issuer generally agrees additional targets known as SPTs (specific sustainability performance targets) in addition to conventional bond terms. These targets are to be achieved during a predefined period of time. If the SPT is not achieved, the financial structure of the bond changes. This means that the SPPI criterion of IFRS 9 – i.e. the criterion under which amortised cost can be recognised – is not met and the SLBs are measured at fair value through profit or loss without the exercise of discretion.

The determination of the capital investments' fair values is based on the capital market's assumptions that market participants would use as a basis for pricing, including risk assumptions, which may also include climate-related risks. No discretionary judgements are made and no individual deductions are taken for climate-related risks.

The climate performance of the **property** portfolio plays a significant role for the W&W Group. Acquisition projects are assessed for ESG risk and the sustainability impact on the overall portfolio. In addition to property-specific input factors such as income, location or occupancy type, sustainability criteria are also included in the twice-yearly fair value measurement of existing properties. In particular, sustainability aspects indirectly affecting the valuation are discussed in the underlying planning of the construction measures and included in the business plan. Neither in the reporting year nor in the previous year did we have to make any direct measurement deductions based on sustainability or ESG criteria. For example, considerations for saving grey energy and thus CO_2 are also taken into account in connection with the evaluation of realisation alternatives for properties that have been in own use to date.

With respect to our construction financing loans that are secured by real property, energy efficiency aspects are one of the factors considered in the valuation of the mortgaged property. As a result, less energy-efficient properties generally receive lower collateral values than comparable properties with good energy efficiency. The defined mortgage lending value is also taken into account when determining the risk parameters.

In the fourth quarter of 2023, Wüstenrot Bausparkasse AG issued its first green **covered bond** with a volume of €500 million and a five-year term. The covered bonds are used to refinance mortgage loans that are secured by energy-efficient properties and are either among the top 15% of properties on the national market according to the Green Bond Framework or have earned Class A or Class B energy certificates.

Climate issues are long-term developments. **Technical liabilities** in property/casualty insurance, by contrast, are largely related to obligations over relatively short periods of time. The measurement of reserves for losses already incurred is independent of climate causes. On the other hand, climate risks from flooding, storms and hail are an integral part of the calculation of future potential losses in property/casualty insurance. Risks from these natural events are modelled in collaboration with our external partners, adjusted annually in line with new findings and portfolio data and taken into account in the loss expectations for the relevant portfolios. The summer of 2023 saw adverse weather events and higher claims expenses. This was primarily due to higher claims inflation combined with the frequency of smaller claims not covered by reinsurance. However, this data cannot be used to establish a trend.
Climate factors have a minor impact on technical liabilities in life and health insurance.

Accounting policies

Disclosure of changes in accounting policies

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

With the exception of the standards to be applied for the first time described below, the same accounting policies were used as in the consolidated financial statements as at 31 December 2022.

Initial application of IFRS 17 Insurance Contracts

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

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

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

Recognition

The insurance contracts are aggregated in the W&W Group at line level – life insurance, health insurance and property and casualty insurance – in accordance with the requirements of the new standard on the **units of account** (level of aggregation). Groups of insurance contracts (GIC) that are subject to similar risks and managed together are formed as the unit of account. The insurance contracts are divided into three profitability groups and into cohorts based on timing. There must not be more than one year between the underwriting dates of insurance contracts allocated to the same group (annual cohort). In addition to the annual cohort regulation in IFRS 17.22, as part of the EU endorsement process an addition was made compared to the IASB version that gives EU companies the option to exempt certain contracts. The W&W Group applies this exemption (carve-out option in accordance with Regulation (EU) 2021/2036 of 19 November 2021) at life insurance and health insurance level to groups of insurance contracts with direct participation features. In addition, insurance contracts are grouped into the same profitability groups if the premium calculation or the benefit level for policyholders with different risk characteristics is subject to statutory or regulatory restrictions (e.g. unisex rates).

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

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

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

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

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

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

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

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

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

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

The underlying items based on contracts with direct participation features in the W&W Group’s life and health insurance are shown at fair value in Note 45. A special structure applies if an underlying item is a participation in a fully consolidated subsidiary. Here, net assets are not measured at fair value in the consolidated financial statements (after consolidation) but instead result from the measurement of the subsidiary’s individual assets and liabilities under the relevant IFRS. In this case, the fair value of the participation/share in affiliated companies is used as the underlying item. The difference between net assets and the fair value of the participation is recognised in the W&W Group in other comprehensive income (OCI option) under IFRS 17.89(b) (see further information on the option under “Use of discretionary decisions and estimates”). Measurement discrepancies resulting from the joint application of IFRS 9 and IFRS 17 thus affect other comprehensive income (OCI), not the consolidated income statement.

IFRS 17 allows the use of approximations (known as the **premium allocation approach**, PAA) for measuring the provision for future policy benefits for groups of insurance contracts if:

- this simplification leads to approximately the same results for the Group as the measurement under BBA, or
- the coverage period of each contract in the Group does not exceed one year. As a convenience, the provision for future policy benefits is presented using the provision for unearned premiums when the PAA is used.

In the W&W Group, life and health insurance contracts are almost exclusively measured using the VFA. In health insurance, the PAA is applied to a portfolio of short-term contracts in both primary insurance and reinsurance. Reinsurance business in the area of life insurance is measured according to the BBA. Property and casualty insurance contracts with multi-year terms are generally measured using the BBA. With a few exceptions permitted by the standard, insurance and reinsurance contracts measured using the PAA have a coverage period of one year or less.

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

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

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

Technical finance income or expenses are the result of the effects of the time value of money and financial risks and the impact of a change in the time value of money and financial risks. Further information can be found below in section “Use of discretionary decisions and estimates”.

As is typical in the industry, the banks’ income statements are usually prepared in accordance with the nature-of-expense method, whereas those of insurance companies are prepared using the cost of sales method, based on the insurance business’s functional areas. W&W AG’s consolidated income statement essentially includes income and expenses, both of Wüstenrot Bausparkasse AG as a special institution and of companies that conduct insurance business.

To ensure standardised presentation of the Group’s financial performance, the nature-of-expense method was applied in the consolidated financial statements prior to applying IFRS 17. This presentation of the income statement is no longer possible following introduction of IFRS 17, as recognising a technical result is mandatory under IFRS 17.83 et seqq. The nature-of-expense method as it stands is not suitable for this, as under IFRS 17 technical expenses are allocated to the technical result. For this reason, the following modifications were made in the reporting of income and expenses:

- The item Net commission income previously included performance figures from the insurance business, primarily expenses for concluding and maintaining insurance contracts. These expenses are now recognised in the technical result in accordance with IFRS 17.28A et seqq.
- The item General administrative expenses (gross) still includes all of the Group’s administrative expenses, calculated using the nature-of-expense method. Expenses of insurance companies included in this item and that are also included as part of the technical result due to their insurance nature are reported separately as “deductions” under “General administrative expenses” (“General administrative expenses attributable to the technical result”). These are expenses for managing insurance contracts, managing capital investments (provided business measured using the VFA is affected), concluding insurance contracts and settling insurance claims, surrenders and recoveries.
- In addition, in accordance with IFRS 17, parts of other operating income and other operating expenses are now also included in technical items. This relates mainly to other technical income and expenses, which are now recognised in the technical result.

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

In comparison to IFRS 4, IFRS 17 contains extensive changes and additions to the quantitative and qualitative information in the **notes** to the consolidated financial statements. The aim is to increase transparency regarding the effects of primary and reinsurance contracts on the reporting entity’s net assets, financial position and financial performance and risk situation. In addition to the disclosures in this section, the disclosures required by IFRS 17 are included in “Explanatory notes on insurance contracts” and “Disclosures concerning risks under financial instruments and insurance contracts”. Disclosures are made at the level of the reporting segments defined in accordance with IFRS 8 – Life and Health Insurance and Property/Casualty Insurance – after consolidation. The assumed reinsurance business of W&W AG is included in the information on the insurance contracts issued in the Property/Casualty Insurance segment. The non-reportable segment “All other segments” is not shown separately because the assumed reinsurance business of W&W AG is small overall and in the process of being wound up, with no new business planned. Further information on the definition and structure of the segments can be found in the chapter on segment reporting.

Use of discretionary decisions and estimates

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

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

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

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

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

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

The W&W Group uses the bottom-up approach for estimating the **yield curve**, which is based on a liquid risk-free yield curve derived from market-traded interest rates of securities. From a last liquid point, the yield curve is determined using the weighted average between the interest rates still observable on the market and the interest rates extrapolated to the ultimate forward rate using the Smith-Wilson method. The ultimate forward rate reflects the interest rate expected in the long term that changes if significant changes are made to long-term expectations. The “illiquidity premium” is added to this base yield curve to reflect the different liquidity characteristics of the securities and insurance contracts underlying the base yield curve. For this, a liquidity measure is established that differentiates between liquid and illiquid securities. The premium for the illiquidity of insurance contracts is calculated as the product of a liquidity spread based on the investments underlying the insurance contracts and an application ratio that reflects the illiquidity of the insurance contracts. The W&W Group uses fixed-for-floating swaps as securities used to determine the base yield curve. The host instrument underlying the fixed-for-floating swap is initially six-month Euribor (for EUR) and an interest rate benchmark equivalent for foreign currencies (USD and GBP). Interest rates are provided for fixed interest periods of up to 120 years. Any fixed interest rates required during the year are determined by interpolating the interest rates in annual tranches. For fixed interest periods of up to two years, fixed interest periods are supplemented in six-month tranches to make the greatest possible use of market data in accordance with IFRS 17.B78(a). When applying the PAA, the discounting of future cash flow to determine the provision for outstanding insurance claims in accordance with IFRS 17.59(b) may be waived if the claims are settled within one year of the loss event. This option was exercised for short-term portfolios of health insurance contracts that are measured using the PAA. The provision does not apply to property and casualty insurance. The health and property and casualty insurance portfolios measured using the PAA do not contain significant financing components. That means there is no need to adjust the provision for future policy benefits to reflect the time value of money and the effects of financial risks in accordance with IFRS 17.56.

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

(Base) yield curve

	1 year		5 years		10 years		15 years		20 years	
in %	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
EUR	3.39	3.16	2.42	3.13	2.47	3.11	2.53	3.04	2.48	2.84
GBP	4.72	4.39	3.43	4.10	3.29	3.69	3.38	3.66	3.40	3.58
USD	4.77	4.88	3.53	3.79	3.46	3.60	3.48	3.56	3.46	3.49

The (base) yield curve shown is adjusted to account for the illiquidity premium. This ranged from 0.33% to 0.57% (previous year: 0.37% to 0.51%) for life and health insurance companies and from 0.31% to 0.33% (previous year: 0.46%) for property/casualty insurance companies.

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

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

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

The CSM is realised on the basis of **coverage units**. At the W&W Group, these are determined in the relevant area depending on the product. For insurance contracts with direct participation features, the coverage unit in life insurance comprises two components: Investment-related services are measured at the amount of capital under management. Either risk capital or the insured pension is used for insurance services, depending on the nature of insurance coverage. These components are weighted based on expert evaluations and reviewed each year. In health insurance, earned premiums are used to measure insurance and investment-related services. In addition, the entity's share of the excess return expected for the past reporting period is taken into account when reversing the CSM in life and health insurance through profit or loss. For contracts without direct participation features, earned premiums are used as the coverage unit. The coverage unit for the ceded reinsurance business is based on the coverage unit for the underlying primary insurance business, taking account of the cover ratio. The expected reversal through profit or loss of the remaining CSM at the reporting date is presented in Note 44 using appropriate time bands.

For VFA portfolios, as described above, the **other comprehensive income (OCI) option** in accordance with IFRS 17.89(b) provides the option to divide technical finance income or expenses between the consolidated income statement and Other comprehensive income (OCI). Under this option, the amount is to be recognised in the consolidated income statement through profit or loss is the amount that eliminates measurement discrepancies for the income and expenses of the underlying items recognised through profit or loss. The remaining amount is recognised through other comprehensive income (OCI). The W&W Group applied the OCI option to all VFA portfolios. In accordance with IFRS 17.88(b), this option also applies to the effects from insurance contracts without direct participation features resulting from changes to financial assumptions. To reduce volatility in the income statement, the W&W Group applies the OCI option described to all portfolios within the scope of the IFRS 17 measurement models in life and health and property/casualty insurance. For an analysis of the technical finance income or expense, please see Note 45.

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

Measurement at the transition date

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

In life insurance, the MRA was used for the primary insurance portfolio available as at the transition date, which is valued using the VFA. Information available as at the transition date 1 January 2022 was used to define the GIC. In accordance with IFRS 17.C10, no annual cohorts were formed. For the initial measurement of technical liabilities (technical provisions) at the end of the years from 2019 to 2021, the yield curves available at the start of the year were used for discounting. The CSM was measured under the MRA as at 31 December 2019 and was further developed in the subsequent measurement at the transition date. For GIC in health insurance, the MRA was applied with the exception of short-term property insurance rates and reinsurance contracts held. The same approach was taken to recognising the GIC as in life insurance. By contrast, the FRA was used in full for short-term rates. The CSM and the loss components for insurance contracts with direct participation features in life and health insurance was determined in line with IFRS 17.C17 and the simplification options provided here. By exercising the OCI option IFRS 17.89(b), technical finance income or expenses for direct participation contracts are divided into through profit or loss and through other comprehensive income. The OCI amount was determined at the value recognised for the underlying items at the transition date.

Based on the remaining coverage, a distinction was drawn between different contract components when accounting for property and casualty insurance contracts. Firstly, there are contracts without remaining coverage in 2017 that were in the process of being settled and for which a provision was recognised only for already incurred claims. Secondly, there are contracts with remaining coverage in 2017. Contracts without remaining coverage with more than one year between the underwriting dates were measured as one GIC within the corresponding portfolio using the MRA in line with IFRS 17.C10. For reasons of simplicity, illiquidity when determining the yield curve was taken into account for the period from 2017 until the transition date. For years prior to 2017, the arithmetic mean of the illiquidity premium from 2017 to 2022 was used in accordance with the relief under IFRS 17.C13. The FRA was used for contracts with remaining coverage. Regardless of this, methodological simplifications were used in determining cost and loss ratios, in risk adjustment and in testing for onerous business.

Effects of the initial application

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

Effects of the initial application of IFRS 17 Insurance Contracts

	IFRS 4	IFRS 17	Effects of the application of IFRS 17
in € thousands	1.1. 2022	1.1. 2022	1.1. 2022
W&W consolidated statement of financial position			
Assets			
Cash and cash equivalents	981,067[1]	981,067	–
Non-current assets held for sale and discontinued operations	8,258	8,258	–
Financial assets at fair value through profit or loss	10,721,688	10,721,688	–
Financial assets at fair value through other comprehensive income (OCI)	34,492,518	34,492,518	–
Financial assets at amortised cost	25,262,197[1]	24,963,997	−298,200
Positive market values from hedges	6,099	6,099	–
Assets from insurance business	416,448	509,660	93,212
Reinsurers' portion of technical provisions	416,448	–	−416,448
Insurance contracts issued that are assets	–	116,435	116,435
Estimation of the present value of future cash flow	–	224,754	224,754
Risk adjustment for non-financial risks	–	−13,688	−13,688
Contractual service margin (CSM)	–	−94,631	−94,631
Premium allocation approach (PAA)	–	–	–
Reinsurance contracts held that are assets	–	393,225	393,225
Estimation of the present value of future cash flow	–	–	–
Risk adjustment for non-financial risks	–	–	–
Contractual service margin (CSM)	–	–	–
Premium allocation approach (PAA)	–	393,225	393,225
Financial assets accounted for under the equity method	90,638	90,638	–
Investment property	1,909,393	2,541,392	631,999
Other assets	1,324,620	1,619,305	294,685
of which deferred tax assets	409,458	735,730	326,272
Total assets	**75,212,926**	**75,934,622**	**721,696**

1 Cash and cash equivalents (formerly cash reserve) restated; see section "Change in the presentation of the financial statements".

Effects of the initial application of IFRS 17 Insurance Contracts

in € thousands	IFRS 4 1.1. 2022	IFRS 17 1.1. 2022	Effects of the application of IFRS 17 1.1. 2022
Equity and liabilities			
Financial liabilities at fair value through profit or loss	218,201	218,201	–
Liabilities	27,963,791	27,258,663	−705,128
of which miscellaneous liabilities	921,040	215,884	−705,156
Negative market values from hedges	–	–	–
Technical liabilities	38,423,335	39,128,922	705,587
Technical provisions	38,423,335	–	−38,423,335
Insurance contracts issued that are liabilities	–	39,112,804	39,112,804
Estimation of the present value of future cash flow	–	36,155,384	36,155,384
Risk adjustment for non-financial risks	–	551,193	551,193
Contractual service margin (CSM)	–	1,317,319	1,317,319
Premium allocation approach (PAA)	–	1,088,908	1,088,908
Reinsurance contracts held that are liabilities	–	16,118	16,118
Estimation of the present value of future cash flow	–	253,272	253,272
Risk adjustment for non-financial risks	–	−4,596	−4,596
Contractual service margin (CSM)	–	−234,317	−234,317
Premium allocation approach (PAA)	–	1,759	1,759
Other provisions	2,720,053	2,720,053	–
Other liabilities	372,874	806,850	433,976
of which deferred tax liabilities	147,401	581,377	433,976
Subordinated capital	641,098	641,098	–
W&W consolidated equity	**4,873,574**	**5,160,835**	**287,261**
Share in paid-in capital attributable to shareholders of W&W AG	1,485,588	1,485,588	–
Share in retained earnings attributable to shareholders of W&W AG	3,359,259	3,648,823	289,565
Retained earnings	3,441,733	3,890,408	448,675
of which initial application reserve (IFRS 17)	–	448,675	448,675
Other reserves (OCI)	−82,474	−241,585	−159,111
Reserve for pension commitments	−687,143	−723,976	−36,833
Reserve for financial assets at fair value through other comprehensive income (FVOCI)	604,666	1,315,879	711,213
Reserve for financial assets accounted for under the equity method	3	−46	−49
Reserve for technical finance income or expenses (IFRS 17 OCI option)	–	−833,442	−833,442
Non-controlling interests in equity	28,727	26,424	−2,303
Total equity and liabilities	**75,212,926**	**75,934,622**	**721,696**

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

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

In life and health insurance, on the other hand, the effects of initial application of IFRS 17 resulted in a decline in Group equity in the initial application reserve (IFRS 17) including Other reserves (OCI) of €246 million. This is partly because, under the variable fee approach (VFA), all hidden assets/liabilities for the underlying items (see overview Note 45) are now accounted for in full as part of technical provisions. In this context, the investment property underlying the insurance contracts was measured at fair value retrospectively as at 1 January 2022 in accordance with IAS 40.32A (see "Investment property" section). This avoided an accounting mismatch and limited the decline in Group equity in life and health insurance. The carrying amount of investment property rose by €632 million to €2,541 million. Other reserves (OCI) include the reserve for pension commitments and the reserve for financial assets at fair value through other comprehensive income (FVOCI), which reflect the reversal of the deferred provision for premium refunds under IFRS 4. This is countered by the use of the OCI option under IFRS 17. At the transition date, the recognition of the contractual service margin (CSM) under IFRS 17 meant that gains from retained earnings recognised under IFRS 4 had to be reclassified to the CSM.

Additional amendments to be applied for the first time

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

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

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

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

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

The amendment was adopted in EU law on 8 November 2023. The resulting effect is presented in Note 22 and Note 35.

Change in the presentation of the financial statements

Current account deposits with credit institutions

To make it easier to compare financial information with that of competitors, current account deposits with banks that are available at any time on demand of €994.4 million (previous year: €1,084.1 million; €908.9 million as at 1 January 2022), which were previously included in **Other receivables**, have been reclassified to **Cash and cash equivalents** (previously cash reserve). The new designated cash and cash equivalents item includes the amounts previously included in the cash reserve. Because the corresponding current account deposits in the consolidated cash flow statement are already included in the balance of cash and cash equivalents, the reclassification in the balance sheet has no impact on the consolidated cash flow statement. Further information about the composition of cash and cash equivalents is provided in Note 1.

Changes in estimates

Recalibration of option adjusted spread

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

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

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

Accounting requirements that have been published but are not yet mandatory

Other amendments

The IASB also published the following amendments:

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

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

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements supplement existing disclosure requirements for supplier finance arrangements and thereby increase the transparency of such transactions and their effects on companies' liabilities, cash flow and liquidity risks.

Amendments with initial application for financial years beginning on or after 1 January 2025

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Changeability clarify the requirements for accounting for a lack of changeability of a currency and close existing loopholes.

The amendment to IFRS 16 Leases: Lease Liability in a Sale and Leaseback was adopted in EU law on 20 November 2023 and the amendments to IAS 1 Presentation of Financial Statements were adopted in EU law on 19 December 2023. The other amendments mentioned have not yet received EU endorsement. None of the amendments are expected to have any material impact on the presentation of the W&W Group's net assets, financial position and financial performance.

Consolidation principles

The annual financial statements of Wüstenrot & Württembergische AG and the consolidated subsidiaries, including structured entities (public and special funds and certain investments in alternative investment funds) and consolidated joint ventures and associates, all of which are prepared according to accounting policies that are uniform throughout the Group, form the basis for the consolidated financial statements of the W&W Group.

Reporting date

The consolidated financial statements were prepared as at the reporting date for the annual financial statements of the parent company, i.e. 31 December 2023.

Subsidiaries

All subsidiaries are entities that are directly or indirectly controlled by W&W AG. Control exists where W&W AG has the power to direct the relevant activities of the entity, has a right to significant variable returns from the entity and has the ability to use its power of direction to influence the amount of the significant variable returns.

The subsidiaries also include consolidated structured entities within the meaning of IFRS 12. These are entities that have been designed in such a way that voting or similar rights are not the dominant factor in determining whether control exists. With regard to W&W AG, these include public and special funds that are characterised, in particular, by narrowly circumscribed business activities, such as a specific capital investment strategy or limited investor rights (lack of voting rights).

Public and special funds are consolidated if, despite insufficient voting rights, they are directly or indirectly controlled by W&W AG on the basis of contractual agreements concerning management of the relevant activities.

Subsidiaries, including directly and indirectly controlled public and special funds are included in the scope of consolidation. Consolidation begins when control is attained and ends when it is lost. Consolidation uses the acquisition method in accordance with IFRS 10.B86 in conjunction with IFRS 3. Here, the carrying amount of the parent's investment in each subsidiary is offset against the portion of equity in each subsidiary.

Interests in the acquired pro rata net assets of subsidiaries that are attributable to non-Group third parties are recognised under the item "Non-controlling interests in equity" in the consolidated statement of financial position and the consolidated statement of changes in equity. The interests of non-Group third parties in the profits, losses and total income of companies included in the consolidated financial statements are recognised in the consolidated income statement and the consolidated statement of comprehensive income under the item "Non-controlling interests in equity".

Interests in public and special funds that are attributable to non-Group third parties are recognised in the consolidated balance sheet under "Miscellaneous liabilities" (Note 17). Interests in the profits and losses of non-Group third parties can be found in the consolidated income statement under "Net other operating income/expense" (Note 34).

Intragroup receivables and liabilities and expenses, income and intercompany profit and loss are adjusted as part of debt consolidation, the consolidation of income and expenses and the elimination of intercompany profit and loss.

Joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

Associates are entities that are neither subsidiaries nor joint ventures and where the Group is in a position to exert significant influence over the entity's financial and operating policy decisions but does not exercise control. Significant influence generally means directly or indirectly holding 20-50% of the entity's voting rights. Where less than 20% of the voting rights are held, it is assumed that a significant influence does not exist unless such influence can be unambiguously demonstrated. Associates are included in the consolidated financial statements when significant influence is attained, and they are accounted for using the equity method. Inclusion ceases when significant influence ends.

Under the equity method, the income effects and the carrying amount of financial investments generally correspond to the share of the entity's net income and net assets attributable to the Group. When acquired, holdings in associates and joint ventures are recognised in the consolidated financial statements at cost. In subsequent periods, the carrying amount of the holdings increases or decreases according to the W&W Group's share of the entity's net income for the period. Unrealised gains and losses, which are elements of the consolidated statement of comprehensive income, are recognised under "Other reserves" under the reserve for financial assets accounted for using the equity method in the consolidated statement of changes in equity.

Currency translation

The euro is the functional currency and the reporting currency of W&W AG.

Transactions in foreign currencies are posted at the exchange rate prevailing at the time of the transaction. Monetary assets and liabilities that deviate from the functional currency of the respective Group company are translated into the functional currency using the reference rate of the European Central Bank (ECB) as at the reporting date. Non-monetary items that are recognised at fair value are likewise translated into the functional currency at the ECB's reference rate as at the reporting date. Other non-monetary assets and liabilities are measured at the rate prevailing on the date of the transaction (historical rate).

Translation differences resulting from monetary items are recognised in the consolidated income statement through profit or loss. In the case of non-monetary items recognised at fair value, translation differences are recognised in line with their measurement gains and losses.

Methods and rules

Financial instruments

Classes

If disclosures are required for individual classes of financial instruments, these are based on the classification depicted in the following.

Each IFRS 7 class in the following table is derived from the combination of statement of financial position item (columns) and risk category (rows).

Financial instruments are assigned to individual risk categories based on their characteristics.

Classes of financial instruments

Risk category	Cash and cash equivalents	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income (OCI)
Financial assets			
Cash and cash equivalents	Amortised cost		
Equity investments not including alternative investments		Fair value	
Equity investments in alternative investments		Fair value	
Equities		Fair value	
Investment fund units		Fair value	
Senior fixed-income securities		Fair value	Fair value
Subordinated securities and receivables			Fair value
Derivative financial instruments		Fair value	
Fixed-income financial instruments that do not pass the SPPI test		Fair value	
Positive market values from hedges			
Capital investments for the account and risk of life insurance policyholders		Fair value	
Building loans			
Senior debenture bonds and registered bonds			Fair value
Other receivables			
Miscellaneous receivables [1]			
Financial liabilities			
Liabilities evidenced by certificates			
Liabilities to credit institutions			
Liabilities to customers			
Lease liabilities			
Other liabilities			
Miscellaneous liabilities[1]			
Negative market values from hedges			
Subordinated capital			
Off-balance-sheet business			
Financial guarantees[2]			
Irrevocable loan commitments [2]			

1 Receivables or liabilities that are allocated to the class in accordance with IFRS 7 but are not subject to the scope of IFRS 7 / IFRS 9.

2 Off-balance-sheet business is generally recognised at nominal value. Provisions are recognised when necessary.

		Statement of financial position items and measurement basis				
	Financial assets at amortised cost	Positive market values from hedges	Financial liabilities at fair value through profit or loss	Liabilities	Negative market values from hedges	Subordinated capital
	Amortised cost					
	Amortised cost					
			Fair value			
		Fair value				
	Amortised cost					
	Amortised cost					
	Amortised cost					
	Cost					
				Amortised cost		
				Amortised cost		
				Amortised cost		
				Amortised cost		
				Amortised cost		
				Settlement amount		
					Fair value	
						Amortised cost

Principles for the recognition, measurement and presentation of financial instruments

Pursuant to IFRS 9, financial assets and financial liabilities, including all derivative financial instruments, are recognised at the time that a company in the W&W Group becomes a party to the financial instrument.

In the W&W Group, financial instruments are recognised at the fair value on the settlement date. This does not include derivative financial instruments that are recognised at fair value at the trade date. Interest income and expenses are recognised on an accrual basis and recognised together with the corresponding statement of financial position item. A financial instrument is derecognised once the contractual rights and obligations under it expire, or when it is transferred and the criteria for disposal are met.

The categorisation of financial assets (debt instruments) is based on both the company's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The subsequent measurement of financial assets is derived from these criteria. In this regard, a distinction is made between measurement at fair value through profit or loss, at fair value through other comprehensive income, and at amortised cost. The categorisation approach is presented in the following.

The exercise of discretionary judgement in the application of IFRS 9 is discussed in the section "Use of discretionary decisions and estimates".

Business model

In connection with the classification of financial assets (debt instruments), a distinction is made in the W&W Group between the following business models:

- "Hold to collect": business model with the objective of generating contractual cash flow
- "Hold to collect and sell": business model with the objective both of generating contractual cash flow and of selling financial assets
- "Other/trading": business model under which financial assets were acquired with the intention of selling them in the short term or financial assets were unable to be assigned to the models "Hold to collect" or "Hold to collect and sell"

Assignment to one of the business models takes place when the financial asset is acquired, and it is dependent on how the Group's companies manage a group of financial assets in order to achieve a specific business objective. Discretionary judgement needs to be exercised when assessing which business model is to be applied and how the assigned portfolios are specified, and in doing so, both factors are taken into account. The quantitative factors primarily relate to the expected frequency and the expected value of sales. With regard to qualitative factors, it is assessed how reports about the financial assets are made to the executive board of the Group company concerned and how the risks are managed.

Cash flow characteristics

If a financial asset (debt instrument) is assigned to the business model "Hold to collect" or "Hold to collect and sell", the categorisation is to be assessed on the basis of contractual cash flow. This assessment is also called the SPPI test (Solely Payments of Principal and Interest). In this regard, it is examined whether the contractual cash flow contains only principal and interest payments (known as basic loan features) toward the outstanding capital. In this regard, interest payments may consist only of consideration for the time value of money and the assumed credit risk. In addition, other elements consist of consideration for the assumed liquidity risk and premiums for administrative costs if these can be allocated to the holding of the financial asset. A profit margin is likewise an element of interest payments.

In the event of characteristics that are detrimental to the SPPI, the W&W Group assesses whether these have only marginal effects on contractual cash flow and can thus be considered de minimis. In addition, we exercise discretionary judgement in assessing whether the impact on the contractual cash flow can be classified as extremely rare, highly abnormal and very unlikely to occur ("not genuine"). In addition, contracts with termination options meet the SPPI criterion if, at the time of repayment, payments of an amount are made that is equal to the outstanding contractual cash flow.

Cash and cash equivalents

Recognised in this item are cash on hand, current account deposits with banks that are available at any time on demand as well as deposits with central banks and foreign postal giro offices with a term to maturity of less than three months. They are measured at cost.

Financial assets at fair value through profit or loss

Recognised here are financial assets that are assigned to the business model “Other/trading” or are assigned to the business models “Hold to collect” or “Hold to collect and sell” and do not pass the SPPI test. In the W&W Group, this category primarily includes equity instruments, fund units, capital investments for the account and risk of holders of life insurance policies and derivatives.

Initial recognition and subsequent measurement take place at fair value. Changes in fair value and currency translations are recognised in the income statement under “Net measurement gain/loss”. Interest components are shown under “Current net financial result” and commissions under “Net commission income/expense”.

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

Financial assets (debt instruments) that are assigned to the business model “Hold to collect and sell” and pass the SPPI test are initially recognised at fair value(), plus or minus transaction costs that are directly attributable to the financial asset. Fees that are not a part of effective interest are recognised under “Net commission income/expense” at the time they are collected. In the case of subsequent measurement, changes in fair value are recognised under “Other comprehensive income (OCI)”, currency effects under “Net measurement gain/loss” and interest components under “Current net financial result”. Transaction costs, premiums and discounts are depreciated using the constant effective interest method, and amortisation is recognised in the income statement. As described in the “Risk provision (expected credit loss)” section, the risk provision or allowance for expected credit losses is created/released through profit or loss and, for the purposes of accounting, shown in other comprehensive income (OCI). In the case of a disposal of the debt instrument, the changes in fair value that had previously been recognised in equity are recycled through profit or loss under “Net disposal income/expense”.

In the W&W Group, this item mainly consists of bearer bonds, registered bonds, subordinated bonds and debenture bonds.

Financial assets at amortised cost

Financial assets that are assigned to the business model “Hold to collect” and pass the SPPI test are recognised at amortised cost. Costs at the time of acquisition correspond to fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue. Fees that are not a part of effective interest are recognised under “Net commission income/expense” at the time they are collected. In addition, an allowance for expected credit losses, as described in the “Risk provision (expected credit loss)” section, is recognised through profit or loss. In subsequent measurement, the carrying amount is amortised through profit or loss by depreciating transaction costs, premiums and discounts at a constant effective interest rate. Income and expenses for foreign currency, as well as changes in the risk provision, are likewise accounted for in the income statement under this item. Interest components are shown under “Current net financial result”.

In the W&W Group, this category mainly includes building loans. The main focus of this customer lending business is on construction financing loans extended to private customers and secured by real estate. This category also includes other receivables, bearer bonds, registered bonds and debenture bonds. Other receivables mainly include loans and advances to credit institutions, customers and affiliated companies, which are reported under other receivables and measured at amortised cost.

Miscellaneous receivables are also allocated to the item “Financial assets at amortised cost” as a component of other receivables. These are essentially payments made in the course of third account. As a rule, these payments are refunded within 12 months and valued at acquisition cost

The asset-side portfolio hedge adjustment is also recognised in this item. As described in the “Hedge accounting” section, this is a measurement item from the interest-induced measurement of financial assets at amortised cost designated as part of portfolio fair value hedging pursuant to IAS 39.

Positive market values from hedges

This item includes the positive market values of derivatives that are accounted for as a hedging instrument in accordance with hedge accounting rules. Initial recognition and subsequent measurement take place at fair value.

Financial liabilities at fair value through profit or loss

Recognised under the item “Financial liabilities at fair value through profit or loss” are the negative market values of derivative financial instruments that are not accounted for as a hedging instrument in connection with hedge accounting.

Changes in fair value and currency translations are recognised in the income statement under “Net measurement gain/loss”. Interest components are shown under “Current net financial result”.

Liabilities

This item mainly includes liabilities to customers. Also recognised here are liabilities evidenced by certificates, liabilities to credit institutions, lease liabilities and miscellaneous liabilities. Miscellaneous liabilities consist of other liabilities (in the scope of IFRS 7) and other liabilities (not within the scope of IFRS 7). The liability-side portfolio hedge adjustment is also recognised under liabilities. As described in the “Hedge accounting” section, this is a measurement item from the interest-induced measurement of liabilities designated as part of portfolio fair value hedging pursuant to IAS 39. Liabilities to customers and credit institutions, liabilities evidenced by certificates and other liabilities are recognised at amortised cost. Costs at the time of acquisition correspond to fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue. Fees that are not a part of effective interest are recognised under “Net commission income/expense” at the time they are collected. In subsequent measurement, the carrying amount is amortised through profit or loss by depreciating transaction costs, premiums and discounts at a constant effective interest rate. Interest components are shown under “Current net financial result”.

Lease liabilities are measured at the time of initial recognition at the present value of the lease payments not yet made at such time. Thereafter, they are measured at amortised cost, as increased by interest expenses and reduced by the repayment portion of the lease payments that are made.

Miscellaneous liabilities essentially include non-controlling interests in fully consolidated public and special funds as described in section subsidiaries as well as liabilities at settlement amount within the scope of IAS 19 Employee Benefits.

Negative market values from hedges

This item includes the negative market values of derivative financial instruments that are accounted for as a hedging instrument in accordance with hedge accounting rules. Initial recognition and subsequent measurement take place at fair value.

Subordinated capital

Subordinated capital consists of subordinated liabilities and profit participation certificates. The initial recognition of subordinated capital takes place at fair value. Costs at the time of acquisition correspond to fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue. Fees that are not a part of effective interest are recognised under “Net commission income/expense” at the time they are collected. In subsequent measurement, the carrying amount is amortised through profit or loss by depreciating transaction costs, premiums and discounts at a constant effective interest rate. Interest components are shown under “Current net financial result”.

Off-balance-sheet business

Financial guarantees

Financial guarantees are measured in accordance with the rules in IFRS 9. Accordingly, financial guarantees are recognised at the time of issuance at fair value under “Other provisions”. This normally corresponds to the present value of the counter-performance received for assuming the financial guarantee. Thereafter, the liability is measured in the amount of the provision to be created pursuant to IAS 37 or at the original amount less subsequently recognised amortisation, whichever is higher.

Irrevocable loan commitments

Irrevocable loan commitments are fixed obligations under which the W&W Group is required to provide loans at predetermined terms. They are carried at their nominal value. If a pending liability under a contractual obligation to a third party is likely on the reporting date, a provision is created under the item “Other provisions”.

The risk provision for loan commitments and financial guarantees is determined in accordance with the provisions of IFRS 9. Accordingly, an allowance for expected credit losses for off-balance-sheet business is recognised as an expense under “Other provisions”. Further details can be found in section “Risk provision” (expected credit loss).

Fair value measurement

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

As a general rule, the class assigned for measuring fair value in accordance with IFRS 13 is the same as the class used for the expanded notes for financial instruments in accordance with IFRS 7. The extension arises through the inclusion of non-current assets held for sale and discontinued operations, as well as, in analogous fashion, liabilities under non-current assets held for sale and discontinued operations and investment property in order to cover the relevant assets and liabilities.

Given the business models used in the W&W Group and the high relevance of capital investments, a detailed classification is used for financial instruments. They are divided into classes on the basis of characteristics such as the nature of the cash flow underlying the financial instruments and their risks. This includes differentiation based on ranking. The nature of the financial instruments is concisely reflected in the respective class names. The following classes of debt instruments are also explained separately:

The class “senior fixed-income securities”, which can be found in the “financial assets at fair value through profit or loss” and “financial assets at fair value through other comprehensive income (OCI)” categories, includes senior (bearer) bonds with mainly fixed interest rates.

In the “financial assets at fair value through other comprehensive income (OCI)” category, the class “subordinated securities and receivables” comprises bonds and other securities and receivables. Based on the class volume, these are essentially floating rate notes or bonds with primarily fixed interest rates.

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

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

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

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

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

The further procedure and the policies for measuring fair value are described in the chapter “Notes concerning financial instruments and fair value” in Note 38.

Hedge accounting

Hedge accounting rules are applied in the Housing division. Fair value hedge accounting is used to hedge, on an individual transaction or portfolio basis, the exposure to changes in the fair value of financial assets and/or financial liabilities that are attributable to interest rate change risk and that may affect profit or loss. Because IFRS 9 does not contain any rules for portfolio fair value hedge accounting, the W&W Group applies hedge accounting in accordance with the rules of IAS 39. The goal is to depict, in accounting, the economic management of interest rate risks in accordance with the economic substance of the hedge.

At the beginning of a hedging relationship, the hedge that is assessed as highly effective and the risk management objective and strategy being pursued are formally documented. This includes, among other things, the description of hedged items and hedging instruments as well as the definition of the hedged risk, the frequency and the method for the initial and ongoing measurement of effectiveness.

The concept of fair value hedge accounting in the Housing division is aligned with the processes and objectives of the W&W Group’s risk management, in particular the internal management of interest rate risk. For further information about the management of market price risk in the W&W Group, please see Note 48 and the risk reporting in the Management Report. Only interest rate swaps are used as hedging instruments in the existing fair value hedges. Fixed-income securities categorised as “Financial assets at fair value through other comprehensive income (OCI)” or “Financial liabilities at amortised cost” are designated as hedged items at the individual item level. The amount to be hedged against interest rate change risk from portfolios that mainly comprise building loans and home loan savings deposits is determined as part of the portfolio fair value hedges. In the management of complex interest rate portfolios, which generally consist of a large number of positions with a variety of maturity structures, portfolio creation involves defining the selection criteria for the financial assets and/or financial liabilities to be included in the portfolio, generating the associated cash flow for each portfolio and allocating it to definable maturity bands, determining the amount to be hedged from the portfolio and identifying those derivatives that have a particularly good compensating effect in terms of their market value fluctuations caused by interest rate changes. The so-called “remaining-term-to-maturity effect” is not a component of the hedged risk. Hedges are concluded for a term in line with their respective hedging purpose. Whereas hedges at the individual transaction level are as a rule agreed upon for a longer designation period, those at the portfolio level are tied to a calendar month. The one-month hedge periods of portfolio-level hedges mean that the volume designated at the reporting date does not match the volume of the individual hedge periods during the reporting period.

In the W&W Group, the effectiveness of a fair value hedge is verified prospectively based on the matching material measurement parameters of hedged items and hedging instruments. Retrospectively, effectiveness is measured using the cumulative dollar offset method. In the case of portfolio hedges, effectiveness is measured both prospectively and retrospectively using the dollar offset method. In this method, changes in the fair value of individual hedged items or of a portfolio of hedged items in relation to the hedged risk are estimated using the discounted cash flow method and compared with changes in the fair value of the corresponding hedging instruments. If the ratio is within a range of 80% to 125%, the hedge is regarded as highly effective pursuant to IAS 39 AG105. Effectiveness is reviewed and documented at least at each reporting date. For portfolio hedges, this is done monthly at the end of each month. This corresponds to the length of the one-month hedge period and applies to both the prospective and the retrospective view. For the purpose of prospective effectiveness measurement, fluctuations in market value are analysed on the basis of various interest rate scenarios for each portfolio (market data shifts). The retrospective effectiveness test is performed on the basis of the interest rate-induced changes in fair value that actually occurred during the hedge period.

The measurement gains and losses from hedged items and hedging instruments measured in the retrospective effectiveness test are recognised through profit or loss in the measurement result under the item "hedge income". The carrying amount of an individually hedged item measured at amortised cost is adjusted by the profit and loss attributable to the hedged risk. These hedge adjustments are recognised through profit or loss over the remaining term of the hedged item. The carrying amount of a hedged item in the "Financial assets at fair value through other comprehensive income (OCI)" category remains the fair value, with only the profit and loss attributable to the hedged risk recognised through profit or loss during the hedge period. In the case of portfolio hedges, hedge-related changes in the carrying amount are accumulated in a separate line item. These are shown as a separate adjustment item "Portfolio hedge adjustment" under the line item "Financial assets at amortised cost" on the assets side of the statement of financial position or "Portfolio hedge adjustment" under the line item "Liabilities" on the liabilities side. The separate line items are amortised on a straight-line basis over the remaining term of the items hedged in the portfolio from the time the hedge is terminated. Each change in the fair value of the derivative used as the hedging instrument is recognised through profit or loss in the statement of financial position item "Positive/negative market values from hedges". Amounts relating to hedged items, hedging instruments and ineffective portions, i.e. the interest-induced changes in the fair value of the hedged items and hedging instruments over and above the compensatory effect, are shown in Note 39.

Possible causes of ineffectiveness that could affect the hedge during its term are generally differences between expected and actual remeasurements. If the relationship between interest rate-induced changes in the value of the hedged items and hedging instruments falls outside the specified tolerance range, the hedge can no longer be assessed as highly effective and is cancelled retroactively at the beginning of the hedge period. In the case of portfolio hedges, derecognitions of the hedged items designated in the portfolio can also influence the effectiveness and the amortisation of the separate line items. As part of the monthly portfolio fair value hedging process, unscheduled disposals in the hedge portfolios are determined by comparing the future cash flow from the hedged items at the beginning and end of the hedge period. New business actually written since the beginning of the period is regularly deducted from the cash flow at the end of the period.

Risk provision (expected credit loss)

The model for determining risk provision under IFRS 9 is based on expected credit losses and is therefore also referred to as the expected credit loss model.

The model is applied primarily to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, irrevocable loan commitments, financial guarantees issued and other contract assets. The risk provision for the off-balance-sheet business is calculated in the same way as the risk provision for financial assets.

The general IFRS 9 approach for recognising impairment follows a three-stage model. Stage 1 entails the identification of expected credit losses (ECLs) that result from default events that are possible within 12 months of a loan being originated or purchased (12-month ECL). If the credit risk (excluding collateral) has increased significantly since initial recognition on the measurement date, but no default event has occurred, the financial asset is transferred from stage 1 to stage 2. In stage 2, measurement is based on potential default events over the remaining term of the financial asset (lifetime perspective). If defaults occur over the course of time and thus there are objective indications of credit impairment, the financial asset is assigned to stage 3. Risk provision in stage 3 is calculated in line with stage 2 impairment on the basis of the lifetime perspective, taking account of the certain occurrence of a default event. In stages 1 and 2, interest income is calculated on the basis of the gross carrying amount; in stage 3, interest income is calculated based on the gross carrying amount less the risk provision.

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

Significant decrease in credit rating

Customer lending business
In the lending business, the change in the probability of default (PD) is used to carry out a quantitative assessment of whether the credit rating has experienced a material decrease since first-time recognition.

The quantitative assessment criterion for a decrease in the credit rating is an actual reduction in the internal credit rating for the borrower's contract in question. The assignment to one of the internal rating classes is made using a scoring process at the time of contract acquisition (initial rating) and during the life of the customer relationship (existing rating). In addition to empirical values and credit ratings, forward-looking macroeconomic information is also taken into account here on a quantitative basis. Further details can be found in the section Modelling the point-in-time components.

A significant credit deterioration is assumed if a reduction in the internal credit rating has exceeded a relative threshold. The determination of this relative threshold is based on a statistical distribution across the expected probability of default depending on the year of the relationship (quantile approach). The calculation of the mathematically optimal quantile is based on two aspects of IFRS 9 in particular: The first aspect relates to the point when a significant increase in credit risk should be identified. IFRS 9 states that there generally needs to be a significant increase in credit risk before default occurs. In this regard, the increase should in principle be identified prior to the provision of default or modification information. Accordingly, in the course of calculating the quantile in the customer lending business of the W&W Group, the increase in credit risk is identified, at the latest, starting at the time that default or modification information is provided, if this was not already recognisable beforehand. The second aspect is likewise subject to the exercise of discretion and relates to the fact that reductions in credit risk are taken into consideration in the same way as increases. This means that stage assignment is symmetrical, and customer credit agreements in the W&W Group whose credit risk improves are included again in stage 1 under IFRS 9. Two target parameters are derived from these two aspects: a) maximisation of the share of defaulted loans that x months prior to default are considered as having significantly increased risk, and b) minimisation of the share of non-defaulted loans that y months after a significant increase are still considered as having increased risk. These two countervailing target parameters are then mathematically optimised with the aid of a loss function. The calculation of an optimal quantile that takes into account both target parameters then constitutes an optimal compromise between the two target parameters, since in order to fulfil the first (second) target parameter, the smallest (largest) possible quantile must be chosen.

The qualitative assessment of whether there has been a significant decrease in the credit rating is based on the need for forbearance measures. Further details can be found in the section "Concessions and renegotiations (forbearance measures)".

Securities
In securities, the external issuer rating is the main driving factor. Other criteria, such as a change in price (average price over the last six months is constantly 20% below the carrying amount, average price over the last twelve months is at least 10% below the carrying amount) mean that if these thresholds are exceeded, a separate monitoring process is triggered in which individual financial instruments are discussed in the context of the overall circumstances. Securities with an investment grade issuer ranking are assigned to stage 1. They are transferred to stage 2 if the rating changes from investment grade to non-investment grade. If, in addition to the significantly higher credit risk, there are objective indications that a security is impaired or the issuer experiences a default event, the security is transferred to stage 3.

We make use of the low credit risk exemption under IFRS 9 for securities, which allows us to assume that the default risk for a financial instrument has not increased significantly since initial recognition if it is determined that the relevant financial instrument has a low default risk on the reporting date.

Credit impaired
It is allocated to stage 3 if the impairment trigger or the regulatory definition in accordance with Article 178 CRR is met. The criteria that are subsequently used include the following:

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

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

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

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

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

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

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

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

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

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

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

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

The following scenarios were considered as at 31 December 2023 to calculate the risk provision under IFRS 9 and its sensitivity in the customer lending business. The specific features of the alternative scenarios took account of the latest developments after the reporting date, including the war in Ukraine, inflation and the global economic environment, and were based on the macroeconomic forecasts. Actual developments may differ within these assumptions as a result of how the war in Ukraine progresses moving forward and other developments and events affecting the global economy.

Forecast of relevant macroeconomic factors in the ...

	Basis scenario	Alternative scenario - optimistic	Alternative scenario - pessimistic
Price index for existing residential properties [1]	184.4	188.7	166.0
Unemployment rate in % [2]	3.3	2.7	4.5
Nominal GDP growth in % [3]	3.1	5.5	-2.0
Long-term ten-year interest rate for German government bonds in % [4]	2.3	4.5	1.0

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

Within the continuous development of the financial risk provision model there was a changeover to a scenario-weighted calculation of risk provision in the customer lending business as at 31 December 2023. Thereby it is referred to the above scenarios (basis, optimistic and pessimistic scenario). The modelled risk parameters take into account all three scenarios, based on an expert assessment of the probability of each scenario occurring. In addition, the model data base used covers different economic cycles.

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

In the purely pessimistic alternative scenario, the risk provision under IFRS 9 for the W&W Group would increase a total of €57.9 million as at 31 December 2023 for the customer lending business and securities. In the purely optimistic alternative scenario, it would decrease €19.7 million for both areas.

Concessions and renegotiations (forbearance measures)

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

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

Implemented forbearance measures also have a fundamental effect on the assignment of stages in the expected credit loss model. In line with the forward-looking approach to risk provision under IFRS 9, the quantitative criteria for a stage transfer are expanded to include the qualitative transfer criterion with regard to forbearance measures put in place. This ensures that all forbearance measures result in a transfer from stage 1 to stage 2 under IFRS 9.

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

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

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

Customer credit agreements with active forbearance measures are assigned to stage 2 at least. In the event of active default, they are assigned to stage 3. Once the default or forbearance measures are complete, a transfer back to a better stage under IFRS 9 is made, provided there are no other reasons (e.g. quantitative transfer criterion) against this.

Insurance contracts

Principles for the recognition, measurement and presentation of insurance contracts

All insurance and reinsurance contracts concluded by W&W Group companies transfer significant insurance risk, i.e. they are insurance contracts within the meaning of IFRS 17. A distinction is made between insurance contracts issued, which include both primary insurance and assumed reinsurance contracts, and reinsurance contracts held. Since 1 January 2023, they have been subject to the accounting policies of IFRS 17, which are explained in section "Initial application of IFRS 17 Insurance Contracts".

Technical assets

Technical assets on the assets side of the statement of financial position include insurance contracts issued that are assets as well as reinsurance contracts held that are assets.

Please refer to the section entitled "Initial application of IFRS 17 Insurance Contracts" for information on the accounting principles for technical assets.

Technical liabilities

Technical liabilities on the liabilities side of the statement of financial position include insurance contracts issued that are liabilities as well as reinsurance contracts held that are liabilities.

Please refer to the section entitled "Initial application of IFRS 17 Insurance Contracts" for information on the accounting principles for insurance liabilities.

Other items

Non-current assets held for sale and discontinued operations

A non-current asset is classified as held for sale if the associated carrying amount is to be realised primarily through a sale and not through continued use.

Such assets are recognised in the statement of financial position under the item "Non-current assets classified as held for sale and discontinued operations". Associated liabilities are recognised in the statement of financial position under the item "Liabilities under non-current assets classified as held for sale and discontinued operations". Income and expenses from individual assets held for sale or disposal groups are not recognised separately in the income statement but instead are included under the normal items.

Non-current assets that are classified as held for sale are recognised at the carrying amount or at fair value less costs of disposal, whichever is lower. If the carrying amount is higher than fair value less costs of disposal, the amount of the difference is recognised as a loss for the relevant period. Assets held for sale are not subject to scheduled depreciation.

Costs of disposal mean the additionally incurred costs that are directly attributable to the sale of an asset (or a disposal group), with the exception of financing costs and the income tax expense.

The criteria for classifying an asset as held for sale are considered met only if the sale is very likely and the asset or the disposal group can be immediately sold in its current condition. In principle, it may be expected that the planned sale will take place within one year of the time of classification.

Investment property

The item "Investment property" consists of land and buildings, as well as right-of-use assets under leases (compare section "Lease", that are held for the purposes of generating rental income and/or appreciation in value.

Investment property is initially recognised at acquisition or production cost. As part of the implementation of IFRS 17, the fair value model will be applied retrospectively to the subsequent measurement of all life and health investment property that was carried at cost in the consolidated financial statements for the 2022 reporting year. Subsequent to that, annual changes in fair value of the properties will be recognised in the measurement result through profit or loss. They are not written down. The aim of this change is to avoid inconsistencies that would result when measuring insurance contracts with direct participation features under the VFA and underlying property under the original cost model. As the properties are included in the measurement as underlying items under the VFA, offsetting technical finance income or expenses are recognised that correspond to the expenses and income from the measurement in accordance with IAS 40.32A.

Investment property held by Group companies outside Life and Health insurance continues to be measured at acquisition or production cost, as reduced by scheduled use-related depreciation and, where applicable, impairment losses (cost model).

Each part of a property with an acquisition value that is significant in relation to the value of the entire property is subjected to separate scheduled depreciation. In so doing, a distinction is made, at a minimum, between shell construction and interior outfitting/technical systems.

The individual useful lives of shell construction and interior outfitting/technical systems are estimated by architects and engineers in the property division of the W&W Group. For shell construction, the maximum useful life is estimated to be 80 years (previous year: 80 years) for residential properties and 50 years (previous year: 50 years) for commercial properties, whereas for interior outfitting/technical systems, the maximum useful life is estimated to be 25 years (previous year: 25 years).

Shell construction and interior outfitting/technical systems are subjected to scheduled depreciation on a straight-line basis over the expected remaining useful life. Right-of-use assets from investment property are depreciated on a straight-line basis over the expected useful life of up to 99 years (previous year: 99 years). In this regard, the expected useful life corresponds to the contract term.

Investment property is tested for impairment in two steps. First, it is examined whether there is evidence of impairment on the reporting date. If this is the case, the anticipated recoverable amount is determined as the net realisable value (fair value less costs of disposal). If this value is less than amortised cost, an impairment loss is taken in the corresponding amount. In addition, it is examined on the reporting date whether there is evidence that an impairment loss taken for investment property in earlier periods no longer exists or might have declined. If this is the case, the recoverable amount is likewise determined and, if appropriate, the carrying amount is modified to reflect the recoverable amount, paying regard to amortised cost. Impairments of investment property and reversals of impairments of investment property are recognised in the consolidated income statement under “Measurement result”.

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

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

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

In particular, the following significant non-observable inputs are used:

- The adjusted capitalisation interest rate of a risk-free financial investment, plus a risk premium, is used as the internal interest rate. The risk premium for properties ranged from 202 basis points (previous year: 174 basis points) for, for example, residential properties in top locations to 638 basis points (previous year: 593 basis points) for, for example, retail locations and sites without any discernible advantages/strengths. This resulted in an adjusted capitalisation interest rate of between 4.02% (previous year: 3.24%) and 8.38% (previous year: 7.43%), although the range may vary in some cases due to special aspects of the property or location.
- An inflation rate of 2.50% (previous year: 2.75%) p.a. is used as the basis for determining rent increases and changes in average rents in the forecast period. For commercial properties, this is the basis used to make a property-specific, contractually conforming forecast of rent trends independent of location, site, building age and type of use. For residential properties, the basis used is the anticipated change in comparable local rents. In addition, on the basis of past experience, an assumption is made as to the frequency of tenant turnover p.a. for newly rented residential units. In the area of residential properties, it is assumed that rents could be expected to increase between 1.00% (previous year: 1.00%) and 2.75% (previous year: 2.75%) on average.

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

Fair values of the properties held by Group companies outside Life and Health insurance recognised in the notes to the consolidated financial statements are also determined using the method described above.

Intangible assets

Allocated to the item “Intangible assets” are software, brand names, copyrights and other intangible assets. An intangible asset must satisfy the following requirements: (a) it must be an asset, (b) it must be identifiable, (c) it must be devoid of any physical substance and (d) it must have a non-monetary character.

All intangible assets exhibit a limited useful life, are measured at amortised cost (cost model) and are amortised on a straight-line basis over their estimated useful life. An impairment loss must always be recognised whenever the recoverable amount is less than the carrying amount in accordance with IAS 36. The recoverable amount is the higher of utility value or fair value less cost of disposal.

Internally developed software from which the Group is likely to receive a future economic benefit and that can be reliably measured is capitalised at its production cost and amortised on a straight-line basis over its estimated useful life. Production costs for internally developed software consist of all directly attributable costs that are necessary for developing and producing the respective asset and preparing it in such a way that it is capable of operating in the manner intended.

Research and development costs that are not required to be capitalised are treated as an expense in the period. If the acquisition or production of software takes longer than one year, the directly attributable borrowing costs incurred up to completion are capitalised as a component of the production costs for the qualified asset.

As a general rule, internally developed and acquired software is amortised on a straight-line basis over a period three to five years (previous year: three to five years). Standard software in particular is used beyond this period in some cases. This continues until a product is significantly enhanced or re-licensed or becomes technically unusable.

Brand names are amortised on a straight-line basis over a useful life of 20 years (previous year: 20 years), and other acquired intangible assets are amortised on a straight-line basis over a useful life of at most 15 years (previous year: 15 years).

Scheduled amortisation of and impairment losses taken for intangible assets are recognised as general administrative expenses under the item “Depreciation/amortisation”.

Property, plant and equipment

Recognised under “Property, plant and equipment” are property for own use, plant and equipment and right-of-use assets. Property for own use means land and buildings used by Group companies. Additional accounting policies concerning right-of-use assets can be found in the section “Leases”.

Property, plant and equipment is measured pursuant to the cost model at acquisition or production cost, as reduced by scheduled use-related depreciation and, where applicable, impairment losses.

Property for own use is measured using the same measurement methods that apply to the recognition of investment property held by Group companies outside Life and Health Insurance. Reference is therefore made to the corresponding comments. Right-of-use assets from property for own use are depreciated on a straight-line basis over a period of up to 12 years (previous year: 12 years).

Plant and equipment is subject to scheduled depreciation on a straight-line basis over the estimated useful life. Useful life normally amounts to up to 13 years (previous year: 13 years) but in some cases may extend to up to 50 years (previous year: 50 years). Acquired EDP equipment is depreciated on a straight-line basis over its estimated useful life, normally up to at most seven years (previous year: seven years).

Economic useful life is regularly reviewed in connection with preparation of the financial statements. Modifications that need to be made are recognised as a correction to scheduled depreciation over the remaining useful life of the respective asset.

In addition, as at each reporting date, it is reviewed whether there is evidence of impairment to the corresponding asset. If this is the case, impairment is determined by comparing the carrying amount with the recoverable amount (fair value less costs of disposal or value in use, whichever is higher). If an item of property, plant and equipment does not generate cash flows that are largely independent of cash flows from other items of property, plant and equipment or groups of property, plant and equipment, impairment is tested not on the level of the specific item of property, plant and equipment but rather on the level of the cash-generating unit to which the item of property, plant and equipment is to be allocated. If it is necessary to take an impairment loss, it corresponds to the amount by which the carrying amount exceeds the recoverable amount for the item of property, plant and equipment or, if applicable, for the cash generating unit, whichever is lower. If fair value less costs of disposal cannot be determined, the recoverable amount corresponds to the value in use. The value in use is determined as the present value of forecast cash flow from continued use. Once there is evidence that the reasons for taking the impairment loss no longer exist, it is tested for reversal.

Scheduled depreciation of and impairment losses taken for property for own use and plant and equipment are recognised as general administrative expenses under the item “Depreciation/amortisation”.

Inventories

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

Production costs are determined on the basis of individual costs and directly attributable overhead costs. The scope of production costs is determined by the costs expended up to the point of completion and readiness for use (total costs of-conversion approach). Acquisition and production costs for non-interchangeable and special inventories are determined by specific allocation. Certain acquisition and production costs for interchangeable inventories are determined according to the first-in, first-out (FIFO) method or the weighted average cost method.

Net realisable value corresponds to the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Leases

A lease is a contract or part of a contract that entitles the lessee to control the use of an asset for a period of time in exchange for consideration. At inception of a contract, it must be assessed whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 is not applied to intangible assets.

W&W Group as lessee

As a rule, a right-of-use asset and a lease liability are recognised in the consolidated statement of financial position on the commencement date. Recognised right-of-use assets are measured according to the same principles applicable to other comparable assets owned by the W&W Group.

The fair value model is used for right-of-use assets within the investment property held by companies in Life and Health Insurance. Subsequent to that, annual changes in fair value will be recognised in the measurement result through profit or loss. They are not written down.

Where the measurement of investment property held by a lessee does not take account of lease liabilities that are already separately recognised, the lease liabilities are added to determine the carrying amount of the investment property.

All other recognised right-of-use assets are amortised according to the cost model until the end of the contract and tested for impairment as at each reporting date. If the recoverable amount of the right-of-use asset is less than its carrying amount, an impairment loss is taken. If the reasons for taking the impairment loss no longer exist, it is tested for reversal. Scheduled depreciation and impairment expenses are recognised in the sub-item “Depreciation/amortisation” under “General administrative expenses”.

The lease liability is measured at amortised cost using the effective interest method. In addition, the present value is calculated on the basis of the lease payments for the right to use the underlying asset that have not yet been made, which are discounted using the interest rate implicit in the lease. As that rate cannot be readily determined, we use our incremental borrowing rate, which is determined on the basis of an alternative borrowing in the form of an observable return over a period that corresponds to the term of the relevant lease. In addition, the lessee’s credit default risk is taken into account in the interest rate, paying regard to term and creditworthiness.

Lease payments are divided into financing costs and a repayment portion, whereby the financing costs are recognised through profit or loss under “Current net financial result” (interest expenses under “Net interest income/expense”). The repayment portion reduces the financial liability.

The W&W Group recognises its right-of-use assets in the same statement of financial position item in which its own underlying assets are recognised, i.e. under “Property, plant and equipment” and under “Investment property”.

Lease liabilities are recognised under “Liabilities” as a separate sub-item in the consolidated statement of financial position.

Short-term leases with a term of up to one year, as well as leases whose underlying asset is of low value, are recognised as a general administrative expense in the income statement on a straight-line basis over the lease term.

W&W Group as lessor

Every lease is classified by the lessor either as an operating lease or a finance lease. Lease classification is made at the inception date and is reassessed only if there is a lease modification.

The lessor classifies a lease as a finance lease if essentially all risks and opportunities associated with ownership are transferred to the lessee. The leased asset held at the time of contract conclusion is derecognised, and a receivable from the lessee in the amount of the net investment in the lease is recognised under “Other receivables”. Payments of lease instalments are to be broken down into receivable amortisation and financial income. The derecognition and impairment rules of IFRS 9 are applied to the receivable.

If the lessor classifies a lease as an operating lease, the assets underlying the lease are recognised in the corresponding statement of financial position item, irrespective of the characteristics of these assets. Income from operating leases is generally recognised in the item "Other current net income" on a straight-line basis over the lease term. Costs, including depreciation, incurred in connection with operating leases are recognised as an expense in the item "Other current net income/expense" in the consolidated income statement. The depreciation rates for depreciable leased assets are consistent with those for similar assets. Recognised leased assets are tested for impairment as at each reporting date. If the reasons for taking the impairment loss no longer exist, it is tested for reversal.

Current tax assets, deferred tax assets, current tax liabilities and deferred tax liabilities

Current tax assets and liabilities are recognised in the amount that is most likely or corresponds to the expected value. Deferred tax assets and liabilities are created because of temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position drawn up pursuant to IFRS and the tax carrying amounts pursuant to local tax rules of the Group companies. Deferred taxes are calculated at the respective country-specific tax rates that are in effect or that have been announced as at the reporting date. Deferred tax assets are recognised for tax loss carryforwards to the extent that, in accordance with planning calculations, it is probable that they can be utilised in the future. Deferred tax assets from temporary differences and loss carryforwards are tested for impairment as at each reporting date. Deferred tax assets and deferred tax liabilities are shown netted.

Other provisions

Provisions for pensions

The company pension scheme in the W&W Group consists of both defined-contribution and defined-benefit commitments. Prior to reorganising the company pension scheme in 2002, all employees at Wüstenrot companies (Wüstenrot Bausparkasse AG, Wüstenrot Immobilien GmbH, Wüstenrot Haus- und Städtebau GmbH and Gesellschaft für Markt- und Absatzforschung mbH) were granted defined-benefit pension commitments. At Württembergische Versicherung AG, Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG, defined-contribution commitments were granted (Pensionskasse der Württembergische). In addition, managers, senior executives and directors received pension commitments (defined-benefit commitments). At Wüstenrot & Württembergische AG, W&W Informatik GmbH and W&W Asset Management GmbH, both defined-benefit and defined-contribution commitments were granted. The various defined-benefit commitments in the Group are primarily structured in a manner dependent on salary and length of service and sometimes as fixed-amount commitments. Pension commitments for new hires between 2002 and 2017 have been financed Group-wide by ARA Pensionskasse AG (defined-contribution benefit commitments). For new hires from 2018, pension commitments have been carried out Group-wide through direct insurance policies at Württembergische Lebensversicherung AG (defined-contribution benefit commitments). Until 2019, managers, senior executives and directors received pension commitments (defined-contribution benefit commitments) that are reinsured by ARA Pensionskasse AG. From 2020, newly hired senior and executives and directors receive insurance-linked pension commitments (defined-contribution benefit commitments) that are reinsured by Württembergische Lebensversicherung AG. In addition, all employees have the option of receiving a pension commitment in the form of a capital commitment through deferral of future remuneration, which is reinsured by Württembergische Lebensversicherung AG.

Obligations under pension commitments are measured using the projected unit credit method on the basis of expert actuarial opinions. Taken into account in doing so are both the pensions and acquired pension entitlements known on the reporting date and the increases in salary and pensions expected in the future. Pursuant to IAS 19.83, the rate used to measure pension provisions is to be determined on each reporting date on the basis of yields on senior fixed-income corporate bonds. The currency and term of the underlying corporate bonds must be consistent with the currency and estimated term of the commitments to be met.

Actuarial gains and losses from experience-related adjustments and changes to actuarial assumptions are recognised, taking account of deferred taxes, directly in equity for the period in which they are incurred within the reserve for pension commitments and form a component of other comprehensive income.

Income and expenses from pension commitments are recognised in the consolidated income statement under "Personnel expenses" (service cost). Past service cost is recognised immediately in full as an expense under "Personnel expenses".

Assets transferred to an outside pension fund constitute plan assets, which are netted at their fair value against existing defined-benefit commitments.

Provisions for other long-term employee benefits

Other long-term employee benefits include commitments for early retirement, agreements on phased-in early retirement ("Altersteilzeit"), the granting of long-service benefits and other social benefits. Actuarial gains and losses arising in connection with the accounting for other long-term employee benefits are recognised in the income statement.

For information about the corresponding actuarial interest rates, please see Note 20.

Miscellaneous provisions

Miscellaneous provisions are measured and recognised in the anticipated settlement amount, provided there are legal or constructive obligations to third parties based on past business events or occurrences and the outflow of resources is likely. The settlement amount is determined on the basis of best estimates. Miscellaneous provisions are recognised if they can be reliably determined. They are not set off against refund claims. The determined obligations are discounted at market interest rates that correspond to the risk and the period until settlement, provided that the resulting effects are material.

Provisions for restructuring are recognised if a detailed formal plan for the restructuring was approved and the main restructuring measures contained in it have been publicly announced, or the restructuring plan has already begun to be implemented.

Provisions are created for the refunding of closing fees where concluded home loan savings contracts contain the obligation to refund closing fees to home loan savings customers when certain contractually agreed criteria are met (e.g. loan waiver). Under the assumption that, in the event of a loan waiver by home loan savings customers, the claim to closing fees was earned by the reporting date at the latest, the present value is calculated on the basis of a probability-based forward projection of past statistical data that constitutes the best estimate of the current obligation. Uncertainties in determining the future amount of the obligation arise, in particular, from the established assumptions concerning the input parameters used, such as statistical data, termination behaviour and loan waiver ratio.

Provisions for interest bonus options are created where the obligation to pay interest bonuses to home loan savings customers is contained in concluded home loan savings contracts. Taking as a basis the bonus claims earned by the reporting date that may potentially need to be disbursed, the present value is calculated on the basis of a probability based forward projection that constitutes the best estimate of the current obligation. Uncertainties in determining the future amount of the obligation may arise, in particular, from the established assumptions concerning the input parameters used, such as termination behaviour and bonus utilisation behaviour.

Additional provisions include, for example, provisions for contingent losses from pending transactions, which are created if a contingent liability results from a pending transaction.

There are no assets for expected reimbursements in connection with recognised miscellaneous provisions.

Equity

This item consists of paid-in capital, earned capital and non-controlling interests in equity.

Paid-in capital consists of share capital and the capital reserve. Share capital consists of registered no-par-value shares that are fully paid up. Outstanding contributions to share capital are to be openly set off against it. The capital reserve is generated from the premium realised above the mathematical value when shares are issued.

Earned capital is composed of retained earnings and other reserves. Retained earnings consist of statutory reserves and reinvested profits. Other reserves include:

- the reserve for financial assets at fair value through other comprehensive income,
- the reserve for financial assets accounted for under the equity method,
- the reserve for technical finance income or expenses (IFRS 17 OCI option) and
- the reserve for pension commitments.

The reserve for financial assets at fair value through other comprehensive income consists of unrealised gains and losses from the measurement of financial assets at fair value through other comprehensive income. The reserve for financial assets accounted for using the equity method consists of unrealised gains and losses from the measurement of financial assets accounted for using the equity method. The reserve from technical finance income or expenses includes the amounts recognised in other comprehensive income (OCI) after splitting the technical finance income or expenses into a portion that is recognised in profit or loss in the consolidated income statement and a portion that is recognised directly in equity in accordance with the IFRS 17 OCI option. Please refer to the section entitled "Initial application of IFRS 17 Insurance Contracts" for information on the IFRS 17 OCI option. The reserve for pension commitments consists of actuarial gains and losses from defined-benefit plans.

The aforementioned components of other reserves are created by taking into consideration deferred taxes.

Non-controlling interests in equity consist of the interests of non-Group third parties in the equity of subsidiaries.

Genuine repurchase agreements and securities lending transactions

Repurchase agreements are contracts under which securities are sold for consideration but where it is at the same time agreed that such securities have to be purchased back at a later point in exchange for payment to the seller of an amount agreed to in advance.

Securities sold in connection with repurchase agreements continue to be recognised in the seller's statement of financial position in accordance with the prior categorisation, since it retains the risk and opportunities associated with ownership of the security. At the same time, the seller recognises a financial liability in the amount received. If there is a difference between the amount received upon sale of the security and the amount to be paid when repurchasing it, it is imputed over the term of the agreement using the effective interest method and recognised in the income statement. Current income is recognised in the consolidated income statement according to the rules for the relevant securities category.

Securities lending transactions are accounted for in the same way as repurchase agreements. Lent securities continue to be recognised in the statement of financial position in the relevant category. By contrast, borrowed securities are not recognised. If borrowed securities are sold to a third party, the obligation to return them is recognised under "Financial liabilities at fair value through profit or loss". A corresponding liability is recognised for received cash collateral, and a corresponding receivable is recognised for provided cash collateral. If securities are provided as collateral, they continue to be recognised by the collateral provider. Income and expenses from securities lending transactions are recognised in the consolidated income statement corresponding to the relevant term.

Detailed information about the scope of repurchase agreements and securities lending transactions entered into in the W&W Group can be found in Note 40 "Transfers of financial assets and granted and received collateral".

Trust business

Trust business is generally characterised by a trustee acquiring property, assets or claims in its own name on behalf of the trustor and managing same in the interest of and at the instruction of the trustor. The trustee acts in its own name on behalf of others.

Trust assets and liabilities are recognised outside the statement of financial position in the notes. Detailed information about the nature and scope of existing trust assets and liabilities in the W&W Group can be found in Note 41 "Trust business".

Contingent liabilities

Contingent liabilities are potential obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the W&W Group.

Contingent liabilities are also current obligations that arise from past events but are not recognised because either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the statement of financial position.

If the outflow of resources is not improbable, disclosures are made about these contingent liabilities in the notes to consolidated financial statement (Note 36 “Contingent liabilities and other liabilities”). If contingent liabilities are assumed in connection with corporate mergers, they are recognised in the statement of financial position at fair value at the time of acquisition.

Disclosures about select items in the consolidated income statement

Net financial result

The net financial result of the W&W Group consists of several components, namely:

- Current net financial result (such as interest surplus, dividends)
- Net income/expense from risk provision
- Net measurement gain/loss
- Income from disposals
- Net technical financial result

Recognised under “Current net financial result” are interest income and expenses, dividend income, the pro rata share of the net income/expense for financial assets accounted for under the equity method and the current net financial result from investment property. Interest income and expenses in the IFRS 9 categories “Financial assets at amortised cost” and “Financial assets at fair value through other comprehensive income” are recognised on an accrual basis using the effective interest method.

Recognised under “Net income/expense from risk provision” are all income and expenses that relate to lending business, securities business, primary insurance and reinsurance business and other business.

Recognised under “Net measurement gain/loss” are the following gains and losses:

- Measurement gains and losses from financial assets at fair value through profit or loss and such liabilities as equity instruments, investment fund units, derivative financial instruments and fixed-income financial instruments that do not pass the SPPI test.
- Gains and losses from the interest rate-based measurement of home loan savings provisions measured at present value.
- Recognised under “Net income/expense from hedges” is the net income/expense from hedged items and hedging instruments involving fair value hedges. Also recognised here is the impact on profit or loss from the ineffective portion of the hedging instrument and from the release of the reserve for cash flow hedges.
- Impairments/reversals of impairment losses taken on financial assets accounted for using the equity method.
- Impairments/reversals of investment property
- Recognised under “Net currency income/expense” are currency gains and losses that result from the measurement or sale of all financial instruments as well as all other capital investments.

Recognised under “Net income/expense from disposals” are disposal gains and losses for all financial assets and liabilities not at fair value through profit or loss (financial assets at amortised cost, financial assets at fair value through other comprehensive income, financial assets accounted for using the equity method, investment property, receivables and liabilities, as well as subordinated capital). Pursuant to IFRS 9, financial assets must be remeasured at the time of derecognition. For this reason, all gains and losses from the derecognition of financial assets measured at fair value through profit or loss are generally recognised under “Net measurement gain/loss”.

Technical finance income or expenses from insurance contracts issued (gross) and from reinsurance contracts held are recognised in the net technical financial result. Technical finance income or expenses result from the effects of the time value of money as well as financial risks and changes to financial risks.

The net financial result does not include any costs for the management of the financial instruments contained in them. These costs are recognised under “Commission expenses” and “General administrative expenses”. For insurance contracts with direct profit participation features, the expenses for managing capital investments are included in the technical result.

Technical result (net)

The technical result (net) comprises technical income and expenses from insurance contracts issued and the net result from reinsurance contracts held.

Technical income is recognised as changes from the liability of remaining coverage in relation to the services provided in the reporting period. These changes include:

- Technical expenses expected for the period excluding those related to investment components
- Changes in the risk adjustment for non-financial risks in relation to services rendered in the current period
- The pro rata reversal of the contractual service margin recognised in profit or loss over the coverage period
- Other changes, including adjustments for past experience

In addition, the share of the premium for the amortisation of acquisition costs is recognised under technical income.

Technical expenses include claims incurred during the period, excluding investment components paid out and other expenses for benefits provided under the insurance contracts as well as amortisation of acquisition costs. In addition, technical expenses include the changes in LIC that include the value in relation to past payments, losses in groups of onerous contracts and reversals of such losses.

Net commission income

Recognised under “Net commission income/expense” are commission income and expenses, insofar as they are not recognised in connection with calculating the effective interest rate.

Commission income and expenses result in particular from the banking/home loan savings and investment business or from brokering activities (excluding insurance business). Commission expenses are recognised at the time the service is received. Expenses for the acquisition and servicing of insurance contracts are included in the technical result (see Note 31). Commission income from the conclusion of home loan savings contracts is recognised pursuant to IFRS 9 at the time the service is provided.

Commission income from home loan savings business, brokering activities (excluding insurance business) and investment business is recognised pursuant to IFRS 15 as revenue from contracts with customers (see Note 33). Such revenue is considered to exist where it relates to the provision of services to customers in connection with normal business activity. Revenue is realised when existing performance obligations are satisfied through transfer of control over the subject of the contract or the service.

General administrative expenses

In the W&W Group, general administrative expenses consist of personnel expenses, materials costs, scheduled depreciation/amortisation, and impairment losses on property, plant and equipment and intangible assets.

W&W Group expenses are allocated to materials costs and personnel expenses according to the principles of the nature-of-expense method.

Expenses of insurance companies included in this item and that are also included as part of the technical result due to their insurance nature are reported as deductions (General administrative expenses attributable to the technical result). These are expenses for managing insurance contracts, managing capital investments (provided business measured using the variable fee approach (VFA) is affected), concluding insurance contracts and settling insurance claims, surrenders and recoveries.

Net other income/expense

The item "Net other operating income/expense" includes income and expenses from property development business. This income is generated, in terms of timing, based on the progress of the construction of the sold residential units, as well as on the contractually specified down payments that are received. Furthermore, pursuant to IAS 2, the associated residential units that are currently under construction or have not yet been turned over to customers are carried under inventories at cost and then recognised upon sale as an expense under "Other operating expenses".

It also includes income and expenses from additions to and the release of provisions, income and expenses from disposals (inter alia, of property for own use, property, plant and equipment and intangible assets) and miscellaneous income and expenses. Miscellaneous income and expenses primarily includes changes in inventory from property development business.

Income taxes

Actual income taxes are calculated on the basis of the respective national tax results and rules for the financial year. In addition, the taxes actually recognised in the financial year also include adjustment amounts for tax payments or refunds likely due for periods that have not yet been finally assessed. Uncertain tax treatments are taken into consideration by calculating the amount from the most likely value or from the expected value of tax refunds or tax claims.

Income tax earnings and expenses are recognised in the consolidated income statement as income taxes and subdivided in the notes (Note 35) by actual and deferred taxes.

Disclosures about the cash flow statement

For the Group's cash flow statement, all cash flow is evaluated on the basis of the business models of the various Group entities – these are mainly the business models for the home loan and savings bank and the insurance companies – as to the extent to which it is contingent on operating activities or originates from investing or financing activities.

Cash flow from operating activities essentially consists of all payments from credit and deposit business as well as from the insurance business from insurance contracts issued and reinsurance contracts held. It also includes tax payments, as well as cash flow from the receivables and liabilities of the Group's operational business.

Cash flow from investing activities consists of deposits to and disbursements from investments in intangible assets and property, plant and equipment for both home loan savings business and for all insurance business. It also includes deposits and disbursements under mortgage loans made by the insurance companies, real estate investments, equities, participations, assets accounted for using the equity method, various investment funds and fixed-income securities, as well as registered bonds and debenture bonds. Strategic investments in unconsolidated subsidiaries and other business entities also generate cash flow that is allocated to investing activities.

Cash flow from financing activities consists of cash flow that results from transactions with owners of the parent company and non-controlling interests in the equity of subsidiaries. Cash flow from financing activities also includes cash flow from subordinated bonds issued for corporate financing purposes, as well as distributions made for the purpose of settling the lease liabilities of consolidated companies.

On whole, the cash flow statement is only of minor significance for the Group. It is not used for liquidity and financial planning or for control.

The presentation of the cash flow statement has been adjusted slightly due to the first-time adoption of IFRS 17 Insurance Contracts to take account of the recognition of technical items.

Use of discretionary decisions and estimates

Exercise of discretionary judgement in applying accounting policies

The application of accounting policies is subject to various discretionary judgements by management that may materially influence the consolidated financial statements of the W&W Group. For instance, discretion is exercised with respect to the application of the rules on hedge accounting pursuant to IAS 39 as well as to assets held for sale.

Furthermore, management exercises discretion in the application of accounting policies in such a way that the cost model is used as the accounting policy for all property, plant and equipment, including property for own use. The fair value model is used for investment property held by companies in Life and Health Insurance. The cost model is used for Group companies outside Life and Health Insurance.

In connection with the determination of control of certain public funds, discretionary decisions are sometimes necessary in order to define the role of the outside fund manager as principal or agent. In such cases, contractual arrangements are looked at in order to evaluate whether the outside fund manager is to be classified as a principal or an agent. Material indicators used in evaluating the duty to consolidate are the fund manager’s decision-making authority, including potential participatory rights of investors, the existing termination rights of investors with respect to the fund manager and their structure, and the amount of participation in the fund’s success, particularly through the holding of units.

In lease accounting, the determination of the term of each lease in the case of open-ended contracts in the area of rented properties is subject to discretion. For the determination of the term in the case of open-ended contracts, a period is estimated in which termination is not financially expedient for the lessee.

In connection with the accounting of the W&W Group’s financial instruments under IFRS 9, management also made the following significant discretionary decisions, which had a material impact on the amounts in the consolidated financial statements.

Exercise of discretion in connection with the application of IFRS 9 “Financial Instruments”

“Hold to collect” business model:

Financial assets that are acquired with the intention to realise cash flow by collecting contractual payments over the life of the instrument are explicitly characterised as such in the W&W Group in connection with the purchase and are maintained and reported on in a separate portfolio.

Sales are not inconsistent with the "Hold to collect" business model in the W&W Group in the following cases:

- Sales due to an increased risk of default:
  In verifying whether the sale of an instrument is necessary in order to minimise potential credit losses due to a material deterioration of creditworthiness, various prerequisites need to be met. These are suitable for a sale that is not inconsistent with the business model due to an increased risk of default.
- Sales due to a sale close to the maturity date:
  In the W&W Group, we assume that sales of financial instruments with a certain residual term to maturity at the time of sale qualify as not inconsistent with the business model. In addition, it must be verified in each individual instance that the proceeds from the sales approximate the collection of the remaining contractual cash flow.
- Sales that are infrequent:
  From the standpoint of the W&W Group, and for the purpose of IFRS 9, sales are not inconsistent with the "Hold to collect" business model if they are infrequent, i.e. they are attributable to events that are unique, non-recurring and outside of the company's power of control and could not have been reasonably foreseen by the company.
- Sales that are insignificant:
  The W&W Group uses both portfolio-based and results-based criteria in evaluating significance.

SPPI

As a rule, contractual cash flow from financial assets is reviewed on the basis of each individual contract. For reasons of materiality, the W&W Group uses a cluster formation in the case of highly standardised portfolios. In connection with this cluster formation at the highest level, we first identify the most material financial assets of the W&W Group that are taken into consideration in the course of SPPI testing. In this regard, clustering takes place on the basis of either specific contract arrangements or portfolio features.

If a financial asset is classified as non-SPPI compliant, a quantitative test is performed in order to determine whether the reasons for the deviation are de minimis. In addition, a test is conducted to determine whether the event is not genuine, i.e. is extremely rare, highly abnormal and very unlikely to occur. In each of these cases, the exercise of discretion is necessary. For further information about the SPPI test, please see the section "Principles for the recognition, measurement and presentation of financial instruments".

Fair value option

In the case of initial recognition, financial assets and liabilities may voluntarily be measured permanently at fair value in order to avoid or significantly reduce inconsistent measurement (accounting mismatch). The W&W Group currently does not have any portfolios for which this fair value option is applied.

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

Changes in the value of equity instruments are allowed to be shown in equity. In the case of a disposal of the equity instrument, the disposal income/expense remains in equity (recycling does not take place) and is not recognised in the consolidated income statement. The W&W Group currently does not make use of this option.

Calculation of the risk provision

The discretionary decisions made in determining the expected credit loss under the expected credit loss model of IFRS 9 can be found in the section on risk provision (expected credit loss) under "Accounting policies".

Exercise of discretion in connection with the application of IFRS 17 "Insurance contracts"

The W&W Group has been applying the new accounting provisions of IFRS 17 Insurance Contracts since 1 January 2023. Please refer to the section entitled "Initial application of IFRS 17 Insurance Contracts" for the discretionary decisions management has made in presenting insurance-specific transactions in accordance with the new principles.

Accounting estimates and assumptions

Principles

In drawing up the consolidated financial statements according to IFRS, estimates and assumptions have to be made that affect the carrying amount of assets, liabilities, income and expenses, as well as the disclosure of contingent liabilities. The application of several of the accounting principles described in the chapter "Accounting policies" presupposes material estimates that are based on complex, subjective evaluations and assumptions and may relate to issues that exhibit uncertainties.

The estimating methods used and the decision about the suitability of the assumptions require management to exercise good judgement and decision-making power in order to determine the appropriate values. Estimates and assumptions are moreover based on past experience and expectations with respect to future events that appear reasonable under the given circumstances. In so doing, carrying amounts are determined carefully and, taking into account all relevant information, as reliably as possible. In determining values, existing uncertainties are suitably taken into account in conformity with the relevant standards. However, actual results may vary from estimates, since new findings have to be taken into account when determining values. Estimates and their underlying assumptions are, therefore, continuously reviewed. The effects of changes in estimates are accounted for in the period in which the estimate changes.

General estimates and assumptions for the purpose of accounting are set forth in the chapter "Accounting policies". However, special and one-time circumstances are explained in greater detail in the relevant items or in the notes. Accounting principles whose application is based to a considerable extent on estimates and assumptions and that are classified as material for the W&W Group are presented in the following.

Determining the fair value of assets and liabilities

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same: to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining the fair value of assets and liabilities whose prices are quoted on an active market, estimates by management are necessary to only an insignificant extent. In a similar manner, only few subjective measurements or estimates are required for assets and liabilities that are measured with models customary in the industry and whose input are quoted on active markets.

When no observable market transactions or market information are available, fair value is measured using another measurement technique that maximises the use of relevant observable inputs.

The required degree of subjective measurement and estimates by management has a higher weight for those assets and liabilities that are measured using special, complex models and for which some or all inputs are not observable. The values determined in this way are significantly influenced by the assumptions that have to be made.

If fair value cannot be reliably determined, the carrying amount is used as an approximate value to measure fair value. This essentially relates to loans under home loan savings contracts, preliminary and interim financing loans and deposits under home loan savings contracts. In particular, the non-interest-rate-related measurement effects cannot be reliably determined due to the numerous customer options of a home loan savings contract included in collective home loan savings contracts and the associated measurement volatilities. These loans are allocated to the item "Financial assets at amortised cost" and are accordingly measured for accounting purposes at amortised cost. Deposits under home loan savings contracts are allocated to the statement of financial position item "Liabilities" and measured at amortised cost. For further quantitative information about this, please see Note 5 "Financial assets at amortised cost" and Note 17 "Liabilities".

Further information concerning the fair value measurement of financial instruments can be found in Note 38 "Disclosures concerning the measurement of fair value". The fair value measurement of investment property and property, plant and equipment is described in the chapter "Accounting policies".

Impairments and reversals of impairment losses

The impairment rules for financial assets within the scope of IFRS 9 can be found in the section on risk provision (expected credit loss) under “Accounting policies”. This section also explains the assumptions and estimates made when determining the risk provision for financial assets.

All other financial and non-financial assets in the W&W Group’s portfolio are tested at regular intervals for objective evidence of impairment. Impairment is also tested where events or changed underlying conditions indicate that the value of an asset might have declined.

Details on the methodology used to test for impairments or reversals of impairments in accordance with IAS 36 for investment property, intangible assets and property, plant and equipment are described in the corresponding sections under “Accounting policies”.

In addition to the estimates that need to be made in assessing the existence of impairments, the amount of the impairments to be recognised is subject to other estimation uncertainties. These result, in particular, from assumptions and estimates concerning the time at which future cash flow will be received, as well as its amount at such time, which in turn is based on past experience with respect to the probabilities of occurrence and the assessment of future developments and long-term prospects for success. In addition, in the course of testing for impairment, estimates are made about incurred sales costs and trends in discount rates that are in line with the market.

The assumptions and estimates that are made may be subject to changes over time, which will lead to impairment losses or reversals of impairment losses in future periods.

In reliance on the method for identifying impaired assets, impairment losses are reversed if there are sufficiently objectifiable criteria indicating permanent value recovery and it is moreover permissible to reverse the impairment loss pursuant to the applicable standard. For instance, impairment losses to goodwill may not be reversed.

Measurement of provisions

Other provisions

Provisions for pensions and other long-term employee benefits
In calculating provisions for pensions and other long-term employee benefits, assumptions and estimates are necessary concerning the underlying conditions such as actuarial interest rate, salary increases, future pension increases and mortality.

For further quantitative disclosures, please see Note 20 “Other provisions”.

Miscellaneous provisions
The amount recognised as a provision constitutes the best possible estimate of the expenditures needed to settle the current obligation as at the reporting date. The measurement and recognition of provisions are determined by the assumptions made with respect to probability of occurrence, expected payments and the underlying discount rate. Regarding the estimates underlying the provisions for interest bonus options, please see the section “Accounting policies: Other provisions”.

If the aforementioned criteria for creating provisions are not met, then the corresponding obligations are recognised as contingent liabilities, unless they are unlikely (see Note 36).

Further information on all the above types of provisions can be found in Note 20 “Other provisions”.

Disclosures about select items in the consolidated income statement

Income taxes are subject to estimates. These are described in the chapter “Accounting policies” and there in the sections “Income taxes” and “Current tax assets, deferred tax assets, current tax liabilities and deferred tax liabilities”.

Consolidation

Scope of consolidation

W&W AG is the parent company of the W&W Group. As at the reporting date, the scope of consolidation was as follows:

	Domestic	Abroad	Total
Subsidiaries			
Included as at 31 December 2023	20	5	25
Included as at 31 December 2022	21	5	26
Structured entities (public and special funds)			
Included as at 31 December 2023	18	14	32
Included as at 31 December 2022	19	14	33
Associated companies accounted for using the equity method			
Included as at 31 December 2023	2	–	2
Included as at 31 December 2022	2	–	2

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

Changes to the scope of consolidation

Additions and disposals in the scope of consolidation

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

In the second half of 2023, the two funds LBBW AM-94, Stuttgart, and LBBW AM-WV P&F, Stuttgart, were eliminated from the scope of consolidation due to the redemption of all shares. In addition, the newly launched fund LBBW-AM EQS, Stuttgart, was consolidated for the first time.

The changes in the scope of consolidation had no significant impact on comparability with the previous year.

Interests in subsidiaries, including consolidated structured entities

Disposal restrictions

Statutory, contractual or regulatory restrictions, as well as protected rights of non-controlling interests, may restrict the ability of the Group, the parent company or a subsidiary to obtain access to assets and to make unimpeded transfers to or receive unimpeded transfers from other companies in the Group and to pay Group debts.

Since enactment of the German Life Insurance Reform Act (LVRG) in August 2014, the subsidiaries Württembergische Lebensversicherung AG and Allgemeine Rentenanstalt Pensionskasse AG are subject to a statutory ban on distributions in accordance with Section 139 (2) sentence 3 of the German Act on the Supervision of Insurance Undertakings (VAG) depending on any guarantee needs in accordance with Section 139 (4) VAG. This did not result in any ban on distributions as at 31 December 2023 as there were no guarantee needs for Württembergische Lebensversicherung AG or Allgemeine Rentenanstalt Pensionskasse AG.

As a credit institution, the subsidiary Wüstenrot Bausparkasse AG must comply with extensive regulatory requirements. For example, the liquidity coverage ratio (LCR) is intended to promote the short-term resilience of a credit institution’s liquidity risk profile over a 30-day horizon in a stress scenario. The LCR is the ratio of the volume of high-quality liquid assets (HQLA) that could be used to raise liquidity over a period of 30 days to the total volume of net stressed outflows in the same period arising from both actual and contingent exposures. The LCR of Wüstenrot Bausparkasse AG was 284.54% (previous year: 171.36%) as at 31 December 2023.

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

- Assets used in collateralised financing, e.g. repurchase agreements, securities lending transactions and other forms of collateralised lending.
- Assets used in collateral or margin agreements, e.g. to hedge derivative transactions.
- Assets used in the cover pool for German covered bonds.
- The assets of consolidated investment funds are subject to a variety of restrictions with respect to transferability.
- The assets of consolidated insurance companies mainly serve to settle obligations to policyholders.
- Regulatory requirements and the requirements of central banks can limit the Group's ability to transfer assets to or from other companies in the Group.

With regard to assets and liabilities recognised in the consolidated financial statements that are subject to disposal restrictions, please also see Note 40 "Transfers of financial assets and granted and received collateral, as well as net-ting of fi-nancial assets and liabilities".

Interests in unconsolidated structured entities

As a result of its business activities, the W&W Group holds interests in unconsolidated structured entities that have been formed either as investment funds (public or special funds) or as alternative investment companies in the legal form of a corporation or partnership. These structured entities serve to meet various customer needs with respect to investment in various assets. Group companies mainly assume the role of investor, sometimes also that of fund manager or custodian.

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. There are structured entities in the W&W Group over which it does not exercise control within the meaning of IFRS 10 despite having more than 50% of the voting rights. There are also structured entities that are not included in the consolidated financial statements as associates despite the W&W Group having an interest of more than 20%. The reason for the lack of control or the ability to exercise influence is, for instance, that the entities are managed outside of the Group or the management and supervisory bodies are composed of persons outside the Group. Moreover, a structured entity is classified as such based one or more of the following features or attributes:

- restricted activities,
- a narrow and well-defined objective,
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support,
- financing in the form of multiple contractually linked instruments issued to investors that create concentrations of credit or other risks (tranches).

As at the reporting date, other than interests in investment funds and alternative investment companies, no structured entities were identified, either with an investment interest or as structured entities supported by W&W without an investment interest.

Interests in investment funds

As at 31 December 2023, the carrying amounts, the investment strategy, the maximum loss risk and the scope vis-à-vis unconsolidated investment funds were as follows:

2023

	Equity funds	Pension funds	Real estate funds	Other funds	Funds of unit-linked life insurance policies[3]	Total
in € thousands	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Recognised assets (fund units held)						
Financial assets at fair value through profit or loss	23,814	363,243	6,638	609,770	3,073,043	4,076,508
Total	**23,814**	**363,243**	**6,638**	**609,770**	**3,073,043**	**4,076,508**
Maximum loss risk[1]	23,814	363,243	6,638	609,770	3,073,043	4,076,508
Total scope of fund assets as at the reporting date[2]	5,431,910	584,227	793,386	14,203,943	246,376,563	267,390,029

1 The maximum risk of loss is determined on the basis of the fund units held and any uncalled capital and guarantees.
2 Some funds are included in several fund categories. In these cases, the total volume of fund assets is allocated to the highest-value category.
3 The capital investment is made for the account and risk of policyholders.

2022

	Equity funds	Pension funds	Real estate funds	Other funds	Funds of unit-linked life insurance policies[3]	Total
in € thousands	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022
Recognised assets (fund units held)						
Financial assets at fair value through profit or loss	17,156	397,752	3,896	561,919	2,277,646	3,258,369
Total	**17,156**	**397,752**	**3,896**	**561,919**	**2,277,646**	**3,258,369**
Maximum loss risk[1]	17,156	397,752	3,896	561,919	2,277,646	3,258,369
Total scope of fund assets as at the reporting date[2]	1,747,129[4]	637,155[4]	1,782,083[4]	13,185,696[4]	206,142,882[4]	223,494,945[4]

1 The maximum risk of loss is determined on the basis of the fund units held and any uncalled capital and guarantees.
2 Some funds are included in several fund categories. In these cases, the total volume of fund assets is allocated to the highest-value category.
3 The capital investment is made for the account and risk of policyholders.
4 Previous year’s figure restated.

Unconsolidated investment funds are financed by issuing redeemable unit certificates. The carrying amount of the units corresponds to fair value. The types of income that the W&W Group receives from these held interests are mainly dividend income and income from the fair value measurement of investment fund units. The amount of current income and net measurement income depends, in particular, on general market trends in the respective investment class and on the specific investment decisions made by the respective fund manager.

Interests in alternative investments, including private equity

Alternative investment companies maintain holdings in the area of alternative energy production from wind, photovoltaic, biomass and water. In addition, there are investments in the area of private equity, such as venture capital financing. Scope and size are primarily determined on the basis of fair value. The carrying amount of interests in alternative investments, including private equity, corresponds to the fair value under the item "Financial assets at fair value" – Participations in alternative investments and amounted to €3,427.9 million (previous year: €3,119.6 million). This carrying amount corresponds to the maximum loss risk. Financing is accomplished by issuing redeemable unit certificates.

The W&W Group as interest owner receives variable reflows, mainly in the form of distributions from alternative investments, including private equity. In addition, the investments are subject to fluctuations in value. Variable reflows are dependent on general market trends in the respective industry and on the specific business decisions made by the respective investment company.

Segment reporting

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

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

Housing

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

Life and Health Insurance

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

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

Property/Casualty Insurance

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

All other segments

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

W&W AG reinsures Württembergische Versicherung AG and passes the majority of the risks on to the reinsurance market. Reinsurance business ceded to third parties (retrocession) is recognised in the Property/Casualty Insurance segment in accordance with the management approach of IFRS 8. This was previously reported under "All other segments". The internal Group reinsurance relationships between W&W AG and Württembergische Versicherung AG are no longer included in the segment information as they have no management-relevant function. Compared to the segment information published in the 2022 Annual Report, this primarily affected the non-reportable segment "All other segments". The segment assets arising from ceded reinsurance business and the related segment net income have been reclassified from "All other segments" to the Property/Casualty Insurance segment. As a result, the Property/Casualty Insurance segment information now fully reflects the technical risk profile of the property and casualty insurance business, taking into account ceded reinsurance contracts. The corresponding quantitative information as at 31 December 2022 can be found in the tables on the reconciliation of the opening balance to the closing balance for the net carrying amounts calculated in accordance with IFRS 17 of insurance contracts issued and reinsurance contracts held in property/casualty insurance in Note 44. The impact on the segment result of the internal Group reinsurance relationships no longer recognised in the statement of financial position was immaterial in the 2022 financial year.

Consolidation/reconciliation

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

Compared to the 2022 Annual Report, this column no longer includes the internal Group reinsurance relationships between W&W AG and Württembergische Versicherung AG. Further details can be found in the notes to the segment “All other segments”.

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

Measurement principles

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

Segment income statement

in € thousands	Housing 1.1.2023 to 31.12.2023	Housing 1.1.2022 to 31.12.2022	Life and Health Insurance 1.1.2023 to 31.12.2023	Life and Health Insurance 1.1.2022 to 31.12.2022
Current net financial result	273,125	214,073	911,437	850,844[6]
Net income/expense from risk provision	-23,709	-18,127	-881	2,091
Net measurement gain/loss	12,743	45,825	268,815	-1,150,784
Net income from disposals	191,251	63,642	-82,838	102,407[6]
Net technical financial result	–	–	-1,100,425	196,172
Net financial result	**453,410**	**305,413**	**-3,892**	**730**
of which: net income/expense from financial assets accounted for under the equity method	–	–	-4,452	9,241
Technical result (net)	–	–	101,723	130,321
Net commission income	-38,637	4,023	19	-5,737
General administrative expenses (gross)	-346,663	-334,717	-261,284	-256,684
General administrative expenses attributable to the technical result	–	–	225,899	220,413
General administrative expenses (net)[2]	-346,663	-334,717	-35,385	-36,271
Net other income/expense[2]	12,311	115,133	-973	3,406
Segment net income before income taxes from continued operations	**80,421**	**89,852**	**61,492**	**92,449**
Income taxes	-25,784	-28,335	-20,661	-29,672
Segment net income after taxes	**54,637**	**61,517**	**40,831**	**62,777**
Other disclosures				
Total sales revenues[3]	988,016	860,611	2,179,982	2,049,909
of which with other segments	26,459	25,856	24,007	10,738
of which with external customers	961,557	834,755	2,155,975	2,039,171
Interest income	705,326	529,266	574,609	541,904
Interest expenses	-432,203	-315,196	-32,860	-38,094
Depreciation/amortisation	-19,156	-15,760	-2,831	-2,167
Impairment losses[4]	–	–	–	–
Reversals of impairment losses[4]	–	–	–	2,213
Material non-cash items	313,494	321,287	441,002	315,573
Segment assets[5]	30,976,044	29,295,352	32,216,494	31,924,482
Segment liabilities[5]	29,607,345	27,898,239	31,498,308	31,258,047
Financial assets accounted for under the equity method	–	–	34,237	46,651

1 Column "Consolidation/reconciliation" includes the effects of consolidation between the segments and the reconciliation of segment-internal measurements with the Group measurement.
2 Service revenues and rental income with other segments were reclassified from net other income/expense to general administrative expenses. In line with internal reporting, they will not be reclassified in the future. The previous year's figures have been restated.
3 Interest, dividend, commission and rental income from property development business and technical income
4 Impairment losses and reversals relate to intangible assets, property, plant and equipment and investment property.
5 Values as at 31 December 2023 and 31 December 2022, respectively.
6 Previous year's figure restated.

Property/Casualty Insurance		Total for reportable segments		All other segments		Consolidation/reconciliation[1]		Group	
1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
78,919	95,575	1,263,481	1,160,492[6]	94,553	63,426	–37,911	–28,792	1,320,123	1,195,126[6]
–189	116	–24,779	–15,920	–180	–1	14	207	–24,945	–15,714
1,783	–63,302	283,341	–1,168,261	27,177	–49,363	–27,216	29,750	283,302	–1,187,874
–7,315	–14,384	101,098	151,665[6]	–4,235	–6,439	922	–1,093	97,785	144,133[6]
–26,889	–2,835	–1,127,314	193,337	8	–345	33,120	–6,524	–1,094,186	186,468
46,309	**15,170**	**495,827**	**321,313**	**117,323**	**7,278**	**–31,071**	**–6,452**	**582,079**	**322,139**
–4,452	9,241	–8,904	18,482	3,968	1,331	–	–	–4,936	19,813
19,282	170,861	121,005	301,182	3,915	7,779	–3,162	–742	121,758	308,219
–11,473	–9,858	–50,091	–11,572	44,306	45,023	–37,057	–35,305	–42,842	–1,854
–462,782	–433,700	–1,070,729	–1,025,101	–91,691	–90,794	12,625	21,947	–1,149,795	–1,093,948
404,254	378,343	630,153	598,756	–	–	–61	–	630,092	598,756
–58,528	–55,357	–440,576	–426,345	–91,691	–90,794	12,564	21,948	–519,703	–495,191
19,515	48,288	30,853	166,827	23,752	49,155	5,318	–32,041	59,923	183,941
15,105	**169,104**	**157,018**	**351,405**	**97,605**	**18,441**	**–53,408**	**–52,592**	**201,215**	**317,254**
–6,852	–38,774	–53,297	–96,781	–6,953	14,961	–428	2,223	–60,678	–79,597
8,253	**130,330**	**103,721**	**254,624**	**90,652**	**33,402**	**–53,836**	**–50,369**	**140,537**	**237,657**
2,709,891	2,432,910	5,877,889	5,343,430	284,423	388,246	–185,883	–166,051	5,976,429	5,565,625
26,349	26,103	76,815	62,697	120,328	113,750	–197,143	–176,447	–	–
2,683,542	2,406,807	5,801,074	5,280,733	164,095	274,496	11,260	10,396	5,976,429	5,565,625
69,985	50,824	1,349,920	1,121,994	40,816	29,488	–41,105	–18,978	1,349,631	1,132,504
–24,477	–10,351	–489,540	–363,641	–30,422	–22,888	52,216	28,753	–467,746	–357,776
–4,597	–8,766	–26,584	–26,693	–59,280	–50,794	1,400	1,479	–84,464	–76,008
–	–	–	–	–102	–	–	–	–102	–
–	–	–	2,213	–	–	–	–	–	2,213
–9,212	227,343	745,284	864,203	–31,625	23,551	–8,938	37,306	704,721	925,060
4,709,411	4,141,615	67,901,949	65,361,449	5,792,621	5,882,266	–5,013,818	–4,654,317	68,680,752	66,589,398
2,395,662	1,819,404	63,501,315	60,975,690	1,693,635	1,815,958	–1,475,226	–1,096,526	63,719,724	61,695,122
54,040	66,454	88,277	113,105	20,750	16,162	–19,803	–19,663	89,224	109,604

Break-down by region (Group)

in € thousands	Sales revenues with external customers[1] 1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022	Non-current assets[2] 31.12.2023	31.12.2022
Germany	5,975,389	5,563,509	3,239,642	3,106,151
Other countries	1,040	2,116	518	573
Total	**5,976,429**	**5,565,625**	**3,240,160**	**3,106,724**

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

Disclosures on the consolidated statement of financial position

(1) Cash and cash equivalents

in € thousands	31.12.2023	31.12.2022
Cash on hand	94	88
Deposits with central banks	50,854	115,708
Deposits with foreign postal giro offices	647	371
Current account deposits	994,387	1,084,083[1]
Cash and cash equivalents	**1,045,982**	**1,200,250[1]**

1 Previous year's figure restated; see section "Changes in the presentation of the financial statements".

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

in € thousands	31.12.2023	31.12.2022
Financial assets at fair value through profit or loss	28,454	–
Other assets	–	3,647
Non-current assets held for sale and discontinued operations	**28,454**	**3,647**

The financial assets classified as held for sale at fair value through profit or loss at 31 December 2023 relate to the participation in the Hungarian home loan and savings bank Fundamenta Lakáskassza Zrt. from "All other segments". The participating interest is to be sold for reasons of diversification and this sale is set to be completed in the first half of 2024.

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

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

in € thousands	31.12.2023	31.12.2022
Equity investments not including alternative investments	421,703	440,526
Equity investments in alternative investments	3,427,943	3,119,607
Equities	370,243	397,379
Investment fund units	1,003,465	980,723
Fixed-income financial instruments that do not pass the SPPI test	2,018,219	2,529,743
Derivative financial instruments	172,810	364,459
Senior fixed-income securities	142,192	165,948
Capital investments for the account and at the risk of life insurance policyholders	3,073,043	2,277,646
Financial assets at fair value through profit or loss	**10,629,618**	**10,276,031**

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

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

in € thousands	31.12.2023	31.12.2022
Subordinated securities and receivables	817,513	732,841
Senior debenture bonds and registered bonds	4,088,671	4,692,007
Senior fixed-income securities	18,780,890	17,453,518
Financial assets at fair value through other comprehensive income (OCI)	**23,687,074**	**22,878,366**

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

in € thousands	31.12.2023	31.12.2022
Subordinated securities and receivables	–1,089	–1,109
Senior debenture bonds and registered bonds	–2,886	–3,189
Senior fixed-income securities	–33,250	–30,146
Risk provision	**–37,225**	**–34,444**

(5) Financial assets at amortised cost

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

in € thousands	31.12.2023	31.12.2022
Subordinated securities and receivables	**212,288**	**185,625**
Credit institutions	118,687	104,754
Other financial enterprises	56,928	45,290
Other enterprises	36,673	35,581
Senior debenture bonds and registered bonds	**57,285**	**49,899**
Senior fixed-income securities	**–**	**9**
Building loans	**26,707,232**	**25,424,927**
Loan under a building savings contract	1,713,200	1,407,897
Advance and bridge financing loans	18,024,410	16,958,148
Other building loans	6,969,622	7,058,882
Other receivables	**1,180,297**	**1,160,028**[2]
Other receivables	1,156,343	1,143,313
Miscellaneous receivables [1]	23,954	16,715[2]
Asset-side portfolio hedge adjustment	**303,666**	**–113,175**
Financial assets at amortised cost	**28,460,768**	**26,707,313**[2]

1 Receivables that are allocated to the class in accordance with IFRS 7 but are not subject to the scope of IFRS 9 and are carried at cost.
2 Previous year's figure restated; see section "Change in the presentation of the financial statements".

Without accounting for risk provisions, loans and advances to credit institutions included in Other receivables came to €685.1 million (previous year: €517.2 million), €549.9 million of which (previous year: €258.2 million) are payable on demand and €135.1 million of which (previous year: €259.0 million) are not.

Risk provision per class for financial assets at amortised cost

in € thousands	31.12.2023	31.12.2022
Subordinated securities and receivables	–264	–236
Senior debenture bonds and registered bonds	–112	–63
Building loans	–90,318	–81,858
Other receivables	–45,349	–50,408
Risk provision	**–136,043**	**–132,565**

(6) Positive market values from hedges

in € thousands	31.12.2023	31.12.2022
Fair value hedges	**1,512**	**522**
Hedge of the interest rate risk	1,512	522
Positive market values from hedges	**1,512**	**522**

(7) Assets from insurance business

	Asset for remaining coverage		Asset for incurred claims		Total	
in € thousands	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Insurance contracts issued that are assets	**43,915**	**77,286**	**–7,181**	**–5,922**	**36,734**	**71,364**
Life and Health Insurance	43,915	77,286	–7,182	–5,923	36,733	71,363
Property/Casualty Insurance	–	–	1	1	1	1
Reinsurance contracts held that are assets	**453**	**–1,056**	**319,675**	**274,503**	**320,128**	**273,447**
Life and Health Insurance	27,397	38,308	9,711	11,670	37,108	49,978
Property/Casualty Insurance	–26,944	–39,364	309,964	262,833	283,020	223,469
Assets from insurance business	**44,368**	**76,230**	**312,494**	**268,581**	**356,862**	**344,811**

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

(8) Financial assets accounted for under the equity method

in € thousands	2023	2022
Carrying amount as at 1 January	**109,604**	**90,638**
Additions	–	5,287
Dividend payments	−16,307	−5,425
Pro rata share of net income/expense	−4,936	19,813
Changes recognised directly in equity	863	−709
Carrying amount as at 31 December	**89,224**	**109,604**

For all financial assets in the portfolio that are accounted for using the equity method, the following table presents, among other things, all assets, liabilities, revenue and net income for each company, as well as the shares thereof attributable to the W&W Group:

	BWK GmbH Unternehmensbeteiligungsgesellschaft	V-Bank AG
Participation purpose	Strategic investment	Strategic investment
Principal place of business	Stuttgart, Germany	Munich, Germany
Reporting date	31 December	31 December
Measurement standards	At equity	At equity

	BWK GmbH Unternehmensbeteiligungsgesellschaft		V-Bank AG		Total	
in € thousands	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Share of capital, in %	35.00	35.00	15.26	15.34		
Assets	206,314	277,933	4,015,102	4,563,222	4,221,416	4,841,155
Liabilities	10,676	11,355	3,888,986	4,466,765	3,899,662	4,478,120
Net assets (100%)	**195,638**	**266,578**	**126,116**	**96,457**	**321,754**	**363,035**
Group share of net assets	**68,473**	**93,302**	**19,245**	**14,797**	**87,719**	**108,099**
Reconciliation	–	–	1,505	1,505	1,505	1,505
Carrying amount of financial assets accounted for under the equity method	**68,473**	**93,302**	**20,750**	**16,302**	**89,224**	**109,604**

in € thousands	BWK GmbH Unternehmensbeteiligungsgesellschaft		V-Bank AG		Total	
	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Income	14,939	59,897	79,267	55,407	94,207	115,305
Net income for the year (100%)	**–25,440**	**52,807**	**25,997**	**8,674**	**556**	**61,480**
Other comprehensive income (100%)	–	–	5,638	–4,619	5,638	–4,619
Comprehensive income (100%)	**–25,440**	**52,807**	**31,635**	**4,055**	**6,195**	**56,862**
Group share of net income/expense for the year	**–8,904**	**18,482**	**3,968**	**1,331**	**–4,936**	**19,813**
Group share of other comprehensive income	**–**	**–**	**863**	**–709**	**863**	**–709**
Group share of comprehensive income	**–8,904**	**18,482**	**4,831**	**622**	**–4,073**	**19,105**
Dividends received	15,925	5,425	382	–	16,307	5,425

In the case of V-Bank AG, although we hold less than 20% of the voting rights, we exercise significant influence over it as a result of our representation on its supervisory body.

No publicly quoted market prices are available for the interests in associates in the W&W Group that are accounted for using the equity method.

(9) Investment property

In the 2023 financial year, there were restrictions on the ability to sell investment property totalling €90.1 million (previous year: €101.8 million). There are no restrictions on the ability to dispose of income, including income from disposals.

As at 31 December 2023, there were contractual obligations to purchase and construct investment property amounting to €158.6 million (previous year: €34.0 million). There were no material contractual obligations to develop investment property or for repairs, maintenance or improvements.

Investment property measured according to the cost model

As at the end of the year, the fair value of investment property amounted to €326.5 million (previous year: €160.4 million).

in € thousands	2023	2022
Gross carrying amounts as at 1 January	**135,418**	**127,982[1]**
Additions	58,391	10,173
Disposals	−2,301	−70
Reclassifications	95,794	−2,667
As at 31 December	**287,302**	**135,418[1]**
Cumulative depreciation and impairments as at 1 January	**−26,464**	**−26,551[1]**
Additions: depreciation (scheduled)	−1,872	−2,202
Additions: impairments	−24	–
Disposals	1,178	46
Reclassifications	−99,665	2,243
As at 31 December	**−126,847**	**−26,464[1]**
Net carrying amounts as at 1 January	**108,954**	**101,431**
Net carrying amounts as at 31 December	**160,455**	**108,954**

1 Previous year’s figure restated.

Additions included capitalised production costs of €59.4 million (previous year: €8.8 million).

Investment property measured according to the fair value model

in € thousands	2023	2022
As at 1 January	**2,331,488**	**2,439,961**
Additions	91,051	98,152
Disposals	–	−351,728
Net gains or losses from fair value measurement	−14,608	145,103
Reclassifications	497	–
As at 31 December	**2,408,428**	**2,331,488**

Additions included capitalised production costs of €24.9 million (previous year: €23.6 million).

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

(10) Intangible assets

in € thousands	31.12.2023	31.12.2022	Remaining amortisation period (years)
Software	127,098	116,793	1–5
Brand names	6,432	8,041	4
Other acquired intangible assets	130	2,954	1–5
Intangible assets	**133,660**	**127,788**	**-**

Changes to intangible assets in 2023

in € thousands	Externally procured software	Internally developed software	Brand names	Other acquired intangible assets	Total
Gross carrying amounts as at 1 January	**410,240**	**2,875**	**32,162**	**15,190**	**460,467**
Additions	37,997	–	–	6	38,003
Disposals	–1,446	–	–	–40	–1,486
Reclassifications	–14	–	–	14	–
As at 31 December	**446,777**	**2,875**	**32,162**	**15,170**	**496,984**
Cumulative depreciation and impairments as at 1 January	**–294,365**	**–1,957**	**–24,121**	**–12,236**	**–332,679**
Additions: depreciation (scheduled)	–26,398	–667	–1,609	–2,844	–31,518
Disposals	833	–	–	40	873
As at 31 December	**–319,930**	**–2,624**	**–25,730**	**–15,040**	**–363,324**
Net carrying amounts as at 1 January	**115,875**	**918**	**8,041**	**2,954**	**127,788**
Net carrying amounts as at 31 December	**126,847**	**251**	**6,432**	**130**	**133,660**

Changes to intangible assets in 2022

in € thousands	Externally procured software	Internally developed software	Brand names	Other acquired intangible assets	Total
Gross carrying amounts as at 1 January	**375,076[1]**	**2,829**	**32,162**	**15,235[1]**	**425,302[1]**
Additions	36,752	46	–	–	36,798
Disposals	−2,060	–	–	−45	−2,105
Changes in consolidated group	472	–	–	–	472
As at 31 December	**410,240[1]**	**2,875**	**32,162**	**15,190[1]**	**460,467[1]**
Cumulative amortisation and impairments as at 1 January	**−277,641[1]**	**−1,115**	**−22,513**	**−9,635[1]**	**−310,904[1]**
Additions: amortisation (scheduled)	−18,353	−842	−1,608	−2,646	−23,449
Disposals	1,883	–	–	45	1,928
Changes in consolidated group	−254	–	–	–	−254
As at 31 December	**−294,365[1]**	**−1,957**	**−24,121**	**−12,236[1]**	**−332,679[1]**
Net carrying amounts as at 1 January	**97,435**	**1,714**	**9,649**	**5,600**	**114,398**
Net carrying amounts as at 31 December	**115,875**	**918**	**8,041**	**2,954**	**127,788**

1 Previous year's figure restated.

There is a brand transfer and use agreement between Wüstenrot Holding AG and W&W AG. As at 31 December 2023, the carrying amount of the resulting intangible asset amounted to €6.4 million (previous year: €8.0 million). The asset has a limited useful life, and it is being amortised on a straight-line basis over 20 years. Its remaining useful life is four years. As at 31 December 2023, the capitalised brand name was offset by a financial liability to Wüstenrot Holding AG of €6.1 million (previous year: €8.6 million).

Total expenditures for research and development that were recognised in the income statement for the 2023 financial year amounted to €44.8 million (previous year: €54.8 million).

There were obligations to purchase intangible assets of €6.6 million (previous year: €7.0 million). These have to do with software licences of W&W Informatik GmbH.

(11) Property, plant and equipment

There are obligations to purchase property, plant and equipment of €12.7 million (previous year: €6.2 million). Most of these obligations result from hardware purchases.

Property, plant and equipment

	Property for own use		Plant and equipment		Total	
in € thousands	2023	2022	2023	2022	2023	2022
Gross carrying amounts as at 1 January	**806,044**	**794,695[1]**	**148,684**	**153,151[1]**	**954,728**	**947,846[1]**
Additions	33,358	60,610	16,441	28,479	49,799	89,089
Disposals	-9,002	-1,326	-49,476	-32,975	-58,478	-34,301
Reclassifications	-107,010	-12,217	315	–	-106,695	-12,217
Classified as held for sale	–	-35,718	–	–	–	-35,718
Changes in consolidated group	–	–	–	29	–	29
As at 31 December	**723,390**	**806,044[1]**	**115,964**	**148,684[1]**	**839,354**	**954,728[1]**
Cumulative amortisation and impairments as at 1 January	**-307,984**	**-314,271[1]**	**-108,250**	**-121,836[1]**	**-416,234**	**-436,107[1]**
Additions: amortisation (scheduled)	-33,827	-32,342	-17,248	-19,124	-51,075	-51,466
Additions: impairments	-79	–	–	–	-79	–
Disposals	6,575	1,106	49,007	32,737	55,582	33,843
Reclassifications	110,068	10,621	–	–	110,068	10,621
Classified as held for sale	–	26,902	–	–	–	26,902
Changes in consolidated group	–	–	–	-27	–	-27
As at 31 December	**-225,247**	**-307,984[1]**	**-76,491**	**-108,250[1]**	**-301,738**	**-416,234[1]**
Net carrying amounts as at 1 January	**498,060**	**480,424**	**40,434**	**31,315**	**538,494**	**511,739**
Net carrying amounts as at 31 December	**498,143**	**498,060**	**39,473**	**40,434**	**537,616**	**538,494**

1 Previous year's figure restated.

(12) Inventories

Inventories of €68.7 million (previous year: €117.4 million) related to property development business and primarily included land and buildings held for sale, as well as land with buildings under construction. The carrying amount of inventories recognised at the lower fair value less costs of disposal amounted to €7.8 million (previous year: €3.4 million). Also recognised under "Inventories" are raw materials and consumables of €0.5 million (previous year: €0.8 million).

Impairments of €2.6 million (previous year: €3.1 million) were recognised on inventories in the reporting year. Expenses for the utilisation of inventories during the reporting period amounted to €235.2 million (previous year: €162.0 million). Inventories of €13.8 million (previous year: €11.4 million) were pledged as collateral for liabilities in the reporting year.

(13) Current tax assets

Current tax assets relate to current tax receivables, and they are expected to be realised in the amount of €9.0 million (previous year: €55.6 million) within 12 months.

(14) Deferred tax assets

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

in € thousands	31.12.2023	31.12.2022
Financial assets/liabilities at fair value through profit or loss	42,367	40,422
Financial assets at fair value through other comprehensive income	1,324,732	1,629,783
Financial assets at amortised cost	258,961	373,948
Positive/negative market values from hedges	10,457	3,739
Investment property	457,049	440,797
Liabilities	39,433	41,072
Technical assets/liabilities	–	130
Provisions for pensions and similar obligations	151,953	145,322
Other statement of financial position items	668,102	880,332
Tax loss carryforward	26,367	42,689
Deferred tax assets before netting effects	**2,979,421**	**3,598,234**
Netting effects	−1,968,015	−1,888,858
Deferred tax assets after netting effects	**1,011,406**	**1,709,376**

In the reporting year, the portion of the changes to deferred tax assets recognised directly in equity for some items can be seen in the consolidated statement of comprehensive income. The changes recognised in the income statement for some items are presented in Note 35.

Deferred taxes on provisions for pensions and other obligations of €171.6 million (previous year: €140.6 million) were recognised directly in the reserve for pension commitments.

Deferred tax assets of €388.1 million (previous year: €464.4 million) and deferred taxes on tax loss carryforwards of €7.8 million (previous year: €10.1 million) are expected to be realised within 12 months.

Deferred taxes for deductible temporary differences and tax loss carryforwards that related to corporate income and trade taxes of €15.7 million (previous year: €16.4 million) were not recognised, as they are not expected to be realised in the medium term.

(15) Other assets

Other assets mainly relate to deferred assets and prepaid expenses for lease and maintenance costs.

(16) Financial liabilities at fair value through profit or loss

Category “Financial liabilities at fair value through profit or loss” includes derivatives of €23.9 million (previous year: €40.5 million). Of this amount, €15.3 million (previous year: €29.6 million) was attributable to interest rate-related transactions, €8.5 million (previous year: €7.9 million) to currency-related transactions and €0.1 million (previous year: €3.0 million) to equity/index translations.

(17) Liabilities

in € thousands	31.12.2023	31.12.2022
Liabilities evidenced by certificates	**2,841,405**	**1,885,306**
Liabilities to credit institutions	**2,219,355**	**2,697,422**
Home loan savings business deposits	3,727	83,729
Other liabilities to credit institutions	2,215,628	2,613,693
Liabilities to customers	**23,479,025**	**22,932,498**
Home loan savings business deposits and savings deposits	19,606,940	19,747,483
Other liabilities to customers	3,872,085	3,184,921
Advances received	–	94
Lease liabilities	**52,314**	**53,455**
Miscellaneous liabilities	**544,730**	**598,457**
Other liabilities	374,934	401,013
Miscellaneous liabilities	169,796	197,444
Liability-side portfolio hedge adjustment	**–560,722**	**–868,101**
Liabilities	**28,576,107**	**27,299,037**

Of the other liabilities to credit institutions included in liabilities to credit institutions, €22.6 million (previous year: €56.8 million) were payable on demand and €2,193.0 million (previous year: €2,556.9 million) were not. These liabilities not payable on demand include securities lending and open market operations and margin liabilities.
Of the other liabilities from liabilities to customers, €1,968.3 million (previous year: €2,235.2 million) are payable on demand and €1,903.8 million (previous year: €949.8 million) have an agreed term.

Other liabilities (IFRS) recognised under miscellaneous liabilities include trade receivables amounting to €103.7 million (previous year: €98.2 million) and other financial liabilities amounting to €235.4 million (previous year: €256.1 million). Other liabilities (out of IFRS scope) mainly include personnel-related liabilities amounting to €85.1 million (previous year: €91.4 million) and non-controlling interests in fully consolidated public and special funds amounting to €81.6 million (previous year: €112.1 million).

The fair value of each liability can be obtained from the overview of the measurement hierarchy in Note 38.

(18) Negative market values from hedges

in € thousands	31.12.2023	31.12.2022
Fair value hedges	**–**	**25,466**
Hedge of the interest rate risk	–	25,466
Negative market values from hedges	**–**	**25,466**

(19) Technical liabilities

	Provision for future policy benefits (liability for remaining coverage)		Provision for outstanding insurance claims (liability for incurred claims)		Total	
in € thousands	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Insurance contracts issued that are liabilities	**29,722,677**	**28,425,941**	**2,176,191**	**1,871,455**	**31,898,868**	**30,297,396**
Life and Health Insurance	29,447,847	28,186,242	156,921	149,456	29,604,768	28,335,698
Property/Casualty Insurance	274,830	239,699	2,019,270	1,721,999	2,294,100	1,961,698
Reinsurance contracts held that are liabilities	**1,349**	**1,409**	**–377**	**–14**	**972**	**1,395**
Life and Health Insurance	60	24	–	–	60	24
Property/Casualty Insurance	1,289	1,385	–377	–14	912	1,371
Technical liabilities	**29,724,026**	**28,427,350**	**2,175,814**	**1,871,441**	**31,899,840**	**30,298,791**

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

(20) Other provisions

in € thousands	31.12.2023	31.12.2022
Provisions for pensions	1,206,680	1,128,269
Provisions for other long-term employee benefits	27,393	29,598
Provisions for pensions and other long-term employee benefits	**1,234,073**	**1,157,867**
Miscellaneous provisions	635,318	744,620
Risk provision for issued loan commitments and financial guarantees	2,043	3,075
Other provisions	**1,871,434**	**1,905,562**

Provisions for pensions and other long-term employee benefits

Provisions for pensions

The change in the projected benefit obligation is depicted in the following:

Projected benefit obligation

	Present value of pension commitments		Fair value of plan assets		Net liabilities (net assets) of defined pension plans/recognised pension provisions	
in € thousands	2023	2022	2023	2022	2023	2022
As at 1 January	**1,370,072**	**1,978,082**	**241,803**	**266,919**	**1,128,269**	**1,711,163**
Income and expenses recognised in the consolidated income statement	59,312	38,297	8,352	792	50,960	37,505
Current service cost	10,162	18,977	51	73	10,111	18,904
Gains/losses from plan settlements and curtailments	–	–153	–	–	–	–153
Interest expense/income	49,150	19,473	–132	–317	49,282	19,790
Expected income from plan assets	–	–	8,433	1,036	–8,433	–1,036
Actuarial gains (–) or losses (+) recognised in “Other comprehensive income”	112,554	–576,229	6,488	–13,284	106,066	–562,945
Pension payments (utilisation)	–73,692	–70,078	–18,777	–18,324[1]	–54,915	–51,754[1]
Employer contributions	–	–	23,700	5,700[1]	–23,700	–5,700[1]
As at 31 December	**1,468,246**	**1,370,072**	**261,566**	**241,803**	**1,206,680**	**1,128,269**

1 Previous year’s figure restated.

There was no past service cost for either the current or the previous financial year. The projected benefit obligation corresponds to the carrying amount of the provision for pensions as at 1 January and 31 December of each financial year.

Current service cost is recognised in the consolidated income statement under “General administrative expenses”. Interest expenses are recognised under “Current net income/expense”.

The plan assets capable of being netted in connection with the outsourcing of pension commitments can be broken down as follows:

List of plan assets by investment class

in € thousands	31.12.2023	31.12.2022
Financial assets	**261,621**	**242,610**
Cash reserve	27,110	20,234
Equities	51,320	47,605
Investment fund units	34,459	34,340
Senior debenture bonds and registered bonds	50,255	50,211
Senior fixed-income securities	94,282	89,250
Derivative financial instruments	4,006	843
thereof market price quoted on an active market	3,012	843
Other receivables	189	127
Financial liabilities	**55**	**807**
Other liabilities	55	54
Derivative financial instruments	–	753
thereof market price quoted on an active market	–	440
Total	**261,566**	**241,803**

With the exception of shares and derivatives, prices quoted on an active market were not available for any other assets.

The following material actuarial assumptions were applied when calculating pension provisions under defined-benefit plans:

in %	2023	2022
Interest rate	3.10	3.70
Pension trend	2.00	2.00
Trend in the projected benefit obligation	3.00	3.00
Salary trend	3.00	3.00
Trend in inflation	2.00	2.00
Biometry	Heubeck Mortality Tables 2018 G	Heubeck Mortality Tables 2018 G

Sensitivity analysis

Changes in assumptions would have had the following effects on the defined-benefit obligation. In the process, each sensitivity analysis is performed independently of the others.

Present value of defined-benefit pension commitments

		31.12.2023		31.12.2022	
		Present value	Change	Present value	Change
		in € million	in %	in € million	in %
Discount rate	+50 bp	1,378.9	–5.9	1,288.7	–5.7
	–50 bp	1,560.0	6.5	1,452.9	6.3
Trend in pensions/inflation	+25 bp	1,496.7	2.2	1,395.0	2.1
	–25 bp	1,433.8	–2.1	1,339.1	–2.0
Trend in salaries/projected benefit obligation	+25 bp	1,467.7	0.2	1,369.6	0.2
	–25 bp	1,461.5	–0.2	1,363.5	–0.2
Life expectancy	By one more year	1,513.0	3.3	1,405.7	2.9

With respect to biometrics, the effects are depicted if life expectancy increases by one year. This is approximately achieved through a reduction of mortality probabilities by 10%.

There are no extraordinary company- or plan-specific risks. The change in obligations is depicted for the current and the subsequent three financial years through annual forecasts.

Internal financing through pension provisions without explicit plan assets is an intentional, proven strategy for financing pension commitments. In so doing, sufficient risk offsetting takes place. There was no liquidity problem.

The weighted average term to maturity of benefit obligations (Macaulay duration) amounted to 12.8 years (previous year: 12.4 years).

Expected contributions to the benefit plan for the next annual reporting period came to €11.1 million.

Provisions for other long-term employee benefits

In measuring other long-term employee benefits, actuarial interest rates were used that corresponded to the shorter terms to maturity of the commitments (e.g. for early retirement, 3.40% (previous year: 2.90%); contracts for phased-in early retirement ("Altersteilzeit"), 3.40% and 3.50% (previous year: 2.80% and 2.90%, respectively); long-term service benefits, 3.30% (previous year: 3.00%)).

Miscellaneous provisions in 2023

in € thousands	For restructuring	For the refunding of closing fees in the case of loan waivers	For the interest bonus option	Contingent liabilities pursuant to IFRS 3	Other	Total
As at 1 January	**1,317**	**23,023**	**648,225**	**223**	**71,832**	**744,620**
Additions	1,307	2,561	43,922	–	43,019	90,809
Use	–341	–2,420	–172,353	–	–39,467	–214,581
Release	–244	–942	–9,630	–	–7,409	–18,225
Interest effect	3	1,675	30,857	–	155	32,690
Changes from the scope of consolidation	–	–	–	–	–	–
As at 31 December	**2,042**	**23,897**	**541,026**	**223**	**68,130**	**635,318**

Miscellaneous provisions in 2022

in € thousands	For restructuring	For the refunding of closing fees in the case of loan waivers	For the interest bonus option	Contingent liabilities pursuant to IFRS 3	Other	Total
As at 1 January	**4,996**	**29,429**	**876,240**	**223**	**59,447**	**970,335**
Additions	–	2,360	32,696	–	49,526	84,582
Use	–443	–2,274	–137,457	–	–24,499	–164,673
Release	–3,236	–630	–2,193	–	–12,677	–18,736
Interest effect	–	–5,862	–121,061	–	27	–126,896
Changes from the scope of consolidation	–	–	–	–	8	8
As at 31 December	**1,317**	**23,023**	**648,225**	**223**	**71,832**	**744,620**

The change in the risk provision for issued loan commitments and financial guarantees is presented in Note 46.

The expected maturities of the amounts recognised in the statement of financial position can be broken down as follows:

2023

in € thousands	Within 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
Miscellaneous provisions for restructuring	756	1,286	–	–	2,042
Miscellaneous provisions for the refunding of closing fees in the event of loan waivers	2,252	6,311	15,334	–	23,897
Miscellaneous provisions for interest bonus options	130,311	228,031	182,684	–	541,026
Other	42,700	17,207	8,239	207	68,353
Miscellaneous provisions	**176,019**	**252,835**	**206,257**	**207**	**635,318**

2022

in € thousands	Within 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
Miscellaneous provisions for restructuring	995	322	–	–	1,317
Miscellaneous provisions for the refunding of closing fees in the event of loan waivers	3,051	5,843	14,129	–	23,023
Miscellaneous provisions for interest bonus options	186,592	235,859	225,774	–	648,225
Other	45,945	17,338	8,517	255	72,055
Miscellaneous provisions	**236,583**	**259,362**	**248,420**	**255**	**744,620**

(21) Current tax liabilities

Current tax liabilities amounted to €133.1 million (previous year: €155.0 million) and are expected to be realised within 12 months.

(22) Deferred tax liabilities

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

in € thousands	31.12.2023	31.12.2022
Financial assets/liabilities at fair value through profit or loss	46,844	168,322
Financial assets at fair value through other comprehensive income	157	38
Financial assets at amortised cost	31,254	76,988
Financial assets available for sale	1,746	983
Positive/negative market values from hedges	38,000	10,690
Investment property	593,920	598,063
Financial assets accounted for under the equity method	937	5,724
Liabilities	225,968	349,648
Technical assets/liabilities	1,549,847	1,915,711
Other statement of financial position items	40,407	76,931
Deferred tax liabilities before netting effects	**2,529,080**	**3,203,098**
Netting effects	−1,968,015	−1,888,858
Deferred tax liabilities after netting effects	**561,065**	**1,314,240**

In the reporting year, the portion of the changes to deferred tax liabilities recognised directly in equity for some items can be seen in the consolidated statement of comprehensive income. The changes recognised in the income statement for some items are presented in Note 35.

Deferred tax liabilities of €196.6 million (previous year: €675.6 million) are expected to be realised within 12 months.

Differences from the OECD Pillar Two rules under IAS 12 were not taken into account when recognising and measuring deferred taxes.

(23) Other liabilities

This item mainly includes contract liabilities amounting to €5.8 million (previous year: €7.7 million).

(24) Subordinated capital

Subordinated capital is depicted in the reporting about liquidity risk (Note 48) and takes into consideration existing options to repay it prior to final maturity.

	Carrying amount		Fair value	
in € thousands	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Subordinated liabilities	639,747	639,365	559,322	546,922
Participation rights capital	2,103	2,103	2,152	2,172
Subordinated capital	**641,850**	**641,468**	**561,474**	**549,094**

(25) Equity

in € thousands	31.12.2023	31.12.2022
Share in paid-in capital attributable to shareholders of W&W AG	1,486,190	1,486,252
Share in retained earnings attributable to shareholders of W&W AG	3,440,419	3,376,312
Non-controlling interests in equity	34,419	31,712
Equity	**4,961,028**	**4,894,276**

It is proposed that the unappropriated surplus of €79.9 million that was generated by W&W AG in the 2023 financial year be appropriated as follows: distribution of a dividend of €0.65 for each share entitled to receive dividends: €60,915,000.25 (dividend).

The proposal for the appropriation of net retained profits considers the 34,335 treasury shares held directly by the company on 31 December 2023, which are not entitled to dividends pursuant to Section 71b AktG. The number of participating shares may change by the time of the Annual General Meeting. In such case, a correspondingly modified proposal for the appropriation of profit will be submitted to the Annual General Meeting for adoption that provides for keeping the distribution unchanged at €0.65 per share entitled to receive dividends while adjusting the amounts for the total distributed amount and for retained earnings.

The Annual General Meeting of W&W AG resolved on 23 May 2023 to distribute a dividend of €0.65 (previous year: €0.65) per share from net retained profits under German commercial law of €80.0 million (previous year: €77.6 million) for the 2022 financial year. Based on the shares entitled to receive dividends, this corresponded to a maximum distribution of €60.9 million (previous year: €60.9 million). Of the remaining amount, €19.0 million (previous year: €16.0 million) was allocated to “Other reserves”, and €0.1 million (previous year: €0.7 million) was carried forward.

Share capital

Share capital is divided into 93,715,385 outstanding registered no-par-value shares and is fully paid up. Legally, they are ordinary shares. In addition, W&W AG still held 34,335 treasury shares as at 31 December 2023. They are to be used for further employee share ownership programmes.

They confer voting and dividend rights, the right to a share in the liquidation proceeds and subscription rights. They are not subject to preferential rights or restrictions.

Number of shares outstanding

	2023	2022
As at 1 January	**93,715,088**	**93,669,754**
Repurchase for employee share ownership programme	-84,898	-41,000
Issue to employees	85,035	85,974
Return to the market	160	360
As at 31 December	**93,715,385**	**93,715,088**

Authorised capital

Pursuant to Article 5 (5) of the Articles of Association of W&W AG, the Executive Board is authorised until 24 May 2027 to increase, on one or more occasions, the company’s share capital by up to €100 million via issuance of new registered no-par-value shares in exchange for cash or contributions in kind, subject to the approval of the Supervisory Board. The shareholders have a statutory subscription right.

Contingent capital

The Annual General Meeting resolved on 25 May 2022 to authorise the Executive Board to issue bonds with warrants, convertible bonds, participation rights, participating bonds or a combination of these instruments until 24 May 2027. Article 5 (6) of the Articles of Association accordingly provides that the share capital of W&W AG is contingently increased by the nominal amount of not more than €240,000 thousand, divided into not more than 45,889,102 registered no-par-value shares.

Non-controlling interests in equity

The non-controlling interests in equity can be broken down as follows:

in € thousands	31.12.2023	31.12.2022
Interest in consolidated net profit	1,880	2,237
Interest in other comprehensive income	2,208	865
Other interests	30,331	28,610
Non-controlling interests in equity	**34,419**	**31,712**

The following table provides information for the WürttLeben subgroup, in which there are non-controlling interests that are material for W&W AG:

	WürttLeben subgroup, Kornwestheim	
in € thousands	31.12.2023	31.12.2022
Participation of non-controlling interests, in %	5.11	5.11
Assets (100%)	30,758,979	30,620,411
Liabilities (100%)	30,127,826	30,031,745
Net assets (100%)	**631,153**	**588,666**
Net assets attributable to WürttLeben	631,153	588,666
Net assets attributable to non-controlling interests	–	–
Carrying amount of non-controlling interests in net assets	**32,252**	**30,081**
Sales revenues	1,924,698	1,811,674
Net income for the year (100%)	36,319	51,409
Net income for the year attributable to WürttLeben	36,319	51,409
Net income for the year attributable to non-controlling interests	–	–
Other comprehensive income (100%)	16,276	67,512
Comprehensive income (100%)	**52,595**	**118,921**
Net income for the year allocated to non-controlling interests	**1,856**	**2,627**
Dividends paid to non-controlling interests	516	–
Cash flow (100%)	–159,242	136,831

Employee share ownership programme

An employee share ownership programme was again conducted in the first half-year of 2023. It enabled all employees of companies in the W&W Group to acquire up to 40 shares (previous year: 40 shares) of W&W AG at a price of €11.28 (previous year: €13.50) per share, which represented a discount of €5.00 (previous year: €5.00) per share. Employees are required to hold these shares for at least three years (previous year: three years). The purchase price was fixed at the XETRA closing price on 27 March 2023.

In addition to issuing treasury shares held, another 84,898 shares were bought back on the market and partially issued for the programme. Employees acquired a total of 85,035 (previous year: 85,974) employee shares, with another 160 returned to the market when the programme expired. The employee share ownership programme generated personnel expenses of €0.4 million (previous year: €0.4 million). That means that W&W AG still held 34,335 (previous year: 34,632) treasury shares as at 31 December 2023.

Disclosures on the consolidated income statement

(26) Current net financial result

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Interest income	**1,349,631**	**1,132,504[1]**
Subordinated securities and receivables	28,796	21,292
Fixed-income financial instruments that do not pass the SPPI test	88,148	98,435
Derivative financial instruments	103,174	25,774
Senior debenture bonds and registered bonds	84,376	115,588
Senior fixed-income securities	456,504	419,734
Building loans	479,474	418,562[1]
Other receivables	90,936	22,251
Other receivables	88,686	20,313
Miscellaneous receivables	2,250	1,938
Negative interest on liabilities	18,223	10,868
Interest expenses	**−467,746**	**−357,776**
Liabilities evidenced by certificates	−31,442	−6,470
Deposit liabilities and other liabilities	−167,889	−207,018
Lease liabilities	−695	−510
Miscellaneous liabilities	−2,012	−2,393
Subordinated capital	−23,394	−23,382
Derivative financial instruments	−175,880	−92,151
Negative interest on receivables	−49	−6,239
Other	−66,385	−19,613
Dividend income	**316,187**	**283,526**
Other current net income	**122,051**	**136,872**
Net income/expense from financial assets accounted for under the equity method	−4,936	19,813
Net income from investment property	102,063	92,083
Other	24,924	24,976
Current net financial result	**1,320,123**	**1,195,126[1]**

1 Previous year's figure restated.

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

Net income from investment property includes income from leasing and letting of €130.7 million (previous year: €123.3 million). It also includes directly attributable operating expenses for repairs, maintenance and management and for write-downs. Of this amount, €26.5 million (previous year: €29.4 million) is attributable to investment property used to generate rental income and €2.1 million (previous year: €5.0 million) is attributable to investment property that did not generate any rental income.

(27) Net income/expense from risk provision

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Income from credit risk adjustments	**65,946**	**90,130**
Reversal of risk provision	56,099	77,936
Subordinated securities and receivables	254	581
Senior debenture bonds and registered bonds	862	1,621
Senior fixed-income securities	10,233	15,825
Building loans	42,584	57,652
Other receivables	2,166	2,257
Other receivables	2,166	2,250
Miscellaneous receivables	–	7
Reversal of provisions in the lending business, for irrevocable credit commitments, for financial guarantees	3,235	3,030
Reversals of write-downs/payments received on securities and receivables written down	6,612	9,164
Expenses for credit risk adjustments	**−90,891**	**−105,844**
Addition to risk provision	−88,688	−103,026
Subordinated securities and receivables	−261	−470
Senior debenture bonds and registered bonds	−609	−876
Senior fixed-income securities	−13,471	−14,139
Building loans	−54,376	−55,963
Other receivables	−19,971	−31,578
Other receivables	−18,631	−30,374
Miscellaneous receivables	−1,340	−1,204
Addition to provisions in the lending business, for irrevocable credit commitments, for financial guarantees	−2,203	−2,818
Net income/expense from risk provision	**−24,945**	**−15,714**

(28) Net measurement gain/loss

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Net income from financial assets/liabilities at fair value through profit or loss	**539,360**	**–1,379,225**
Participating interests, shares, investment fund units and participating interests in alternative investments	86,412	–301,642
Senior fixed-income securities	1,710	–3,059
Derivative financial instruments	–55,403	–140,717
Capital investments for the account and risk of life insurance policyholders	392,915	–485,408
Fixed-income financial instruments that do not pass the SPPI test	113,726	–448,399
Net income from discounting provisions for home loan savings business	**–28,912**	**138,200**
Hedge income[1]	**–53,971**	**20,972**
Net income from investment property	**–15,916**	**145,103**
Currency result	**–157,259**	**–112,924**
Participating interests, shares, investment fund units and participating interests in alternative investments	–55,650	74,495
Fixed-income financial instruments that do not pass the SPPI test	–31,958	63,590
Senior debenture bonds and registered bonds	–2,040	–
Senior fixed-income securities	–141,291	266,472
Other receivables	–23,963	54,625
Derivative financial instruments	112,687	–600,436
Capital investments for the account and risk of life insurance policyholders	–12,622	28,309
Liabilities	–2,422	21
Net measurement gain/loss	**283,302**	**–1,187,874**

1 Hedge accounting

(29) Net income from disposals

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Income from disposals	**291,738**	**507,674**
Subordinated securities and receivables	–	1,937
Senior debenture bonds and registered bonds	136,429	261,766
Senior fixed-income securities	152,649	236,924
Investment property	3,217	386
Other	–557	6,661
Expenses from disposals	**–193,953**	**–363,541[1]**
Subordinated securities and receivables	–813	–1,437
Senior debenture bonds and registered bonds	–33,361	–29,147
Senior fixed-income securities	–159,338	–332,622
Building loans	–235	–335[1]
Other	–206	–
Net income from disposals	**97,785**	**144,133[1]**

1 Previous year’s figure restated.

(30) Technical finance income or expenses

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Life and Health Insurance		
Net technical financial result	**–1,067,306**	**189,649**
Gross technical financial result	–1,067,306	189,643
Technical finance income from insurance contracts issued	264,360	691,214
Technical finance expenses from insurance contracts issued	–1,331,666	–501,571
Technical financial result from reinsurance contracts held	–	6
Technical financial income from reinsurance contracts held	62	236
Technical financial expenses from reinsurance contracts held	–62	–230
Property/Casualty Insurance		
Net technical financial result	**–26,880**	**–3,181**
Gross technical financial result	–30,412	–2,846
Technical finance income from insurance contracts issued	5,617	10,166
Technical finance expenses from insurance contracts issued	–36,029	–13,012
Technical financial result from reinsurance contracts held	3,532	–335
Technical financial income from reinsurance contracts held	3,621	1,415
Technical financial expenses from reinsurance contracts held	–89	–1,750
Technical finance income or expenses	**–1,094,186**	**186,468**

(31) Technical result

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Life and Health Insurance		
Technical result (net)	**100,898**	**129,579**
Technical result (gross)	117,492	141,012
Technical income	1,221,910	1,153,752
Technical expenses	–1,104,418	–1,012,740
Net result from reinsurance contracts held	–16,594	–11,433
Property/Casualty Insurance		
Technical result (net)	**20,860**	**178,640**
Technical result (gross)	19,238	217,736
Technical income	2,579,408	2,308,854
Technical expenses	–2,560,170	–2,091,118
Net result from reinsurance contracts held	1,622	–39,096
Technical result (total)	**121,758**	**308,219**

(32) Net commission income

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Commission income	**269,094**	**322,074**
from bank/home loan savings business	235,930	274,435
from consulting/brokering activities	27,994	41,929
from investment business	3,351	3,171
from other business	1,819	2,539
Commission expenses	**–311,936**	**–323,928**
from bank/home loan savings business	–269,688	–276,252
from consulting/brokering activities	–13,404	–16,673
from investment business	–5,658	–6,407
from other business	–23,186	–24,596
Net commission income	**–42,842**	**–1,854**

Net commission income includes expenses of €0.3 million (previous year: €0.5 million) from trust and other fiduciary activities. These include the management or investment of assets on behalf of individuals, trusts, pension funds and other institutions.

During the reporting period, transactions involving financial instruments not at fair value through profit or loss generated commission income of €238.5 million (previous year: €276.4 million) and commission expenses of €268.6 million (previous year: €268.5 million).

(33) General administrative expenses

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
General administrative expenses (net)	**–519,703**	**–495,191**
General administrative expenses (gross)	**–1,149,795**	**–1,093,947**
Personnel expenses	**–632,413**	**–633,842**
Wages and salaries	–484,724	–488,637
Social remittances	–91,936	–85,315
Expenses for the company pension scheme	–34,750	–40,434
Other	–21,003	–19,456
Materials costs	**–434,441**	**–384,495**
Depreciation, amortisation and write-downs	**–82,941**	**–75,610**
Property for own use	–33,906	–32,342
Plant and equipment	–13,732	–16,194
Intangible assets	–31,517	–23,449
Other	–3,786	–3,625
General administrative expenses attributable to the technical result	**630,092**	**598,756**

During the reporting period, contributions totalling €33.1 million (previous year: €22.6 million) were paid towards defined-contribution plans. In addition, employer contributions to the statutory pension scheme totalled €42.1 million (previous year: €41.0 million).

General administrative expenses contain personnel expenses totalling €8.0 million (previous year: €8.0 million) for phased-in early retirement (“Altersteilzeit”) and early retirement.

(34) Net other income/expense

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Other operating income	**255,248**	**483,649**
Income from disposals of inventories (property development business)	102,619	231,426
Release of provisions	19,990	33,041
Income from disposals	10,863	20,653
Miscellaneous income	121,776	198,529
Other operating expenses	**–195,325**	**–299,708**
Other taxes	–2,520	–3,015
Expenses from inventories (property development business)	–147,298	–254,571[1]
Additions to provisions	–15,412	–15,057
Miscellaneous expenses	–30,095	–27,065[1]
Net other income/expense	**59,923**	**183,941**

1 Previous year's figure restated.

(35) Income taxes

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Current taxes on income for the reporting period	–116,813	–119,590
Current taxes of prior periods	–4,022	–6,156
Deferred taxes	60,157	46,149
Income taxes	**–60,678**	**–79,597**

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

Deferred taxes

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Financial assets/liabilities at fair value through profit or loss	116,095	94,709
Financial assets at fair value through other comprehensive income (OCI)	–67,256	36,375
Financial assets at amortised cost	–69,254	214,606
Financial assets available for sale	–764	1,422
Positive/negative market values from hedges	–20,592	868
Financial assets accounted for under the equity method	135	–117
Liabilities	122,041	–327,155
Technical assets/liabilities	13,867	–188,013
Provisions for pensions and similar obligations	–8,283	–15,566
Other statement of financial position items	–9,510	188,136
Tax loss carryforward	–16,322	40,884
Deferred taxes	**60,157**	**46,149**

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

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Earnings before income taxes from continued operations	**201,215**	**317,254**
Uniform consolidated tax rate, in %	29.70	29.80
Expected income taxes	–59,761	–94,542
Tax rate changes	–238	–
Tax rate discrepancies of Group companies	–43	4,042
Effects of tax-free income	10,870	21,240
Effects of non-deductible expenses	–11,649	–8,816
Prior-period effects (current and deferred)	–1,512	–149
Other	1,655	–1,372
Income taxes	**–60,678**	**–79,597**

The applicable income tax rate of 29.70% (previous year: 29.80%) selected as the basis for the reconciliation statement is composed of the corporate income tax rate of 15%, the solidarity surcharge on corporate income tax of 5.5%, and an average tax rate for trade tax of 13.88% (previous year: 13.98%).

No deferred tax liabilities were recognised for temporary differences of €156.6 million (previous year: €305.4 million) in connection with interests in subsidiaries, branches and associated companies since the run-off of the release of temporary differences is not taxable and it is not probable that these temporary differences will reverse in the foreseeable future.

Information on International Tax Reform – Pillar Two Model Rules due to introduction of global minimum tax

The OECD Pillar Two rules have been enacted into law in most of the jurisdictions in which the W&W Group operates. Most of the laws came into force on 1 January 2024. The potential impact of the legislation on the W&W Group has been analysed.

The W&W Group is generally affected by the Pillar Two rules, with Wüstenrot & Württembergische AG, Kornwestheim, being regarded as the ultimate parent company within the meaning of the rules.

The calculations were based on data from the country-by-country report from 2022 for the Group's business units in accordance with the Pillar Two rules. The calculations show that, for most jurisdictions, no top-up tax is expected as the minimum tax rate of 15% will be met.

In a few jurisdictions, the minimum tax rate was not reached based on prior-year data. However, no significant top-up taxes are expected from these jurisdictions. The impact on subsequent financial years will be further analysed and the rules will be implemented accordingly.

(36) Earnings per share

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

		1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Result attributable to shareholders of W&W AG	in €	138,657,112	235,419,998
Number of shares at the beginning of the financial year	Share	93,715,088	93,669,754
Treasury shares held as at the reporting date	Share	–34,335	–34,632
Weighted average shares	Share	93,715,311	93,703,755
Basic (= diluted) earnings per share	in €	**1.48**	**2.51**

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

Disclosures on the consolidated statement of comprehensive income

(37) Unrealised gains/losses

	Financial assets at fair value through other comprehensive income (OCI)		Financial assets accounted for under the equity method	
in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Recognised in other comprehensive income	1,171,902	–8,828,564	863	–709
Reclassified to the consolidated income statement	141,948	–82,122	–	–
Unrealised gains/losses (gross)	**1,313,850**	**–8,910,686**	**863**	**–709**

As at 1 January 2019, the W&W Group reclassified senior debenture bonds and registered bonds as well as senior bearer bonds from the business model “Hold to collect” to the business model “Hold to collect and sell”. As a result, portfolios of in the category “Financial assets at amortised cost” with a carrying amount of €1,900.0 million were reclassified to the category “Financial assets at fair value through other comprehensive income” with a carrying amount/fair value of €2,206.0 million, with unrealised gains of €304.9 million, gross, being recognised in other comprehensive income. The business model was adjusted as a consequence of the changed objective (particularly due to the sale of Wüstenrot Bank AG Pfandbriefbank) of earning income in future on a regular basis from cash flow and from the sale of financial assets. There were no reclassifications in the year under review.

Disclosures on financial instruments and fair value

(38) Disclosures on fair value measurement

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

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

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

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

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

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

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

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

In the reporting year, there was a reclassification from Level 3 to Level 2 due to the planned disposal of a participating interest. As part of the planned sale, the fair value was determined using a market-based transaction price. Previously, fair value was determined using an income capitalisation approach. There were no other reclassifications between levels in the reporting year or in the previous year.

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

The fair value of cash and cash equivalents corresponds to the carrying amount, which is primarily due to the short term to maturity of these instruments. This is why the level assignment in contrast to the previous year is not shown.

The measurement techniques used to calculate fair value in Levels 2 and 3 consist of generally accepted measurement models such as the present value method, where the expected future cash flow is discounted at current interest rates applicable to the corresponding remaining term, credit risks and markets. Here, too, prices used for measurement and inputs are monitored daily in conjunction with a price review process. This measurement method is used to measure securities, including debt securities, with agreed cash flow that is recognised as “Financial assets at fair value through profit or loss”, “Financial liabilities at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”. In addition, the fair value of financial assets at amortised cost can be calculated in this way. The present-value method is primarily used to calculate the fair value of mortgage loans. It is also used to measure unquoted derivative financial instruments such as interest rate swaps and non-optional forward contracts (e.g. forward exchange contracts) in Level 2 under the following line items in the statement of financial position: “Financial assets at fair value through profit or loss”, “Financial liabilities at fair value through profit or loss”, “Positive market values from hedges” and “Negative market values from hedges”. Fund units and investments for the benefit of life insurance policyholders who bear the investment risk are also essentially allocated to Level 2. The most recently available redemption price for the underlying investment certificate is used in measurement. In the statement of financial position item “Liabilities”, cost or present value is normally used to calculate fair value and exclusively assigned to Levels 2 and 3.

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

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

Class	Measurement techniques	Main parameters
Non-current assets held for sale and discontinued operations	In accordance with the respective statement of financial position items	
Financial assets at fair value through profit or loss		
Equity investments not including alternative investments	Income capitalisation approach Approximation Net asset value method	Discount rate, future net cash inflows
Equity investments in alternative investments	Present value method Approximation Adjusted net asset value method	Discount rate, future net cash inflows
Equities	Approximation Adjusted net asset value method	
Investment fund units	Redemption price Approximation Adjusted net asset value method	
Fixed-income financial instruments that do not pass the SPPI test	Present value method	Liquidity and credit spreads, yield curves
Derivative financial instruments	Present value method Black-Scholes Model LIBOR market model, Hull-White model	Foreign exchange rates (spot and forward), yield curves Quoted prices/index, volatilities, yield curves, exercise price and remaining term Yield curves, volatilities
Senior fixed-income securities	Present value method	Liquidity and credit spreads, yield curves
Capital investments for the account and risk of life insurance policyholders	Redemption price Black-Scholes Model	Index weighting, volatility
Investment property in Life and Health Insurance	**Present value method**	**Discount rate, future net cash inflows**
Financial assets at fair value through other comprehensive income (OCI)		
Subordinated securities and receivables	Present value method	Liquidity and credit spreads, yield curves
Senior debenture bonds and registered bonds	Present value method	Liquidity and credit spreads, yield curves
Senior fixed-income securities	Present value method	Liquidity and credit spreads, yield curves
Financial assets at amortised cost		
Subordinated securities and receivables	Present value method	Liquidity and credit spreads, yield curves
Senior debenture bonds and registered bonds	Present value method	Liquidity and credit spreads, yield curves
Building loans		
Loans under home loan savings contracts and advance and bridge financing loans	Cost	
Other building loans	Present value method	Yield curves
Other receivables		
Other receivables	Cost Amortised cost	Nominal value
Miscellaneous receivables [1]	Cost	
Investment property (not Life and Health Insurance)	**Present value method**	**Discount rate, future net cash inflows**
Positive market values from hedges	**Present value method**	**Yield curves**
Financial liabilities at fair value through profit or loss		

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

Class	Measurement techniques	Main parameters
Derivative financial instruments	Present value method Black-Scholes Model LIBOR market model, Hull-White model	Foreign exchange rates (spot and forward), yield curves Quoted prices/index, volatilities, yield curves, exercise price and remaining term Yield curves, volatilities
Liabilities		
Liabilities evidenced by certificates	Present value method	Credit spreads, yield curves
Liabilities to credit institutions	Cost Approximation	
Liabilities to customers	Cost	
Lease liabilities	Present value method	Discount rate, future net cash outflows
Miscellaneous liabilities		
Other liabilities	Cost	Nominal value
Miscellaneous liabilities[2]	Cost/settlement amount	Nominal value
Negative market values from hedges	**Present value method**	**Yield curves**
Subordinated capital	**Present value method**	**Credit spreads, yield curves**

1 Receivables that are allocated to the class in accordance with IFRS 7 but are not subject to the scope of IFRS 7 / IFRS 9.
2 Liabilities that are allocated to the class in accordance with IFRS 7 but are not subject to the scope of IFRS 7 / IFRS 9.

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

The fair values of the classes of financial instruments derived from the items “Financial assets at amortised cost”, “Liabilities” and “Subordinated capital” and their fair values listed in the notes to the consolidated financial statements are in general likewise measured using the present-value method.

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

With regard to investment property, the DCF method is applied, utilising payment flows on the lessee and property level and using the specific internal interest rate for the property investment class as the discount rate. In the process, the occupancy rate as at the measurement date is taken into consideration. Construction loans essentially relate to loans under home loan savings contracts from collective business, as well as preliminary and interim financing loans. Because of the home loan savings options included in the home loan savings contract and because of the dependence on the timing of allotments, reliable fair value is not calculated for these sub-items, and the carrying amount is used as an approximate value for the purpose of determining fair value. For the sub-item “Other construction loans”, by contrast, fair value is calculated using the DCF method. On the other hand, deposits under home loan savings contracts are assigned to the line item “Liabilities to customers” in the statement of financial position and likewise measured at amortised cost, which is also considered to be the approximate value for fair value.

For all classes, the liquidity and rating spreads observable on the financial market are taken into account when measuring interest-bearing financial instruments that are assets (Level 2). The measurement spread is determined by comparing benchmark curves against the corresponding risk-free money market and swap curves of the financial instrument.

Maturity-based spreads that also take into account the issuer's quality within the various issuer groups within a rating class are used for measurement purposes. The yield curves and rating- and term-based spreads provided by market data providers are automatically updated on an intraday basis. The discounting curve is typically specific to a given currency. Swaps hedged under master agreements are measured using interest rate curves specific to a given tenor in the multi-curve approach.

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

The following table "2023 measurement hierarchy (at fair value)" shows all financial assets and liabilities that were measured at fair value. It shows the level used in the respective items of the statement of financial position.

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

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

By contrast, the disclosures in the table "2023 measurement hierarchy (items that were not measured at fair value)" consist of those financial instruments and non-financial assets and liabilities for which fair value is provided in the notes.

2023 measurement hierarchy (at fair value)

in € thousands	Level 1 31.12.2023	Level 2 31.12.2023	Level 3 31.12.2023	Fair value/carrying amount 31.12.2023
Non-current assets held for sale and discontinued operations	**–**	**28,454**	**–**	**28,454**
Financial assets at fair value through profit or loss	**341,211**	**6,352,578**	**3,935,829**	**10,629,618**
Equity investments not including alternative investments	–	–	421,703	421,703
Equity investments in alternative investments	–	–	3,427,943	3,427,943
Other financial enterprises	–	–	3,351,886	3,351,886
Other enterprises	–	–	76,057	76,057
Equities	333,757	–	36,485	370,242
Investment fund units	–	1,002,070	1,396	1,003,466
Fixed-income financial instruments that do not pass the SPPI test	–	1,978,195	40,024	2,018,219
Derivative financial instruments	7,454	165,356	–	172,810
Interest rate derivatives	1,922	6,185	–	8,107
Currency derivatives	–	152,207	–	152,207
Equity/index-based derivatives	5,532	6,852	–	12,384
Other derivatives	–	112	–	112
Senior fixed-income securities	–	142,192	–	142,192
Capital investments for the account and risk of life insurance policyholders	–	3,064,765	8,278	3,073,043
Financial assets at fair value through other comprehensive income (OCI)	**–**	**23,687,074**	**–**	**23,687,074**
Subordinated securities and receivables	–	817,513	–	817,513
Senior debenture bonds and registered bonds	–	4,088,671	–	4,088,671
Credit institutions	–	2,294,719	–	2,294,719
Other financial enterprises	–	117,799	–	117,799
Other enterprises	–	59,325	–	59,325
Public authorities	–	1,616,828	–	1,616,828
Senior fixed-income securities	–	18,780,890	–	18,780,890
Credit institutions	–	5,321,457	–	5,321,457
Other financial enterprises	–	1,350,901	–	1,350,901
Other enterprises	–	1,648,956	–	1,648,956
Public authorities	–	10,459,576	–	10,459,576
Positive market values from hedges	**–**	**1,512**	**–**	**1,512**
Investment property in Life and Health Insurance	**–**	**–**	**2,408,428**	**2,408,428**
Total assets	**341,211**	**30,069,618**	**6,344,257**	**36,755,086**

2023 measurement hierarchy (at fair value) Continuation

in € thousands	Level 1 31.12.2023	Level 2 31.12.2023	Level 3 31.12.2023	Fair value/carrying amount 31.12.2023
Financial liabilities at fair value through profit or loss	**546**	**23,330**	**–**	**23,876**
Derivative financial instruments	546	23,330	–	23,876
Interest rate derivatives	546	14,734	–	15,280
Currency derivatives	–	8,528	–	8,528
Equity/index-based derivatives	–	68	–	68
Negative market values from hedges	**–**	**–**	**–**	**–**
Total equity and liabilities	**546**	**23,330**	**–**	**23,876**

2022 measurement hierarchy (at fair value)

	Level 1	Level 2	Level 3	Fair value/carrying amount
in € thousands	31.12.2022	31.12.2022	31.12.2022	31.12.2022
Financial assets at fair value through profit or loss	**380,682**	**6,262,658**	**3,632,691**	**10,276,031**
Equity investments not including alternative investments	–	–	440,526	440,526
Equity investments in alternative investments	–	–	3,119,607	3,119,607
Other financial enterprises	–	–	3,032,299	3,032,299
Other enterprises	–	–	87,308	87,308
Equities	365,103	–	32,276	397,379
Investment fund units	–	978,003	2,720	980,723
Fixed-income financial instruments that do not pass the SPPI test	–	2,493,259	36,484	2,529,743
Derivative financial instruments	15,579	348,880	–	364,459
Interest rate derivatives	2,243	125,464	–	127,707
Currency derivatives	–	212,014	–	212,014
Equity/index-based derivatives	13,336	11,381	–	24,717
Other derivatives	–	21	–	21
Senior fixed-income securities	–	165,948	–	165,948
Capital investments for the account and risk of life insurance policyholders	–	2,276,568	1,078	2,277,646
Financial assets at fair value through other comprehensive income (OCI)	**–**	**22,878,366**	**–**	**22,878,366**
Subordinated securities and receivables	–	732,841	–	732,841
Senior debenture bonds and registered bonds	–	4,692,007	–	4,692,007
Credit institutions	–	2,867,163	–	2,867,163
Other financial enterprises	–	108,656	–	108,656
Other enterprises	–	54,132	–	54,132
Public authorities	–	1,662,056	–	1,662,056
Senior fixed-income securities	–	17,453,518	–	17,453,518
Credit institutions	–	4,672,459	–	4,672,459
Other financial enterprises	–	1,314,094	–	1,314,094
Other enterprises	–	1,503,692	–	1,503,692
Public authorities	–	9,963,273	–	9,963,273
Positive market values from hedges	**–**	**522**	**–**	**522**
Investment property in Life and Health Insurance	**–**	**–**	**2,331,488**	**2,331,488**
Total assets	**380,682**	**29,141,546**	**5,964,179**	**35,486,407**

2022 measurement hierarchy (at fair value) Continuation

in € thousands	Level 1 31.12.2022	Level 2 31.12.2022	Level 3 31.12.2022	Fair value/carrying amount 31.12.2022
Financial liabilities at fair value through profit or loss	**2,218**	**38,244**	**–**	**40,462**
Derivative financial instruments	2,218	38,244	–	40,462
Interest rate derivatives	–	29,551	–	29,551
Currency derivatives	–	7,888	–	7,888
Equity/index-based derivatives	2,218	805	–	3,023
Negative market values from hedges	**–**	**25,466**	**–**	**25,466**
Total equity and liabilities	**2,218**	**63,710**	**–**	**65,928**

2023 measurement hierarchy (not measured at fair value)

	Level 1	Level 2	Level 3	Fair value	Carrying amount
in € thousands	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Financial assets at amortised cost	**–**	**7,229,961**	**20,513,730**	**27,743,691**	**28,460,768**
Subordinated securities and receivables	–	200,652	–	200,652	212,288
Senior debenture bonds and registered bonds	–	56,843	–	56,843	57,285
Building loans	–	6,397,018	19,876,706	26,273,724	26,707,232
Other receivables	–	575,448	637,024	1,212,472	1,180,297
Other receivables	–	575,448	613,070	1,188,518	1,156,343
Miscellaneous receivables [1]	–	–	23,954	23,954	23,954
Asset-side portfolio hedge adjustment	n/a	n/a	n/a	n/a	303,666
Investment property outside Life and Health Insurance	**–**	**–**	**326,476**	**326,476**	**160,455**
Total assets	**–**	**7,229,961**	**20,840,206**	**28,070,167**	**28,621,223**
Liabilities	**–**	**4,871,626**	**23,992,321**	**28,863,947**	**28,576,107**
Liabilities evidenced by certificates	–	2,694,623	363	2,694,986	2,841,405
Liabilities to credit institutions	–	1,454,986	690,407	2,145,393	2,219,355
Liabilities to customers	–	711,757	22,713,093	23,424,850	23,479,025
Lease liabilities	–	–	52,314	52,314	52,314
Miscellaneous liabilities	–	10,260	536,144	546,404	544,730
Other liabilities	–	8,947	367,661	376,608	374,934
Miscellaneous liabilities [2]	–	1,313	168,483	169,796	169,796
Liability-side portfolio hedge adjustment	n/a	n/a	n/a	n/a	-560,722
Subordinated capital	**–**	**561,474**	**–**	**561,474**	**641,850**
Total equity and liabilities	**–**	**5,433,100**	**23,992,321**	**29,425,421**	**29,217,957**

1 Receivables that are allocated to the class in accordance with IFRS 7 but are not subject to the scope of IFRS 7 / IFRS 9.
2 Liabilities that are allocated to the class in accordance with IFRS 7 but are not subject to the scope of IFRS 7 / IFRS 9.

2022 measurement hierarchy (not measured at fair value)

in € thousands	Level 1 31.12.2022	Level 2 31.12.2022	Level 3 31.12.2022	Fair value 31.12.2022	Carrying amount 31.12.2022
Non-current assets held for sale and discontinued operations	**–**	**14,500**	**–**	**14,500**	**3,647**
Financial assets at amortised cost	**–**	**7,147,804**	**18,938,466**	**26,086,270**	**26,707,313**
Subordinated securities and receivables	–	168,260	–	168,260	185,625
Senior debenture bonds and registered bonds	–	47,629	–	47,629	49,899
Senior fixed-income securities	–	9	–	9	9
Building loans	–	6,282,117	18,426,078	24,708,195	25,424,927
Other receivables	–	649,789	512,388	1,162,177	1,160,028
Other receivables[3]	–	649,789	495,673	1,145,462	1,143,313
Miscellaneous receivables [1]	–	–	16,715	16,715	16,715
Asset-side portfolio hedge adjustment	n/a	n/a	n/a	n/a	–113,175
Investment property outside Life and Health Insurance	**–**	**–**	**160,404**	**160,404**	**108,954**
Total assets	**–**	**7,162,304**	**19,098,870**	**26,261,174**	**26,819,914**
Liabilities	**–**	**4,477,099**	**23,292,248**	**27,769,347**	**27,299,037**
Liabilities evidenced by certificates	–	1,624,080	–	1,624,080	1,885,306
Liabilities to credit institutions	–	2,010,723	652,650	2,663,373	2,697,422
Liabilities to customers	–	834,555	21,995,391	22,829,946	22,932,498
Lease liabilities	–	–	53,455	53,455	53,455
Miscellaneous liabilities	–	7,741	590,752	598,493	598,457
Other liabilities	–	6,340	394,709	401,049	401,013
Miscellaneous liabilities[2]	–	1,401	196,043	197,444	197,444
Liability-side portfolio hedge adjustment	n/a	n/a	n/a	n/a	–868,101
Subordinated capital	**–**	**549,094**	**–**	**549,094**	**641,468**
Total equity and liabilities	**–**	**5,026,193**	**23,292,248**	**28,318,441**	**27,940,505**

1 Receivables that are allocated to the class in accordance with IFRS 7 but are not subject to the scope of IFRS 7 / IFRS 9.
2 Liabilities that are allocated to the class in accordance with IFRS 7 but are not subject to the scope of IFRS 7 / IFRS 9.
3 Previous year restated due to reclassification of current account deposits with banks in accordance with section "Change in the presentation of the financial statements".

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

in € thousands	Equity investments not including alternative investments	Equity investments in alternative investments (other financial enterprises)	Equity investments in alternative investments (other enterprises)	Equities
As at 1.1.2022	**235,839**	**2,434,773**	**115,400**	**181,242**
Total comprehensive income for the period	9,811	33,255	3,855	747
Income recognised in the consolidated income statement[1]	19,822	196,228	16,312	752
Expenses recognised in the consolidated income statement[1]	–10,011	–162,973	–12,457	–5
Purchases	54,374	1,203,240	25,524	–112
Sales	–9,099	–647,699	–48,741	–
Reclassifications	149,601	8,730	–8,730	–149,601
As at 31.12.2022	**440,526**	**3,032,299**	**87,308**	**32,276**
Income recognised in the consolidated income statement as at the end of the reporting period[2]	19,822	196,228	16,312	752
Expenses recognised in the consolidated income statement as at the end of the reporting period[2]	–10,011	–162,973	–12,457	–5
As at 1.1.2023	**440,526**	**3,032,299**	**87,308**	**32,276**
Total comprehensive income for the period	20,877	5,873	–17,882	4,209
Income recognised in the consolidated income statement[1]	26,977	158,158	1,306	4,209
Expenses recognised in the consolidated income statement[1]	–6,100	–152,285	–19,188	–
Unrealised gains/losses (–) from investment property in personal insurnce (OCI; gross)	–	–	–	–
Purchases	25,017	963,396	38,716	–
Sales	–36,263	–649,682	–32,084	–
Reclassifications	–	–	–	–
Classified as held for sale	–28,454	–	–	–
As at 31.12.2023	**421,703**	**3,351,886**	**76,058**	**36,485**
Income recognised in the consolidated income statement as at the end of the reporting period[2]	6,461	158,158	1,306	4,209
Expenses recognised in the consolidated income statement as at the end of the reporting period[2]	–6,100	–152,285	–19,188	–

1 Income and expenses are essentially included in net gains/losses on remeasurement in the consolidated income statement.
2 Income and expenses recognised in profit or loss for the period for assets still in the portfolio at the end of the reporting period.
3 Initial measurement at fair value on initial application of IFRS 17.

			Financial assets at fair value through profit or loss		Total
	Investment fund units	Fixed-income financial instruments that do not pass the SPPI test	Capital investments for the account and risk of life insurance policyholders	Investment property in Life and Health Insurance[3]	
	3,176	**28,741**	**4,918**	**2,439,961**	**5,444,050**
	−43	–	−5,429	145,103	187,299
	496	–	–	216,057	449,667
	−539	–	−5,429	−70,954	−262,368
	–	7,746	6,573	98,152	1,395,497
	−413	−3	−4,984	−351,728	−1,062,667
	–	–	–	–	–
	2,720	**36,484**	**1,078**	**2,331,488**	**5,964,179**
	496	–	–	216,057	449,667
	−539	–	−5,429	−70,954	−262,368
	2,720	**36,484**	**1,078**	**2,331,488**	**5,964,179**
	−442	–	647	−14,608	−1,326
	–	–	647	73,814	265,111
	−442	–	–	−89,706	−267,721
	–	–	–	1,284	1,284
	–	3,540	7,700	91,051	1,129,420
	−882	–	−1,148	–	−720,059
	–	–	–	497	497
	–	–	–	–	−28,454
	1,396	**40,024**	**8,277**	**2,408,428**	**6,344,257**
	–	–	647	73,814	244,595
	−442	–	–	−89,706	−267,721

Description of the measurement processes used and effects of alternative assumptions for assets and liabilities measured at fair value in Level 3

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

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

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

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

Level 3 securities essentially comprise unquoted interests in equity investments including alternative investments, which in turn include private equity, private debt and infrastructure projects. The fair values of these Level 3 holdings are usually calculated by the management of the respective company. The fair value for most of the interests measured by third parties amounting to €3,564.0 million (previous year: €3,269.1 million) is determined on the basis of the net asset value. By contrast, the net asset value of equity investments not including alternative investments is calculated internally in all cases. Unquoted shares and fund certificates account for €157.0 million (previous year: €185.7 million) of all interests measured by third parties while equity investments in alternative investments account for €3,407.0 million (previous year: €3,083.4 million). The net asset value of these interests measured by third parties is calculated based on specific information that is not publicly available and that the W&W Group cannot access. A sensitivity analysis is therefore not an option.

In the W&W Group, net asset values of €212.6 million (previous year: €208.0 million) are measured internally for property equity investments that are assigned to "Equity investments not including alternative investments". The value of the properties in this category is calculated using income-based present value methods. These accepted measurement methods are based on discount rates of 3.87% to 6.56% (previous year: 5.17% to 6.72%), which largely determine the properties' fair values. A change in discount rates of +100 basis points assumed in conjunction with a sensitivity analysis results in a reduction in fair value to €192.2 million (previous year: €187.8 million), while a change in discount rates of –100 basis points results in an increase to €227.2 million (previous year: €222.4 million).

The most significant measurement parameters for interests measured internally using the income capitalisation approach of €34.5 million (previous year: €52.8 million) are the risk-adjusted discount rate and future net inflows. A significant increase in the discount rate reduces fair value, while a reduction in this factor increases the fair value. However, a change in these measurement parameters of 10% has only a minor impact on the presentation of the W&W Group's net assets, financial position and financial performance.

In addition, the W&W Group's investment property in Life and Health Insurance totalling €2,408.4 million (previous year: €2,331.5 million) is valued using the present value method. The risk-adjusted discount rate and future net inflows are the most important measurement parameters for investment properties. A change in discount rates of +100 basis points assumed in conjunction with a sensitivity analysis results in a reduction in fair value of €186.0 million (previous year: €180.0 million), while a change in discount rates of –100 basis points results in an increase of €205.2 million (previous year: €198.7 million). A change in cash flows included in the measurement of +10% leads to an increase in fair value of €240.3 million (previous year: €212.3 million), while a change of –10% leads to a reduction of €240.3 million (previous year: –€247.4 million).

In addition, as an exception for certain interests, amortised cost is considered an appropriate approximation of fair value. Here, too, a sensitivity analysis is not possible given the lack of the specific parameters used.

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

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

Quantitative information on fair value measurement in Level 3

	Fair value		Measurement techniques	Unobservable inputs	Range in %	
in € thousands	31.12.2023	31.12.2022			31.12.2023	31.12.2022
Financial assets at fair value through profit or loss	**3,935,829**	**3,632,691**				
Equity investments not including alternative investments	421,703	440,526				
	16,408	27,980	Income capitalisation approach	Discount rate, future net cash inflows	8.08–14.8	8.08–14.95[2]
	33,622	18,075	Approximation	n/a	n/a	n/a
	371,673	394,471	Net asset value method	n/a	n/a	n/a
Equity investments in alternative investments	3,427,943	3,119,607				
Other financial enterprises	3,351,886	3,032,299				
	4,000	11,349	Approximation	n/a	n/a	n/a
	3,347,886	3,020,950	Adjusted net asset value method[1]	n/a	n/a	n/a
Other enterprises	76,057	87,308				
	18,056	24,843	Present value method	Discount rate, future net cash inflows	5.32	4.75
	58,001	62,465	Adjusted net asset value method[1]	n/a	n/a	n/a
Equities	36,485	32,276				
	36,415	32,206	Approximation	n/a	n/a	n/a
	70	70	Adjusted net asset value method[1]	n/a	n/a	n/a
Investment fund units	1,396	2,720	Adjusted net asset value method[1]	n/a	n/a	n/a
Fixed-income financial instruments that do not pass the SPPI test	40,024	36,484	Approximation	n/a	n/a	n/a
Capital investments for the account and risk of life insurance policyholders	8,278	1,078	Black-Scholes Model	Index weighting, volatility	n/a	n/a
Investment property in Life and Health Insurance	**2,408,428**	**2,331,488**	**Present value method**	**Discount rate, future net cash inflows**	4.02-8.38	3.24-7.43

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

(39) Disclosures concerning hedges

Fair value hedge accounting in the W&W Group is described in the chapter “Accounting policies”.

Hedging disclosures

	Fair value hedges	
	Hedging of interest rate risk through interest rate swaps	
in € thousands	31.12.2023	31.12.2022
Nominal values of hedges	16,891,146	17,728,000
Up to 1 year	1,401,000	500,000
1-5 years	4,503,000	5,324,000
Longer than 5 years	10,987,146	11,904,000
Positive market values from hedges	1,512	522
Negative market values from hedges	–	25,466
Changes in fair value	−175,925	−430,536

The hedging instruments are recognised in the items “Positive market values from hedges” and “Negative market values from hedges”.

Disclosures concerning hedged items

	Fair value hedges Hedging of interest rate risk through interest rate swaps			
	Existing hedges		Terminated hedges	
in € thousands	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Carrying amount of hedges				
Assets	2,053,674	1,008,151	–	–
Liabilities	706,447	1,978,234	–	–
Cumulative changes and changes attributable to the hedged risk	–	–	–	–
Assets	253,643	253,402	8,637	643
Liabilities	612,847	619,355	43,890	53,541
Changes from the hedged risk	223,057	510,876	–	–

The hedged items are included in the following items:

- Financial assets at fair value through other comprehensive income (OCI)
- Financial assets at amortised cost
- Liabilities

Net gains/losses on remeasurement in the consolidated income statement include expenses of €29.5 million in the current reporting period and income of € 74.2 million in the previous year resulting from ineffective portions of changes in the fair value of hedged items and hedging instruments attributable to hedged interest rate change risk.

(40) Transfers of financial assets and granted and received collateral, as well as netting of financial assets and liabilities

During the reporting period and in the previous year, financial assets were transferred that were not or were not fully derecognised. In the W&W Group, all of these had to do with securities that were sold in connection with repurchase agreements or lent in connection with securities lending transactions. These securities are categorised as "Financial assets at fair value through other comprehensive income (OCI)" and continue to be subject to the risks of the corresponding class.

Repurchase agreements are characterised by the fact that securities are sold for consideration, but at the same time it is agreed that such securities have to be purchased back at a later point against payment to the seller of an amount agreed to in advance. In addition to the purchase price, collateral is granted and received, depending on the market value of the securities sold. In securities lending transactions, securities are lent against the granting of cash or non-cash collateral. After the borrowing period expires, the securities are returned to the lender. Lent or repoed-out securities continue to be recognised in the statement of financial position of the W&W Group in accordance with the previous categorisation, "Financial assets at fair value through other comprehensive income (OCI)". The ability of the W&W Group to dispose of these securities is restricted. At the same time, a financial liability is recognised in the amount of money received. Non-cash collateral is recognised only if the W&W Group is authorised to resell or pledge it without the issuer being in default in payment. This was not the case.

The relationship between securities that were sold in connection with repurchase agreements and those that were lent in connection with securities lending transactions, as well as the associated liabilities, is as follows:

Transfers of financial assets

						Carrying amount
	Repurchase agreements		Securities lending transactions		Total	
in € thousands	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial assets at fair value through other comprehensive income (OCI)	**862,813**	**432,808**	**–**	**32,462**	**862,813**	**465,270**
Senior fixed-income securities	862,813	432,808	–	32,462	862,813	465,270
Total	**862,813**	**432,808**	**–**	**32,462**	**862,813**	**465,270**
Associated liabilities	862,813	432,808	–	32,462	862,813	465,270
Net position	–	–	–	–	–	–

As was the case in the previous year, as at 31 December 2023 no securities had been taken in and then passed on in connection with reverse repurchase agreements.

Likewise, there were no other business transactions under which the W&W Group retained ongoing commitments from the transfer.

Assets granted as collateral

Financial assets granted as collateral in 2023

in € thousands	Transferred financial assets 31.12.2023	Open market operations with central banks 31.12.2023	Granted but as yet unused collateral 31.12.2023	Total 31.12.2023
Financial assets at fair value through other comprehensive income (OCI)	**862,813**	**–**	**350,432**	**1,213,245**
Senior fixed-income securities	862,813	–	350,432	1,213,245
Total	**862,813**	**–**	**350,432**	**1,213,245**

Financial assets granted as collateral in 2022

in € thousands	Transferred financial assets 31.12.2022	Open market operations with central banks 31.12.2022	Granted but as yet unused collateral 31.12.2022	Total 31.12.2022
Financial assets at fair value through other comprehensive income (OCI)	**465,270**	**500,706**	**89,134**	**1,055,110**
Senior fixed-income securities	465,270	500,706	89,134	1,055,110
Total	**465,270**	**500,706**	**89,134**	**1,055,110**

Granted but as yet unused collateral mainly has to do with securities that are on deposit with Clearstream International S.A. and with the Deutsche Bundesbank under collateral agreements customary on the market. In the reporting period just ended, as was the case in the previous year, no securities were pledged from the custodial account with Clearstream International S. A. for settlement and custodial services in connection with issued covered bonds.

Loans and advances to customers of €641.4 million (previous year: €530.6 million) were assigned to KfW as collateral for refinancing funds raised from KfW under special loan programs. The W&W Group still has a default risk in relation to the receivables to end borrowers.

The amount of cash collateral granted for derivatives amounted to €90.9 million (previous year: €191.8 million). This also includes collateral (initial and variation margin) provided as part of clearing through the central counterparty Eurex Clearing AG.

Aside from the securities pledged as collateral for the foregoing repurchase agreements, no cash collateral was provided for them, as was the case in the previous year.

As at the reporting date, no loans (previous year: €500.0 million) had been obtained from the Deutsche Bundesbank in connection with open market operations. To secure these loans, the Deutsche Bundesbank requires as collateral a correspondingly high deposit of securities in the Deutsche Bundesbank custodial account. Securities that are on deposit in the custodial account of Deutsche Bundesbank in order to collateralise loans may be substituted at will with other securities accepted by the European Central Bank, provided that they do not fall below the required collateral value.

In addition, in accordance with regulatory requirements, the underwriting liabilities of German primary insurers in the W&W Group are covered by assets allocated to guarantee assets (financial instruments and properties). Assets allocated to guarantee assets are primarily available to settle policyholder claims. The pro rata allocation of individual assets to guarantee assets of individual insurance companies is not evident from the IFRS consolidated financial statements.

Assets received as collateral

Assets received as collateral may be liquidated only in the event of breach of contract. Collateral that can be resold or pledged without the issuer being in default in payment was not received.

Netting of financial instruments

The W&W Group nets financial assets and financial liabilities and presents the net amount if the relevant netting agreements under which they were concluded satisfy the offsetting criteria in IAS 32.42. The W&W Group offsets financial instruments in the statement of financial position, which are cleared through the central counterparty Eurex Clearing AG.

If the netting agreements do not fully satisfy the offsetting criteria in IAS 32, the financial instruments are not offset in the statement of financial position. This is normally the case if in the event of payment default or insolvency of a counterparty and in the normal course of business, the right to set off the recognised amounts is not always legally enforceable or there is no intention to settle on a net basis. In the W&W Group, this applies, inter alia, to bilateral transactions that were concluded under master agreements without the use of a central counterparty. The offsetting effects underlying these netting agreements are to be shown in the notes and are presented in the following.

The following tables show the derivatives and repurchase agreements that are subject to a master netting agreement. They also include the collateral granted by or received from the respective counterparty. In the case of clearing through the central counterparty Eurex Clearing AG, the W&W Group makes use of the option to pledge securities for the initial margin.

Offsetting of financial assets in 2023

	Gross amount of financial assets prior to offsetting	Offset amount of financial liabilities	Recognised net amount of financial assets	Associated amounts that are not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
in € thousands	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Derivatives (netting legally enforceable)	1,361,173	-1,349,264	11,909	–	–	11,909
Derivatives (netting not legally enforceable)	170,422	–	170,422	-7,137	-187,608	-24,323

Offsetting of financial liabilities in 2023

	Gross amount of financial liabilities prior to offsetting	Offset amount of financial assets	Recognised net amount of financial liabilities	Associated amounts that are not offset in the statement of financial position		Net amount
				Financial instruments	(Cash) collateral provided	
in € thousands	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Derivatives (netting legally enforceable)	1,349,264	-1,349,264	–	–	-78,805	-78,805
Derivatives (netting not legally enforceable)	16,243	–	16,243	-9	-12,113	4,121
Repurchase agreements, securities lending transactions and similar agreements (netting not legally enforceable)	862,813	–	862,813	-862,813	–	–

Offsetting of financial assets in 2022

	Gross amount of financial assets prior to offsetting	Offset amount of financial liabilities	Recognised net amount of financial assets	Associated amounts that are not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
in € thousands	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022
Derivatives (netting legally enforceable)	1,536,050	-1,534,282	1,768	–	–	1,768
Derivatives (netting not legally enforceable)	340,472	–	340,472	-6,035	-298,961	35,476

Offsetting of financial liabilities in 2022

	Gross amount of financial liabilities prior to offsetting	Offset amount of financial assets	Recognised net amount of financial liabilities	Associated amounts that are not offset in the statement of financial position		Net amount
				Financial instruments	(Cash) collateral provided	
in € thousands	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022
Derivatives (netting legally enforceable)	1,534,282	−1,534,282	–	–	−136,107	−136,107
Derivatives (netting not legally enforceable)	58,172	–	58,172	−815[1]	−55,700[1]	1,657[1]
Repurchase agreements, securities lending transactions and similar agreements (netting not legally enforceable)	465,270	–	465,270	−465,270	–	–

1 Previous year's figure restated.

(41) Trust business

Trust business not required to be recognised in the statement of financial position had the following scope:

in € thousands	31.12.2023	31.12.2022
Trust assets pursuant to the German Building Code	13,305	12,596[1]
Other	1	3
Trust assets	**13,306**	**12,599[1]**
Trust liabilities pursuant to the German Building Code	13,305	12,596[1]
Other	1	3
Trust liabilities	**13,306**	**12,599[1]**

1 Previous year's figure restated.

(42) Supplementary disclosures concerning the effect of financial instruments

Net gains and losses by category of financial instrument, which are depicted in the following table, consist of the following:

- Net gains consist of disposal gains, measurement gains, income from credit risk adjustments, subsequent receipts on written down financial instruments and currency gains from measurement on the reporting date.
- Net losses consist of disposal losses, measurement losses, expenses from risk provision and currency losses from measurement on the reporting date.
- Interest income and expenses and commission income and expenses are not included in net gains and losses. Likewise, dividends are not recognised in net gains.

Net gains/losses

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Financial assets/liabilities at fair value through profit or loss	**552,033**	**−1,812,641**
Net gains	1,834,907	2,148,574
Net losses	−1,282,874	−3,961,215
Financial assets at fair value through other comprehensive income (OCI)	**879,043**	**−8,584,354**
thereof recognised in other comprehensive income	1,169,934	−8,922,424
thereof recognised in profit or loss	−144,422	268,446
Net gains	14,041	290,152
Net losses	−158,463	−21,706
reclassified from net other income/expense to the income statement	−146,469	69,624
Net gains	45,567	427,853
Net losses	−192,036	−358,229
Financial assets at amortised cost	**−48,155**	**37,187**
Net gains	81,144	148,455
Net losses	−129,299	−111,268
Financial liabilities at amortised cost	**−2,993**	**6,682**
Net gains	1,068	9,039
Net losses	−4,061	−2,357

For financial assets and liabilities at amortised cost, total interest income amounted to €596.3 million (previous year: €457.0 million), and total interest expenses amounted to €225.5 million (previous year: €246.3 million).

Total interest income from financial assets at fair value through other comprehensive income amounted to €561.3 million (previous year: €549.0 million).

Currency translation – with the exception of the currency translation of financial instruments at fair value through profit or loss – additionally generated currency income of €34.2 million (previous year: €353.0 million) and currency expenses of €204.1 million (previous year: €32.5 million).

Financial assets at amortised cost amounted to €29,506.7 million (previous year: €28,215.7 million), and financial assets at fair value through profit or loss amounted to €10,629.6 million (previous year: €10,276.6 million).

Financial liabilities at amortised cost amounted to €28,657.2 million (previous year: €28,664.7 million), and financial liabilities at fair value through profit or loss amounted to €23.9 million (previous year: €40.5 million).

(43) Gains and losses recognised from the derecognition of financial assets at amortised cost

In the reporting year, there were no material gains or losses from the derecognition of financial assets at amortised cost.

Explanatory notes on insurance contracts

(44) Disclosures on the amounts recognised

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

Insurance contracts issued by remaining coverage and incurred claims Life and Health Insurance 2023

	Provision for future policy benefits (liability for remaining coverage)	
	excluding loss components	Loss component
in € thousands		
Insurance contracts issued that are liabilities 1.1.2023	**28,186,242**	**–**
Insurance contracts issued that are assets 1.1.2023	**–77,286**	**–**
Net carrying amounts 1.1.2023	**28,108,956**	**–**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	–2,699,959	–
Technical income	–1,221,910	–
Insurance contracts measured using the modified retrospective approach (MRA) that existed at the transition date	–1,126,328	–
All other insurance contracts	–95,582	–
Technical expenses	275,339	–
Incurred claims and other expenses for services in accordance with the insurance contract	115,512	–
Amortisation of acquisition costs	159,827	–
Changes relating to past services	–	–
Investment components	–1,753,388	–
Technical finance income or expenses	2,192,853	–
Total change in the income statement and Other comprehensive income (OCI)	**–507,106**	**–**
Net income from cash flow	1,872,350	–
Premiums received	2,171,472	–
Claims payments and other expenses for services in accordance with the insurance contract	–115,272	–
Acquisition costs	–183,850	–
Other changes	-70,268	–
Net carrying amounts 31.12.2023	**29,403,932**	**–**
Insurance contracts issued that are liabilities 31.12.2023	**29,447,847**	**–**
Insurance contracts issued that are assets 31.12.2023	**–43,915**	**–**

	Provision for outstanding insurance claims (liability for incurred claims)			
	Measurement under the variable fee approach (VFA)	Measurement under the premium allocation approach (PAA)		
		Estimation of the present value of future cash flow	Risk adjustment for non-financial risks	Total
	149,159	**297**	**–**	**28,335,698**
	5,923	**–**	**–**	**–71,363**
	155,082	**297**	**–**	**28,264,335**
	2,578,947	3,520	–	–117,492
	–	–	–	–1,221,910
	–	–	–	–1,126,328
	–	–	–	–95,582
	825,559	3,520	–	1,104,418
	827,457	3,202	–	946,171
	–	–	–	159,827
	–1,898	318	–	–1,580
	1,753,388	–	–	–
	–	–	–	2,192,853
	2,578,947	**3,520**	**–**	**2,075,361**
	–2,570,947	–2,796	–	–701,393
	–	–	–	2,171,472
	–2,570,947	–2,796	–	–2,689,015
	–	–	–	–183,850
	–	–	–	-70,268
	163,082	**1,021**	**–**	**29,568,035**
	155,900	**1,021**	**–**	**29,604,768**
	7,182	**–**	**–**	**–36,733**

Insurance contracts issued by remaining coverage and incurred claims
Life and Health Insurance 2022

	Provision for future policy benefits (liability for remaining coverage)	
	excluding loss components	Loss component
in € thousands		
Insurance contracts issued that are liabilities 1.1.2022	**36,693,387**	**–**
Insurance contracts issued that are assets 1.1.2022	**–123,187**	**–**
Net carrying amounts 1.1.2022	**36,570,200**	**–**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	–2,650,348	–
Technical income	–1,153,752	–
Insurance contracts measured using the modified retrospective approach (MRA) that existed at the transition date	–1,101,425	–
All other insurance contracts	–52,327	–
Technical expenses	287,818	–
Incurred claims and other expenses for services in accordance with the insurance contract	124,322	–
Amortisation of acquisition costs	163,496	–
Changes relating to past services	–	–
Investment components	–1,784,414	–
Technical finance income or expenses	–7,665,840	–
Total change in the income statement and Other comprehensive income (OCI)	**–10,311,363**	**–**
Net income from cash flow	1,850,119	–
Premiums received	2,165,197	–
Claims payments and other expenses for services in accordance with the insurance contract	–124,124	–
Acquisition costs	–190,954	–
Other changes	4,825	–
Net carrying amounts 31.12.2022	**28,108,956**	**–**
Insurance contracts issued that are liabilities 31.12.2022	**28,186,242**	**–**
Insurance contracts issued that are assets 31.12.2022	**–77,286**	**–**

	Provision for outstanding insurance claims (liability for incurred claims)			
	Measurement under the variable fee approach (VFA)	Measurement under the premium allocation approach (PAA)		
		Estimation of the present value of future cash flow	Risk adjustment for non-financial risks	Total
	156,722	**111**	**–**	**36,850,220**
	6,752	**–**	**–**	**–116,435**
	163,474	**111**	**–**	**36,733,785**
	2,507,646	1,690	–	–141,012
	–	–	–	–1,153,752
	–	–	–	–1,101,425
	–	–	–	–52,327
	723,232	1,690	–	1,012,740
	730,864	1,608	–	856,794
	–	–	–	163,496
	–7,632	82	–	–7,550
	1,784,414	–	–	–
	–	–	–	–7,665,840
	2,507,646	**1,690**	**–**	**–7,806,852**
	–2,516,038	–1,504	–	–667,423
	–	–	–	2,165,197
	–2,516,038	–1,504	–	–2,641,666
	–	–	–	–190,954
	–	–	–	4,825
	155,082	**297**	**–**	**28,264,335**
	149,159	**297**	**–**	**28,335,698**
	5,923	**–**	**–**	**–71,363**

Reinsurance contracts held by remaining coverage and incurred claims Life and Health Insurance 2023

in € thousands	Asset for remaining coverage – excluding loss reimbursement components	Asset for remaining coverage – Loss reimbursement components
Reinsurance contracts held that are liabilities 1.1.2023	**24**	**–**
Reinsurance contracts held that are assets 1.1.2023	**–38,308**	**–**
Net carrying amounts 1.1.2023	**–38,284**	**–**
Changes in the income statement and in Other comprehensive income (OCI):		
Net result from reinsurance contracts held	26,300	–
Premiums ceded to reinsurers	26,300	–
Amounts recoverable from reinsurers for incurred claims	–	–
Amounts recoverable for insurance claims incurred and other service-related expenses	–	–
Technical finance income or expenses	3,081	–
Total change in the income statement and Other comprehensive income (OCI)	29,381	–
Net income from cash flow	–18,434	–
Premiums ceded to reinsurers	–18,434	–
Payments reimbursed	–	–
Net carrying amounts 31.12.2023	**–27,337**	**–**
Reinsurance contracts held that are liabilities 31.12.2023	**60**	**–**
Reinsurance contracts held that are assets 31.12.2023	**–27,397**	**–**

		Asset for incurred claims		
	Measurement under the building block approach (BBA)	Measurement under the premium allocation approach (PAA)		
		Estimation of the present value of future cash flow	Risk adjustment for non-financial risks	Total
	–	**–**	**–**	**24**
	–11,670	**–**	**–**	**–49,978**
	–11,670	**–**	**–**	**–49,954**
	–9,706	–	–	16,594
	–	–	–	26,300
	–9,706	–	–	–9,706
	–9,706	–	–	–9,706
	–	–	–	3,081
	–9,706	–	–	19,675
	11,665	–	–	–6,769
	–	–	–	–18,434
	11,665	–	–	11,665
	–9,711	**–**	**–**	**–37,048**
	–	**–**	**–**	**60**
	–9,711	**–**	**–**	**–37,108**

Reinsurance contracts held by remaining coverage and incurred claims Life and Health Insurance 2022

	Asset for remaining coverage	
	excluding loss reimbursement components	Loss reimbursement components
in € thousands		
Reinsurance contracts held that are liabilities 1.1.2022	**26,835**	**–**
Reinsurance contracts held that are assets 1.1.2022	**–**	**–**
Net carrying amounts 1.1.2022	**26,835**	**–**
Changes in the income statement and in Other comprehensive income (OCI)		
Net result from reinsurance contracts held	23,103	–
Premiums ceded to reinsurers	23,103	–
Amounts recoverable from reinsurers for incurred claims	–	–
Amounts recoverable for insurance claims incurred and other service-related expenses	–	–
Technical finance income or expenses	–66,440	–
Total change in the income statement and Other comprehensive income (OCI)	–43,337	–
Net income from cash flow	–21,782	–
Premiums ceded to reinsurers	–21,782	–
Payments reimbursed	–	–
Net carrying amounts 31.12.2022	**–38,284**	**–**
Reinsurance contracts held that are liabilities 31.12.2022	**24**	**–**
Reinsurance contracts held that are assets 31.12.2022	**–38,308**	**–**

	Asset for incurred claims			
	Measurement under the building block approach (BBA)	Measurement under the premium allocation approach (PAA)		
		Estimation of the present value of future cash flow	Risk adjustment for non-financial risks	Total
	–12,461	**–**	**–**	**14,374**
	–	**–**	**–**	**–**
	–12,461	**–**	**–**	**14,374**
	–11,670	–	–	11,433
	–	–	–	23,103
	–11,670	–	–	–11,670
	–11,670	–	–	–11,670
	–	–	–	–66,440
	–11,670	–	–	–55,007
	12,461	–	–	–9,321
	–	–	–	–21,782
	12,461	–	–	12,461
	–11,670	**–**	**–**	**–49,954**
	–	**–**	**–**	**24**
	–11,670	**–**	**–**	**–49,978**

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

	Provision for future policy benefits (liability for remaining coverage)	
	excluding loss components	Loss component
in € thousands		
Insurance contracts issued that are liabilities 1.1.2023	**213,458**	**26,241**
Insurance contracts issued that are assets 1.1.2023	**–**	**–**
Net carrying amount 1.1.2023	**213,458**	**26,241**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	–1,868,031	3,364
Technical income	–2,579,408	–
Insurance contracts measured using the modified retrospective approach (MRA) that existed at the transition date	18	–
All other insurance contracts	–2,579,426	–
Technical expenses	711,377	3,364
Incurred claims and other expenses for services in accordance with the insurance contract	561,799	–16,207
Amortisation of acquisition costs	149,578	–
Changes relating to past services	–	–
Changes relating to future services	–	19,571
Technical finance income or expenses	30,732	214
of which from exchange rate fluctuations	–	–
Total change in the income statement and Other comprehensive income (OCI)	**–1,837,299**	**3,578**
Net income from cash flow	1,871,198	–
Premiums received	2,605,880	–
Claims payments and other expenses for services in accordance with the insurance contract	–500,390	–
Acquisition costs	–234,292	–
Other changes	–2,346	–
Net carrying amounts 31.12.2023	**245,011**	**29,819**
Insurance contracts issued that are liabilities 31.12.2023	**245,011**	**29,819**
Insurance contracts issued that are assets 31.12.2023	**–**	**–**

	Provision for outstanding insurance claims (liability for incurred claims)			
	Measurement under the building block approach (BBA)	Measurement under the premium allocation approach (PAA)		
		Estimation of the present value of future cash flow	Risk adjustment for non-financial risks	Total
	827,940	**826,769**	**67,290**	**1,961,698**
	–1	**–**	**–**	**–1**
	827,939	**826,769**	**67,290**	**1,961,697**
	896,744	959,180	–10,495	–19,238
	–	–	–	–2,579,408
	–	–	–	18
	–	–	–	–2,579,426
	896,744	959,180	–10,495	2,560,170
	868,633	926,496	7,245	2,347,966
	–	–	–	149,578
	28,111	32,684	–17,740	43,055
	–	–	–	19,571
	26,778	49,665	5,664	113,053
	–	–1,037	–87	–1,124
	923,522	**1,008,845**	**–4,831**	**93,815**
	–762,617	–867,648	–	240,933
	–	–	–	2,605,880
	–762,617	–867,648	–	–2,130,655
	–	–	–	–234,292
	–	–	–	–2,346
	988,844	**967,966**	**62,459**	**2,294,099**
	988,845	**967,966**	**62,459**	**2,294,100**
	–1	**–**	**–**	**–1**

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

	Provision for future policy benefits (liability for remaining coverage)	
	excluding loss components	Loss component
in € thousands		
Insurance contracts issued that are liabilities 1.1.2022	**213,041**	**23,759**
Insurance contracts issued that are assets 1.1.2022	**–**	**–**
Net carrying amount 1.1.2022	**213,041**	**23,759**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	–1,666,537	2,462
Technical income	–2,308,854	–
Insurance contracts measured using the modified retrospective approach (MRA) that existed at the transition date	8	–
All other insurance contracts	–2,308,862	–
Technical expenses	642,317	2,462
Incurred claims and other expenses for services in accordance with the insurance contract	509,305	–19,883
Amortisation of acquisition costs	133,012	–
Changes relating to past services	–	–
Changes relating to future services	–	22,345
Technical finance income or expenses	–24,397	20
of which from exchange rate fluctuations	–	–
Total change in the income statement and Other comprehensive income (OCI)	**–1,690,934**	**2,482**
Net income from cash flow	1,691,351	–
Premiums received	2,333,955	–
Claims payments and other expenses for services in accordance with the insurance contract	–449,806	–
Acquisition costs	–192,798	–
Net carrying amounts 31.12.2022	**213,458**	**26,241**
Insurance contracts issued that are liabilities 31.12.2022	**213,458**	**26,241**
Insurance contracts issued that are assets 31.12.2022	**–**	**–**

Provision for outstanding insurance claims (liability for incurred claims)			
Measurement under the building block approach (BBA)	Measurement under the premium allocation approach (PAA)		
	Estimation of the present value of future cash flow	Risk adjustment for non-financial risks	Total
1,009,824	**926,350**	**89,610**	**2,262,584**
–	**–**	**–**	**–**
1,009,824	**926,350**	**89,610**	**2,262,584**
658,469	796,479	–8,609	–217,736
–	–	–	–2,308,854
–	–	–	8
–	–	–	–2,308,862
658,469	796,479	–8,609	2,091,118
662,272	743,285	6,640	1,901,619
–	–	–	133,012
–3,803	53,194	–15,249	34,142
–	–	–	22,345
–68,105	–134,093	–13,711	–240,286
–	2,207	227	2,434
590,364	**662,386**	**–22,320**	**–458,022**
–772,249	–761,967	–	157,135
–	–	–	2,333,955
–772,249	–761,967	–	–1,984,022
–	–	–	–192,798
827,939	**826,769**	**67,290**	**1,961,697**
827,940	**826,769**	**67,290**	**1,961,698**
–1	**–**	**–**	**–1**

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

	Asset for remaining coverage	
	excluding loss reimbursement components	Loss reimbursement components
in € thousands		
Reinsurance contracts held that are liabilities 1.1.2023	**1,522**	**–137**
Reinsurance contracts held that are assets 1.1.2023	**40,478**	**–1,114**
Net carrying amount 1.1.2023	**42,000**	**–1,251**
Changes in the income statement and in Other comprehensive income (OCI)		
Net result from reinsurance contracts held	185,652	–248
Premiums ceded to reinsurers	185,652	–
Amounts recoverable from reinsurers for incurred claims	–	–248
Amounts recoverable for insurance claims incurred and other service-related expenses	–	–
Loss compensation for groups of onerous contracts and adjustments/reversals of these losses	–	–248
Changes in amounts recoverable for incurred claims	–	–
Technical finance income or expenses	–	–
of which changes in the risk of non-performance by reinsurers	–	–
of which from exchange rate fluctuations	–	–
Total change in the income statement and Other comprehensive income (OCI)	**185,652**	**–248**
Net income from cash flow	–197,920	–
Premiums ceded to reinsurers	–197,920	–
Payments reimbursed	–	–
Net carrying amounts 31.12.2023	**29,732**	**–1,499**
Reinsurance contracts held that are liabilities 31.12.2023	**1,351**	**–62**
Reinsurance contracts held that are assets 31.12.2023	**28,381**	**–1,437**

	Asset for incurred claims		
	Measurement under the premium allocation approach (PAA)		
	Estimation of the present value of future cash flow	Risk adjustment for non-financial risks	Total
	–14	**–**	**1,371**
	–253,290	**–9,543**	**–223,469**
	–253,304	**–9,543**	**–222,098**
	–187,998	972	–1,622
	–	–	185,652
	–187,998	972	–187,274
	–156,288	–1,568	–157,856
	–	–	–248
	–31,710	2,540	–29,170
	–10,724	–602	–11,326
	–801	–	–801
	3	–	3
	–198,722	**370**	**–12,948**
	150,858	–	–47,062
	–	–	–197,920
	150,858	–	150,858
	–301,168	**–9,173**	**–282,108**
	–338	**–39**	**912**
	–300,830	**–9,134**	**–283,020**

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

	Asset for remaining coverage	
	excluding loss reimbursement components	Loss reimbursement components
in € thousands		
Reinsurance contracts held that are liabilities 1.1.2022	**2,421**	**–43**
Reinsurance contracts held that are assets 1.1.2022	**84,407**	**–847**
Net carrying amount 1.1.2022	**86,828**	**–890**
Changes in the income statement and in Other comprehensive income (OCI)		
Net result from reinsurance contracts held	131,724	–361
Premiums ceded to reinsurers	131,724	–
Amounts recoverable from reinsurers for incurred claims	–	–361
Amounts recoverable for insurance claims incurred and other service-related expenses	–	–
Loss compensation for groups of onerous contracts and adjustments/reversals of these losses	–	–361
Changes in amounts recoverable for incurred claims	–	–
Technical finance income or expenses	–	–
of which changes in the risk of non-performance by reinsurers	–	–
of which from exchange rate fluctuations	–	–
Total change in the income statement and Other comprehensive income (OCI)	**131,724**	**–361**
Net income from cash flow	–176,552	–
Premiums ceded to reinsurers	–176,552	–
Payments reimbursed	–	–
Net carrying amount 31.12.2023	**42,000**	**–1,251**
Reinsurance contracts held that are liabilities 31.12.2022	**1,522**	**–137**
Reinsurance contracts held that are assets 31.12.2022	**40,478**	**–1,114**

	Asset for incurred claims		
	Measurement under the premium allocation approach (PAA)		
	Estimation of the present value of future cash flow	Risk adjustment for non-financial risks	Total
	–634	**–1**	**1,743**
	–462,849	**–13,936**	**–393,225**
	–463,483	**–13,937**	**–391,482**
	–94,944	2,677	39,096
	–	–	131,724
	–94,944	2,677	–92,628
	–63,596	–800	–64,396
	–	–	–361
	–31,348	3,477	–27,871
	20,026	1,717	21,743
	63	–	63
	–14	–1	–15
	–74,918	**4,394**	**60,839**
	285,097	–	108,545
	–	–	–176,552
	285,097	–	285,097
	–253,304	**–9,543**	**–222,098**
	–14	**–**	**1,371**
	–253,290	**–9,543**	**–223,469**

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

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

Insurance contracts issued by measurement components
Life and Health Insurance 2023

in € thousands	Estimation of the present value of future cash flow	Risk adjustment for non-financial risks
Insurance contracts issued that are liabilities 1.1.2023	**26,924,922**	**206,038**
Insurance contracts issued that are assets 1.1.2023	**–155,799**	**4,314**
Net carrying amount 1.1.2023	**26,769,123**	**210,352**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	–721,094	40,247
Changes relating to current services	11,760	–5,624
Changes in the contractual service margin (CSM) through profit or loss	–	–
Changes to the risk adjustment for non-financial risks	–	–5,624
Changes due to experience adjustments	11,760	–
Changes relating to future services	–730,484	45,399
Changes in estimates that adjust the contractual service margin (CSM)	–678,078	40,295
Changes due to effects of contracts recognised for the first time in the period	–52,406	5,104
Changes relating to past services	–2,370	472
Change in obligation for incurred claims	–2,370	472
Technical finance income or expenses	2,192,853	–
Total change in the income statement and Other comprehensive income (OCI)	**1,471,759**	**40,247**
Net income from cash flow	–701,067	–
Premiums received	2,168,668	–
Claims payments and other expenses for services in accordance with the insurance contract	–2,686,126	–
Acquisition costs	–183,609	–
Other changes	–70,266	–
Net carrying amount 31.12.2023	**27,469,549**	**250,599**
Insurance contracts issued that are liabilities 31.12.2023	**27,592,247**	**246,608**
Insurance contracts issued that are assets 31.12.2023	**–122,698**	**3,991**

	Contractual service margin (CSM)		
	Insurance contracts that existed at the transition date and for which the modified retrospective approach (MRA) was applied	All other insurance contracts	Total
	1,161,617	**41,775**	**28,334,352**
	75,855	**4,267**	**–71,363**
	1,237,472	**46,042**	**28,262,989**
	478,910	83,352	–118,585
	–115,648	–7,175	–116,687
	–115,648	–7,175	–122,823
	–	–	–5,624
	–	–	11,760
	594,558	90,527	–
	594,558	43,225	–
	–	47,302	–
	–	–	–1,898
	–	–	–1,898
	–	–	2,192,853
	478,910	**83,352**	**2,074,268**
	–	–	–701,067
	–	–	2,168,668
	–	–	–2,686,126
	–	–	–183,609
	–	–	–70,266
	1,716,382	**129,394**	**29,565,924**
	1,641,762	**122,040**	**29,602,657**
	74,620	**7,354**	**–36,733**

Insurance contracts issued by measurement components
Life and Health Insurance 2022

in € thousands	Estimation of the present value of future cash flow	Risk adjustment for non-financial risks
Insurance contracts issued that are liabilities 1.1.2022	**35,336,663**	**473,755**
Insurance contracts issued that are assets 1.1.2022	**−224,754**	**13,688**
Net carrying amount 1.1.2022	**35,111,909**	**487,443**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	−13,415	−277,091
Changes relating to current services	1,886	−31,784
Changes in the contractual service margin (CSM) through profit or loss	–	–
Changes to the risk adjustment for non-financial risks	–	−31,784
Changes due to experience adjustments	1,886	–
Changes relating to future services	3,289	−245,440
Changes in estimates that adjust the contractual service margin (CSM)	59,882	−256,397
Changes due to effects of contracts recognised for the first time in the period	−56,593	10,957
Changes relating to past services	−18,590	133
Change in obligation for incurred claims	−18,590	133
Technical finance income or expenses	−7,665,840	–
Total change in the income statement and Other comprehensive income (OCI)	**−7,679,255**	**−277,091**
Net income from cash flow	−668,356	–
Premiums received	2,162,484	–
Claims payments and other expenses for services in accordance with the insurance contract	−2,640,083	–
Acquisition costs	−190,757	–
Other changes	4,825	–
Net carrying amount 31.12.2022	**26,769,123**	**210,352**
Insurance contracts issued that are liabilities 31.12.2022	**26,924,922**	**206,038**
Insurance contracts issued that are assets 31.12.2022	**−155,799**	**4,314**

Contractual service margin (CSM)		
Insurance contracts that existed at the transition date and for which the modified retrospective approach (MRA) was applied	All other insurance contracts	Total
1,038,661	**–**	**36,849,079**
94,631	**–**	**–116,435**
1,133,292	**–**	**36,732,644**
104,180	46,042	–140,284
–88,952	–2,977	–121,827
–88,952	–2,977	–91,929
–	–	–31,784
–	–	1,886
193,132	49,019	–
193,132	3,383	–
–	45,636	–
–	–	–18,457
–	–	–18,457
–	–	–7,665,840
104,180	**46,042**	**–7,806,124**
–	–	–668,356
–	–	2,162,484
–	–	–2,640,083
–	–	–190,757
–	–	4,825
1,237,472	**46,042**	**28,262,989**
1,161,617	**41,775**	**28,334,352**
75,855	**4,267**	**–71,363**

The expected excess return for the reporting period/the change in the entity’s share of the fair value of the underlying items in the mid-single-digit million range in the 2023 financial year and the previous year were recognised in the technical result through changes in the contractual service margin (CSM) through profit or loss (for more information, see section entitled “Initial application of IFRS 17 Insurance Contracts”).

Reinsurance contracts held by measurement components
Life and Health Insurance 2023

in € thousands	Estimation of the present value of future cash flow	Risk adjustment for non-financial risks
Reinsurance contracts held that are liabilities 1.1.2023	**–**	**–**
Reinsurance contracts held that are assets 1.1.2023	**185,456**	**–2,932**
Net carrying amount 1.1. 2023	**185,456**	**–2,932**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	35,128	2,673
Changes relating to current services	691	125
Changes in the contractual service margin (CSM) through profit or loss	–	–
Changes to the risk adjustment for non-financial risks	–	125
Changes due to experience adjustments	691	–
Changes relating to future services	34,437	2,548
Changes in estimates that adjust the contractual service margin (CSM)	34,437	2,548
Technical finance income or expenses	3,143	–
Total change in the income statement and Other comprehensive income (OCI)	**38,271**	**2,673**
Net income from cash flow	–6,564	–
Premiums ceded to reinsurers	–18,229	–
Payments reimbursed	11,665	–
Net carrying amount 31.12.2023	**217,163**	**–259**
Reinsurance contracts held that are liabilities 31.12.2023	**–**	**–**
Reinsurance contracts held that are assets 31.12.2023	**217,163**	**–259**

	Contractual service margin (CSM)		
	Insurance contracts that existed at the transition date and for which the modified retrospective approach (MRA) was applied	All other insurance contracts	Total
	–	**–**	**–**
	–	**−232,502**	**−49,978**
	–	**−232,502**	**−49,978**
	–	−21,419	16,382
	–	15,566	16,382
	–	15,566	15,566
	–	–	125
	–	–	691
	–	−36,985	–
	–	−36,985	–
	–	−62	3,081
	–	**−21,481**	**19,463**
	–	–	−6,564
	–	–	−18,229
	–	–	11,665
	–	**−253,983**	**−37,079**
	–	**–**	**–**
	–	**−253,983**	**−37,079**

Reinsurance contracts held by measurement components Life and Health Insurance 2022

in € thousands	Estimation of the present value of future cash flow	Risk adjustment for non-financial risks
Reinsurance contracts held that are liabilities 1.1.2022	**253,272**	**–4,596**
Reinsurance contracts held that are assets 1.1.2022	**–**	**–**
Net carrying amount 1.1.2022	**253,272**	**–4,596**
Changes in the income statement and in Other comprehensive income (OCI)		
Net result from reinsurance contracts held	7,991	1,664
Changes relating to current services	–3,226	326
Changes in the contractual service margin (CSM) through profit or loss	–	–
Changes to the risk adjustment for non-financial risks	–	326
Changes due to experience adjustments	–3,226	–
Changes relating to future services	11,217	1,338
Changes in estimates that adjust the contractual service margin (CSM)	11,217	1,338
Technical finance income or expenses	–66,669	–
Total change in the income statement and Other comprehensive income (OCI)	**–58,678**	**1,664**
Net income from cash flow	–9,138	–
Premiums ceded to reinsurers	–21,599	–
Payments reimbursed	12,461	–
Net carrying amount 31.12.2022	**185,456**	**–2,932**
Reinsurance contracts held that are liabilities 31.12.2022	**–**	**–**
Reinsurance contracts held that are assets 31.12.2022	**185,456**	**–2,932**

	Contractual service margin (CSM)		
	Insurance contracts that existed at the transition date and for which the modified retrospective approach (MRA) was applied	All other insurance contracts	Total
	–	**−234,317**	**14,359**
	–	**–**	**–**
	–	**−234,317**	**14,359**
	–	1,586	11,241
	–	14,140	11,240
	–	14,140	14,140
	–	–	326
	–	–	−3,226
	–	−12,554	1
	–	−12,554	1
	–	229	−66,440
	–	**1,815**	**−55,199**
	–	–	−9,138
	–	–	−21,599
	–	–	12,461
	–	**−232,502**	**−49,978**
	–	**–**	**–**
	–	**−232,502**	**−49,978**

Insurance contracts issued by measurement components Property/Casualty Insurance 2023

in € thousands	Estimation of the present value of future cash flow	Risk adjustment for non-financial risks
Insurance contracts issued that are liabilities 1.1.2023	**670,365**	**62,875**
Insurance contracts issued that are assets 1.1.2023	**–**	**–**
Net carrying amount 1.1.2023	**670,365**	**62,875**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	–145,928	2,739
Changes relating to current services	57,991	–20,280
Changes in the contractual service margin (CSM) through profit or loss	–	–
Changes to the risk adjustment for non-financial risks	–	–20,280
Changes due to experience adjustments	57,991	–
Changes relating to future services	–243,113	34,102
Changes in estimates that adjust the contractual service margin (CSM)	–30,072	2,655
Changes in estimates that do not adjust the contractual service margin (CSM)	–5,001	650
Changes due to effects of contracts recognised for the first time in the period	–208,040	30,797
Changes relating to past services	39,194	–11,083
Change in obligation for incurred claims	39,194	–11,083
Technical finance income or expenses	46,477	3,788
Total change in the income statement and Other comprehensive income (OCI)	**–99,451**	**6,527**
Net income from cash flow	268,784	–
Premiums received	1,526,431	–
Claims payments and other expenses for services in accordance with the insurance contract	–1,083,799	–
Acquisition costs	–173,848	–
Net carrying amount 31.12.2023	**839,698**	**69,402**
Insurance contracts issued that are liabilities 31.12.2023	**839,699**	**69,402**
Insurance contracts issued that are assets 31.12.2023	**–1**	**–**

	Contractual service margin (CSM)		
	Insurance contracts that existed at the transition date and for which the modified retrospective approach (MRA) was applied	All other insurance contracts	Total
	–	**263,569**	**996,809**
	–	**–**	**–**
	–	**263,569**	**996,809**
	–	26,412	–116,777
	–	–192,653	–154,942
	–	–192,653	–192,653
	–	–	–20,280
	–	–	57,991
	–	219,065	10,054
	–	27,417	–
	–	–	–4,351
	–	191,648	14,405
	–	–	28,111
	–	–	28,111
	–	7,460	57,725
	–	**33,872**	**–59,052**
	–	–	268,784
	–	–	1,526,431
	–	–	–1,083,799
	–	–	–173,848
	–	**297,441**	**1,206,541**
	–	**297,441**	**1,206,542**
	–	**–**	**–1**

Insurance contracts issued by measurement components Property/Casualty Insurance 2022

in € thousands	Estimation of the present value of future cash flow	Risk adjustment for non-financial risks
Insurance contracts issued that are liabilities 1.1.2022	**818,721**	**77,438**
Insurance contracts issued that are assets 1.1.2022	**–**	**–**
Net carrying amount 1.1.2022	**818,721**	**77,438**
Changes in the income statement and in Other comprehensive income (OCI)		
Technical result	–179,574	–8,611
Changes relating to current services	–33,007	–20,337
Changes in the contractual service margin (CSM) through profit or loss	–	–
Changes to the risk adjustment for non-financial risks	–	–20,337
Changes due to experience adjustments	–33,007	–
Changes relating to future services	–155,578	24,540
Changes in estimates that adjust the contractual service margin (CSM)	31,652	–1,838
Changes in estimates that do not adjust the contractual service margin (CSM)	6,533	–1,275
Changes due to effects of contracts recognised for the first time in the period	–193,763	27,653
Changes relating to past services	9,011	–12,814
Change in obligation for incurred claims	9,011	–12,814
Technical finance income or expenses	–85,987	–5,952
Total change in the income statement and Other comprehensive income (OCI)	**–265,561**	**–14,563**
Net income from cash flow	117,072	–
Premiums received	1,315,876	–
Claims payments and other expenses for services in accordance with the insurance contract	–1,067,505	–
Acquisition costs	–131,299	–
Other changes	133	–
Net carrying amount 31.12.2022	**670,365**	**62,875**
Insurance contracts issued that are liabilities 31.12.2022	**670,365**	**62,875**
Insurance contracts issued that are assets 31.12.2022	**–**	**–**

	Contractual service margin (CSM)		
	Insurance contracts that existed at the transition date and for which the modified retrospective approach (MRA) was applied	All other insurance contracts	Total
	–	**278,658**	**1,174,817**
	–	**–**	**–**
	–	**278,658**	**1,174,817**
	–	–14,546	–202,731
	–	–167,443	–220,787
	–	–167,443	–167,443
	–	–	–20,337
	–	–	–33,007
	–	152,897	21,859
	–	–29,814	–
	–	–	5,258
	–	182,711	16,601
	–	–	–3,803
	–	–	–3,803
	–	–543	–92,482
	–	**–15,089**	**–295,213**
	–	–	117,072
	–	–	1,315,876
	–	–	–1,067,505
	–	–	–131,299
	–	–	133
	–	**263,569**	**996,809**
	–	**263,569**	**996,809**
	–	**–**	**–**

The following tables present an analysis of the technical income recognised in the period for insurance contracts issued using the building block approach (BBA) and the variable fee approach (VFA):

Life and Health Insurance

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Amounts in connection with the changes in the provision for future policy benefits	**1,059,323**	**987,562**
Expected technical expenses	905,316	882,687
Changes to the risk adjustment for non-financial risks	5,624	31,784
Release of the contractual service margin (CSM) recognised in profit or loss	122,823	91,929
Changes due to experience adjustments and other changes	25,560	–18,838
Share of the premium for the amortisation of acquisition costs	**159,827**	**163,496**
Technical income	**1,219,150**	**1,151,058**

Property/Casualty Insurance

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Amounts in connection with the changes in the provision for future policy benefits	**1,328,744**	**1,158,742**
Expected technical expenses	1,117,231	957,403
Changes to the risk adjustment for non-financial risks	30,050	27,058
Release of the contractual service margin (CSM) recognised in profit or loss	192,653	167,443
Changes due to experience adjustments and other changes	–11,190	6,838
Share of the premium for the amortisation of acquisition costs	**149,578**	**133,012**
Technical income	**1,478,322**	**1,291,754**

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

New business – life and health insurance contracts issued 1.1.2023 to 31.12.2023

in € thousands	Total	of which onerous contracts
Estimation of the present value of future cash outflows	1,369,267	–
Estimation of the present value of acquisition costs	139,486	–
Estimation of the present value of other future cash outflows	1,229,781	–
Estimation of the present value of future cash inflows	–1,421,673	–
Risk adjustment for non-financial risks	5,104	–
Contractual service margin	47,302	–
Increase/decrease in provision for future policy benefits/asset for remaining coverage due to contracts recognised in the period	**–**	**–**

New business – life and health insurance contracts issued 1.1.2022 to 31.12.2022

in € thousands	Total	of which onerous contracts
Estimation of the present value of future cash outflows	1,577,345	–
Estimation of the present value of acquisition costs	140,304	–
Estimation of the present value of other future cash outflows	1,437,041	–
Estimation of the present value of future cash inflows	-1,633,938	–
Risk adjustment for non-financial risks	10,957	–
Contractual service margin	45,636	–
Increase/decrease in provision for future policy benefits/asset for remaining coverage due to contracts recognised in the period	**–**	**–**

New business – property/casualty insurance contracts issued 1.1.2023 to 31.12.2023

in € thousands	Total	of which onerous contracts
Estimation of the present value of future cash outflows	1,248,792	325,807
Estimation of the present value of acquisition costs	135,022	24,960
Estimation of the present value of other future cash outflows	1,113,770	300,847
Estimation of the present value of future cash inflows	−1,456,832	−321,800
Risk adjustment for non-financial risks	30,797	10,594
Contractual service margin	191,648	−70
Increase/decrease in provision for future policy benefits/asset for remaining coverage due to contracts recognised in the period	**14,405**	**14,531**

New business – property/casualty insurance contracts issued 1.1.2022 to 31.12.2022

in € thousands	Total	of which onerous contracts
Estimation of the present value of future cash outflows	1,080,629	306,761
Estimation of the present value of acquisition costs	121,940	24,401
Estimation of the present value of other future cash outflows	958,689	282,360
Estimation of the present value of future cash inflows	−1,274,392	−300,848
Risk adjustment for non-financial risks	27,653	10,772
Contractual service margin	182,711	–
Increase/decrease in provision for future policy benefits/asset for remaining coverage due to contracts recognised in the period	**16,601**	**16,685**

The following table shows when the W&W Group expects to recognise the remaining contractual service margin (CSM) from insurance business in the consolidated income statement through profit or loss at the end of the reporting period.

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

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

	Insurance contracts issued	Reinsurance contracts held	Insurance contracts issued	Reinsurance contracts held
in € thousands		31.12.2023		31.12.2022
1 to 5 years	528,802	-77,346	374,493	-71,287
5 to 10 years	393,426	-53,815	269,554	-49,070
10 to 15 years	286,352	-41,039	192,152	-37,345
15 to 20 years	208,678	-30,421	140,799	-27,742
more than 20 years	428,518	-51,362	306,516	-47,058
Total	**1,845,776**	**-253,983**	**1,283,514**	**-232,502**

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

	Insurance contracts issued	Reinsurance contracts held	Insurance contracts issued	Reinsurance contracts held
in € thousands		31.12.2023		31.12.2022
1 year or less	122,143	–	107,214	–
1 to 2 years	74,631	–	66,661	–
2 to 3 years	52,729	–	46,739	–
3 to 4 years	32,388	–	29,282	–
4 to 5 years	14,195	–	12,445	–
5 to 10 years	1,355	–	1,228	–
more than 10 years	–	–	–	–
Total	**297,441**	**–**	**263,569**	**–**

(45) Disclosures on technical finance income or expenses

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

Underlying items for insurance contracts prior to consolidation

in € thousands	31.12.2023	31.12.2022
Cash reserve	38,790	63,793
Shares in affiliated companies	12,213,716	12,091,041
Financial assets at fair value through profit or loss	4,814,501	4,422,301
Financial assets at fair value through other comprehensive income (OCI)	9,689,521	9,685,001
Financial assets at amortised cost	2,062,757	1,552,272
Financial assets accounted for under the equity method	65,799	64,943
Investment property	2,039,902	1,962,153
Other assets	16,376	11,773
Underlying items included in assets	**30,941,362**	**29,853,277**
Financial liabilities at fair value through profit or loss	10,017	13,165
Liabilities	182,431	412,680
Other provisions	101,419	94,988
Other liabilities	1,998	1,232
Subordinated capital	504,778	509,438
Equity	607,967	517,009
Underlying items included in equity and liabilities	**1,408,610**	**1,548,512**

The following table analyses the components of the total net financial result recognised in the consolidated income statement and in other comprehensive income (OCI) separately for the Life and Health and Property/Casualty Insurance segments.

Life and Health Insurance

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Net investment income/expense	**2,274,122**	**–7,644,696**
of which recognised in the income statement	1,096,533	–195,442
Current net financial result	911,437	850,844
Net income/expense from risk provision	–881	2,091
Net measurement gain/loss	268,815	–1,150,784
of which net currency income/expense	–130,001	–88,111
Net income from disposals	–82,838	102,407
of which recognised in other comprehensive income (OCI)	1,177,589	–7,449,254
Net technical financial result	**–2,195,934**	**7,732,279**
Insurance finance income or expenses from insurance contracts issued (gross)	–2,192,853	7,665,840
Changes in the fair value of underlying items	–2,192,853	7,665,840
of which recognised in the income statement	–1,067,306	189,643
of which recognised in other comprehensive income (OCI)	–1,125,547	7,476,197
of which: Insurance finance expenses from reinsurance contracts held	–3,081	66,439
Unwinding of discount using the locked-in yield curve	–	6
Changes in the current yield curve and other financial assumptions	–7,721	66,074
Effect of using different discount rates (current versus locked-in yield curve)	4,640	359
of which recognised in the income statement	–	6
of which recognised in other comprehensive income (OCI)	–3,081	66,434
Total net financial result	**78,188**	**87,583**
of which recognised in the income statement	–1,067,306	–5,793
of which recognised in other comprehensive income (OCI)	48,961	93,377

Property/Casualty Insurance

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Net investment income/expense	**121,562**	**−79,355**
of which recognised in the income statement	73,198	18,005
Current net financial result	78,919	95,575
Net income/expense from risk provision	−189	116
Net measurement gain/loss	1,783	−63,302
of which net currency income/expense	−13,763	−11,879
Net income from disposals	−7,315	−14,384
of which recognised in other comprehensive income (OCI)	48,364	−97,360
Net technical financial result	**−101,727**	**218,544**
Insurance finance income or expenses from insurance contracts issued (gross)	−113,053	240,286
Unwinding of discount using the locked-in yield curve	−31,654	−383
Changes in the yield curve and other financial assumptions	−43,928	238,676
Effect of using different discount rates (current versus locked-in yield curve)	−38,594	1,993
Effect of exchange rate fluctuations	1,123	–
of which recognised in the income statement	−30,412	−2,846
of which recognised in other comprehensive income (OCI)	−82,641	243,132
of which: Insurance finance expenses from reinsurance contracts held	11,326	−21,742
Unwinding of discount using the locked-in yield curve	2,733	−289
Changes in the current yield curve and other financial assumptions	3,770	−42,028
Effect of using different discount rates (current versus locked-in yield curve)	4,023	20,638
Changes in the risk of non-performance by reinsurers	800	−63
of which recognised in the income statement	3,532	−335
of which recognised in other comprehensive income (OCI)	7,794	−21,407
Total net financial result	**19,835**	**139,189**
of which recognised in the income statement	46,318	14,824
of which recognised in other comprehensive income (OCI)	-26,483	124,365

(46) Disclosures on retrospective application

The following table summarises the change in the reserve for financial assets at fair value through other comprehensive income (OCI), which relates to insurance contracts evaluated not with the Full Retrospective Approach (FRA) at the transition date as at 1 January 2022.

Development of the reserve for financial assets at fair value through other comprehensive income

in € thousands	2023	2022
Opening balance as at 1.1.	**−6,279,778**	**1,271,734**
Changes at fair value	1,412,007	−7,250,424
Reclassification in the income statement	16,502	−301,088
Closing balance as at 31.12.	**−4,851,269**	**−6,279,778**

Disclosures concerning risks under financial instruments and insurance contracts

(47) Risk management

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

The risk management and controlling system comprises the totality of all organisational regulations and measures that have been established to identify risks at an early stage and to handle the risks associated with business activity. Risk controlling is a part of risk management and includes the assessment, measurement, monitoring and reporting of the risks encountered by the entities assuming them. It also monitors risk governance measures. The W&W Group's risk management pursues the following **overarching objectives**:

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

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

At least once a year, we review the structure of our risk management system to determine whether any adjustments need to be made and document this in the risk strategy, risk management guidelines, technical policies and work procedures. Principles and organisation remained unchanged compared with the previous year.

The **integrated risk strategy** establishes the strategic framework of the risk management system of the W&W Group (W&W financial conglomerate), the Solvency II group (insurance group) and Wüstenrot & Württembergische AG. The risk management system is an integral component of a proper and effective business organisation. As part of this framework, definitions are established for risk appetite, which derived from the business strategy and the risk profile, for the overall risk objectives and for the application of consistent standards, methods, procedures and tools.

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

Within the organisational and operational structure, the individual areas of responsibility for all the following committees as well as their interfaces and reporting lines among one another are defined, thus ensuring the regular and timely flow of information across all levels of the W&W Group.

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

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

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

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

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

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

Risk identification. Risks are systematically identified in the course of the annual risk inventory and during reviews of the risk situation throughout the year, as warranted by events. Assumed or potential risks are recorded and documented in a software application. Risks are separated into material and immaterial risks using defined threshold values. Also evaluated is the extent to which individual risks can take on a material character through interaction or accumulation (risk concentrations). This makes a decisive contribution to promoting an appropriate risk culture.

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

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

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

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

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

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

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

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

Risk taking and risk governance. We define risk governance as the operational implementation of risk strategies in the risk-bearing business units. The decision to assume risk is made within the scope of business strategy and risk strategy requirements by the decision-making body in each individual company. Based on the risk strategy, the respective specialist sections at our individual operating companies manage their own risk positions. Thresholds, signal systems, and limit and line systems are used to support risk governance. If the specified thresholds are exceeded, predefined actions or escalation processes are initiated. As a rule, the entity that assumed the risks is responsible for governing and controlling them. It decides on products, transactions and risk-management measures in the first line of defence. In this context, it must be ensured that the assumed risks are in compliance with the risk strategy of the W&W Group or the risk profile specified by one of its companies and whether the risk-bearing capacity as well as specified risk limits and risk lines are observed. Risk-taking and risk-monitoring tasks are strictly separated in terms of function. Key management parameters at Group level are the consolidated net profit and division-specific indicators. In order to link earnings management with risk governance, we conduct supplementary analyses for the purpose of value-oriented management. For us, this includes, inter alia, a present value earnings perspective, optimisation and allocation of capital and internal risk governance.

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

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

In addition, in accordance with the requirements for managing the statement of financial position and the income statement, specific risk models oriented toward them are applied at the level of the individual companies. While the economic risk-bearing capacity concept and the statement of financial position risk models are developed and parameterised internally, the regulatory procedure follows the externally specified methodology.

Risk monitoring. In order to identify risks early on, risk indicators are employed to monitor changes in the risk situation. Such indicators include financial and risk indicators (e.g. risk-bearing capacity ratios, limit utilisations), supervisory indicators (e.g., capital ratios, liquidity coverage ratio) and market indicators (e.g. stock prices, credit spreads). Material, quantifiable risks are controlled by means of limits and lines. Business is transacted solely within the scope of these limits and lines. Limits are set at most in the amount that permits compliance with the respective minimum ratios for economic risk-bearing capacity even where the limits are maxed out. By creating a corresponding limit and line system, risk concentrations in particular are limited both at the level of the individual company and at the level of the financial conglomerate. The monitoring of risks, which is independent of the assumption of risks, primarily takes place at the level of the individual undertaking. Any material risks that apply at the Group level or across companies are additionally monitored at the Group level. Monitoring activities are used to develop recommendations for action, which lead to corrective intervention being taken early on with respect to the objectives set forth in the business and risk strategy and are subject to corresponding measures controlling.

Risk reporting. Using established reporting processes, regular and timely reports are generated about the risk position of various groups or individual companies. In this regard, the flow of information concerning the risk situation of the individual companies in the W&W Group is accomplished through internal risk reporting, risk inventory and calculation of risk-bearing capacity. The results of the companies affiliated with the Group are transmitted to the risk controlling function responsible for the W&W Group, which then aggregates them and analyses them for their impact on the W&W Group.

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

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

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

In managing the risk profile, attention is given to avoiding **risk concentrations** from financial instruments and insurance contracts in order to maintain a balanced risk profile. In addition, in connection with risk governance, an effort is made to achieve an appropriate relationship between the risk capital requirements of the risk areas in order to limit susceptibility to individual risks.

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

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

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

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

Investments are deliberately made in individual asset classes (shares, participations, bonds) as part of the strategic asset allocation. As a financial conglomerate, the W&W Group is influenced to an extensive degree by a variety of external factors (e.g. current interest rate environment, changed customer behaviour, digitalisation, regulatory pressure, industry reputation). Adequate instruments and methods are in place to manage concentrations. We counter concentrations in the area of capital investments, inter alia, through diversification, the use of limit and line systems, and the monitoring of exposure concentrations. In lending and insurance business, we apply clearly defined acceptance and underwriting policies and purchase appropriate reinsurance coverage from various providers with good credit ratings.

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

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

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

For further information about risk management in the W&W Group, please see the risk reporting in the management report.

(48) Market price risks

Interest rate change risks

Interest rate change risk, which is a part of interest rate risk and a form of market price risk, describes the possibility that assets and/or liabilities held in interest-bearing securities may change in value due to a change in market interest rate curves. The interest rate change risk results from the market value risk of capital investments in conjunction with the obligation to generate the guaranteed interest and the guaranteed surrender values for policyholders.

The current interest rates and associated negative impact on reserves present risks for the W&W Group (in particular at Württembergische Lebensversicherung AG and Wüstenrot Bausparkasse AG) from a net income perspective and an economic perspective.

In the event of a further rise in interest rates or a comparable widening of the credit spread, there would be increased expenses on the assets side or a negative impact on other comprehensive income (OCI). However, the scenario would have a positive impact on asset-liability mismatches in the medium to long term since it would reopen the possibility of making new investments and reinvestments at higher interest rates.

A decline in interest rates, on the other hand, would have positive short-term effects on earnings due to the mark-to-market valuation of financial instruments measured at fair value in accordance with IFRS 9. At the same time, assumed obligations would present medium-to long-term risks since new investments and reinvestments can only be made at a lower interest rate. This would present additional risks since the asset-liability mismatch would be increased and reserves might have to be realised to meet future customer claims.

The interest rate change risk of financial instruments is determined by the exposure of interest-bearing investments, which is described in section “Counterparty credit risk” of the Risk Report. The interest rate change risk of insurance and reinsurance contracts depends on factors that include the exposure of technical liabilities. The exposure for life and health insurance totalled €29,604.8 million (previous year: €28,335.7 million) and for property/casualty insurance €2,295.0 million (previous year: €1,963.1 million.

Financial derivatives are used in the W&W Group to manage interest rate risk. Derivative management instruments primarily consist of interest rate swaps and futures. They are predominantly used to hedge interest rate risks, but also to reduce risk concentrations.

If these economic hedges meet the requirements for hedge accounting, the hedges for the Housing division are also depicted as such in the IFRS consolidated financial statements. At our home loan and savings bank, losses in asset value are hedged from an economic perspective at both the individual transaction level and the portfolio level (fair value hedge).

The effects that a potential change in the interest rate level by +/- 100 basis points (parallel shifting of the interest structure curve) would have on the consolidated income statement and on other comprehensive income are depicted in the following table. The table has been adjusted compared to the previous year, as the sensitivities of insurance and reinsurance contracts (IFRS 17) are now also shown in addition to the sensitivities of financial instruments (IFRS 7). Due to the data used for internal management purposes and our current estimates, the sensitivity of +200 basis points is no longer shown.

The changes of financial instruments in the consolidated income statement are due, in particular, to derivative positions and fixed-income securities of Wüstenrot Bausparkasse AG. The direction of the sensitivity analysis has changed compared to the previous year, primarily due to a further reduction in Wüstenrot Bausparkasse AG’s hedging against rising interest rates. The changes in other comprehensive income are primarily attributable to developments in bonds, including debenture bonds, of Wüstenrot Bausparkasse AG and Württembergische Lebensversicherung AG. For the Insurance division, the main factor affecting both the consolidated income statement and net income recognised directly in equity was a reduction in forward purchases.

With respect to net income for the period and to net income recognised in other comprehensive income, there is no asset value-oriented interest rate change risk for debt securities and construction loans that are carried at amortised cost.

Interest rate change risk +/- 100 basis points: net effect after deferred taxes

31.12.2023	Change in the consolidated income statement		Change in other comprehensive income	
in € thousands	Increase	Decrease	Increase	Decrease
Insurance and reinsurance contracts	81,900	-87,565	2,131,262	-2,810,915
Financial instruments	-18,089	27,644	-1,762,198	2,262,890
Total	**63,811**	**-59,921**	**369,064**	**-548,025**

Interest rate change risk +/- 100 basis points: net effect after deferred taxes

31.12.2022	Change in the consolidated income statement		Change in other comprehensive income	
in € thousands	Increase	Decrease	Increase	Decrease
Insurance and reinsurance contracts	51,105	-48,214	2,069,941	-2,705,489
Financial instruments	7,850	-18,135	-1,657,646	2,113,240
Total	**58,955**	**-66,349**	**412,295**	**-592,249**

Risk of changes in the prices of equity instruments

The price change risk of equity instruments includes general market movements that can adversely affect assets and thus income and/or equity as well as the specific risk that is characterised by issuer-related aspects. In the W&W Group, the price change risk of equity instruments is mainly characterised by equity and participation risk. Equity risk is the risk that losses may result from the change in the prices of open equity positions. Participation risk is the risk that losses may result from negative value changes regarding participations, from the cancellation of dividends or from the need to pay income subsidies. The risk of changes in the prices of equity instruments is managed through equity options and futures.

The following overview shows the effects that a 10% increase or decrease in the market value of equity instruments would have on the consolidated income statement. The table has been adjusted compared to the previous year as the sensitivities of insurance and reinsurance contracts (IFRS 17) are now also shown in addition to the sensitivities of financial instruments (IFRS 7). Due to the data used for internal management purposes and our current estimates, the sensitivity of +/- 20 per cent is no longer shown.

In life and health insurance, changes in the underlying reference values (in particular in the capital investments) have an impact on the technical result. The changes are affected, in particular, by equity positions, participations and alternative investments of Württembergische Versicherung AG and Württembergische Lebensversicherung AG. Also having an effect are equity positions and participations of W&W AG, as well as corresponding positions in fund portfolios. Detailed information on the underlying reference values and their fair values is shown in Note 45.

The price change risk of financial instruments is primarily determined by the equity holdings and the exposure to alternative investments, which are presented in the section "Market price risk" of the Risk Report. The price change risk of insurance and reinsurance contracts depends, in particular, on the exposure of technical liabilities in life and health insurance amounting to €29,604.8 million (previous year: €28,335.7 million).

Price change risk +/ 10%: net effect after deferred taxes

31.12.2023	Change in the consolidated income statement	
in € thousands	Increase	Decrease
Insurance and reinsurance contracts	–209,124	207,049
Financial instruments	311,522	–308,506
Total	**102,398**	**–101,457**

Price change risk +/ 10%: net effect after deferred taxes

31.12.2022	Change in the consolidated income statement	
in € thousands	Increase	Decrease
Insurance and reinsurance contracts	–192,731	202,830
Financial instruments	279,946	–288,689
Total	**87,215**	**–85,859**

Exchange rate risks

Exchange rate risk describes possible losses from changes in exchange rates. The extent of this risk depends on the number of open positions and on the potential that the relevant currency will experience a rate change.

The effects that an increase or decrease in key exchange rates would have on the consolidated income statement and on other comprehensive income (OCI) are depicted in the following table. The table has been adjusted compared to the previous year as the sensitivities of insurance and reinsurance contracts (IFRS 17) are now also shown in addition to the sensitivities of financial instruments (IFRS 7). Due to the data used for internal management purposes and our current estimates, the sensitivity of +/- 20% to the US dollar and the sensitivity to the Danish krone is no longer shown. Also shown is the sensitivity of insurance and reinsurance contracts to the British pound.

The depicted exchange rate risk results from both asset and liability positions and includes only monetary assets, i.e. means of payment and claims denominated in amounts of money, as well as obligations that have to be settled with a fixed or determinable amount of money. The exchange rate risk associated with equity instruments (non-monetary assets) is not included.

Foreign exchange risk for financial instruments is determined by the foreign currency exposure, which is presented in section "Market price risk" of the Risk Report. The foreign exchange risk of insurance and reinsurance contracts is primarily related to the exposure of technical liabilities in property/casualty insurance for business written by the UK branch up to and including 2007 amounting to €37.5 million (previous year: €41.8 million).

Exchange change risk US dollar +/- 10%, British pound +/- 5%: net effect after deferred taxes

31.12.2023	Change in the consolidated income statement		Change in other comprehensive income	
in € thousands	Increase	Decrease	Increase	Decrease
Insurance and reinsurance contracts in US dollars	−2,550	2,550	192	−192
Financial instruments in US dollars	28,529	−25,592	–	–
Total in US dollars	**25,979**	**−23,042**	**192**	**−192**
Insurance and reinsurance contracts in British pounds	**−165**	**165**	**23**	**−23**

Exchange change risk US dollar +/- 10%, British pound +/- 5%: net effect after deferred taxes

31.12.2022	Change in the consolidated income statement		Change in other comprehensive income	
in € thousands	Increase	Decrease	Increase	Decrease
Insurance and reinsurance contracts in US dollars	−2,437	2,786	217	−254
Financial instruments in US dollars	−3,622	6,961	–	–
Total in US dollars	**−6,059**	**9,747**	**217**	**−254**
Insurance and reinsurance contracts in British pounds	**−205**	**226**	**10**	**−10**

The volume of forward exchange contracts was reduced during the year, resulting in increased sensitivity and a change in the +/- sign of the financial instruments.

In all, it can be seen from the table that, in accordance with the strategic positioning of our overall investment portfolio, exchange rate risk is of only minor significance.

Risk governance

Derivative financial instruments are used as part of strategic asset allocation to manage interest rate change risks, price change risks and exchange rate risks. The risks are reduced in particular with suitable hedging strategies using derivatives (e.g. put options, futures, interest rate swaps and forward exchange contracts).

We counter interest rate change risk from financial instruments and insurance contracts, inter alia, by managing durations and applying a dynamic product and pricing policy.

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

As a rule, risks from insurance contracts are continually analysed and monitored by controlling underwriting trends (premiums, costs, claims and benefits). Risks from insurance contracts are reduced by purchasing insurance cover for individual risks and for accumulation risks across business lines. As a rule, risks are underwritten in accordance with the pricing and underwriting policy.

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

The overarching management of risks from financial instruments and insurance contracts is carried out as part of asset liability management. Assets from financial instruments and liabilities from insurance contracts are managed and monitored in such a way that they correspond to the company's risk profile. A Group-wide economic risk-bearing capacity model is used for the aggregated, quantitative evaluation of the overall risk profile. The available risk capital is allocated and suitable limits are derived on the basis of the calculations of this risk-bearing capacity model. This also involves overarching risk governance of risks from financial instruments and insurance contracts.

Further information about risk management in the W&W Group is provided in Note 47. Please refer to the risk reporting section in the Management Report for further information on the management of market price risks from financial instruments.

(49) Counterparty credit risks

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

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

We limit counterparty credit risks through the careful selection of issuers and reinsurance partners, as well as broadly diversified investments. In this context, we take into consideration the investment rules applicable to the respective business area. The contracting partners and securities, including debt securities, are mainly limited to good credit ratings in the investment grade range.

Our strategic focus on residential construction loans excludes individual loans that endanger the portfolio due to the high granularity and the predominant collateralization with land charges. Detailed upper limits are set for the customer lending business and municipal lending business of Wüstenrot Bausparkasse AG in order to avoid potential risk concentrations from high-volume individual risks.

The W&W Group monitors risks from the default on receivables due from policyholders, agents and reinsurers with the aid of EDP-supported controls of outstanding accounts. For technical assets from reinsurance contracts held and insurance contracts issued, their carrying amount reflects the maximum default risk. As at the reporting date, reinsurance contracts were held with a total asset value of €320.1 million (previous year: €273.4 million). Of these contracts, 97.4% (previous year: 97.3%) – measured in terms of the reinsurers' share of the loss reserves – have almost exclusively been made with investment-grade counterparties with impeccable credit ratings in the reinsurance market.

Further information about risk governance in the W&W Group is provided in Note 48.

Breakdown of risk provision for financial assets at amortised cost in 2023

in € thousands	Opening balance as at 1.1.2023	Reclassifications from stage 1	Reclassifications from stage 2	Reclassifications from stage 3	Additions for newly issued/acquire d financial assets	Additions for financial assets currently in the portfolio
Subordinated securities and receivables	**−236**	**–**	**–**	**–**	**−17**	**−80**
Stage 1	−236	–	–	–	−17	−80
Senior debenture bonds and registered bonds	**−63**	**–**	**–**	**–**	**−100**	**–**
Stage 1	−63	–	–	–	−100	–
Building loans	**−81,858**	**–**	**–**	**–**	**−8,443**	**−45,067**
Stage 1	−10,311	966	−435	−26	−1,933	−2,057
Stage 2	−34,311	−760	5,349	−1,164	−4,093	−20,706
Stage 3	−37,236	−206	−4,914	1,190	−2,417	−22,304
Other receivables	**−50,408**	**–**	**–**	**–**	**−108**	**−18,578**
Stage 1	−43,404	19,714	–	–	−108	−16,870
Stage 2	−1,299	–	49	–	–	−124
Stage 3	−5,705	−19,714	−49	–	–	−1,584
Miscellaneous receivables	**–**	**–**	**–**	**–**	**–**	**−1,340**
Stage 3	–	–	–	–	–	−1,340
Risk provision for financial assets measured at amortised cost	**−132,565**	**–**	**–**	**–**	**−8,668**	**−65,065**

Addition/release due to changes in models/risk parameters	Releases of financial assets currently in the portfolio	Releases of derecognised financial assets as a result of repayment of principal, modification or sale	Utilisation/reclassification (write-off)	Interest effects	Closing balance as at 31.12.2023
–	**60**	**9**	**–**	**–**	**–264**
–	60	9	–	–	–264
–	**–**	**51**	**–**	**–**	**–112**
–	–	51	–	–	–112
–2,067	**34,549**	**6,226**	**3,854**	**2,488**	**–90,318**
–606	5,860	379	78	–	–8,085
–814	18,048	1,938	57	–	–36,456
–647	10,641	3,909	3,719	2,488	–45,777
–	**259**	**1,908**	**21,578**	**–**	**–45,349**
–	234	1,908	435	–	–38,091
–	25	–	–	–	–1,349
–	–	–	21,143	–	–5,909
–	**–**	**–**	**1,340**	**–**	**–**
–	–	–	1,340	–	–
–2,067	**34,868**	**8,194**	**26,772**	**2,488**	**–136,043**

Breakdown of risk provision for financial assets at amortised cost in 2022

in € thousands	Opening balance as at 1.1.2022	Reclassifications from stage 1	Reclassifications from stage 2	Reclassifications from stage 3	Additions for newly issued/acquired financial assets	Additions for financial assets currently in the portfolio
Subordinated securities and receivables	**−189**	**–**	**–**	**–**	**−10**	**−41**
Stage 1	−189	–	–	–	−10	−41
Senior debenture bonds and registered bonds	**−50**	**–**	**–**	**–**	**−52**	**−2**
Stage 1	−50	–	–	–	−52	−2
Building loans	**−87,767**	**–**	**–**	**–**	**−11,707**	**−44,254**
Stage 1	−9,870	502	−789	−46	−3,105	−2,783
Stage 2	−48,169	−417	4,244	−1,139	−5,149	−18,959
Stage 3	−29,728	−85	−3,455	1,185	−3,453	−22,512
Other receivables	**−43,739**	**–**	**–**	**–**	**−30,070**	**−295**
Stage 1	−35,934	17,518	–	–	−28,493	−90
Stage 2	−1,454	–	247	–	−92	–
Stage 3	−6,351	−17,518	−247	–	−1,485	−205
Miscellaneous receivables	**–**	**–**	**–**	**–**	**–**	**−1,204**
Stage 3	–	–	–	–	–	−1,204
Risk provision for financial assets measured at amortised cost	**−131,745**	**–**	**–**	**–**	**−41,839**	**−45,796**

Addition/release due to changes in models/risk parameters	Releases of financial assets currently in the portfolio	Releases of derecognised financial assets as a result of repayment of principal, modification or sale	Utilisation/reclassification (write-off)	Interest effects	Closing balance as at 31.12.2022
–	**1**	**3**	**–**	**–**	**–236**
–	1	3	–	–	–236
–	**–**	**41**	**–**	**–**	**–63**
–	–	41	–	–	–63
–	**45,418**	**8,150**	**8,911**	**–609**	**–81,858**
–	5,261	447	72	–	–10,311
–	32,940	2,307	31	–	–34,311
–	7,217	5,396	8,808	–609	–37,236
–	**4**	**2,246**	**21,446**	**–**	**–50,408**
–	4	1,937	1,654	–	–43,404
–	–	–	–	–	–1,299
–	–	309	19,792	–	–5,705
–	**–**	**–**	**1,204**	**–**	**–**
–	–	–	1,204	–	–
–	**45,423**	**10,440**	**31,561**	**–609**	**–132,565**

Breakdown of risk provision for financial assets at fair value through other comprehensive income in 2023

in € thousands	Opening balance as at 1.1.2023	Reclassifications from stage 1	Additions for newly issued/acquired financial assets	Additions for financial assets currently in the portfolio
Subordinated securities and receivables	**−1,109**	**–**	**−19**	**−136**
Stage 1	−1,109	–	−19	−136
Senior debenture bonds and registered bonds	**−3,189**	**–**	**−93**	**−408**
Stage 1	−3,189	–	−93	−408
Senior fixed-income securities	**−30,146**	**–**	**−2,798**	**−10,094**
Stage 1	−19,407	−755	−2,043	−6,262
Stage 2	−10,739	755	−755	−3,832
Risk provision for financial assets at fair value through other comprehensive income (OCI)	**−34,444**	**–**	**−2,910**	**−10,638**

	Releases of financial assets currently in the portfolio	Releases of derecognised financial assets as a result of repayment of principal, modification or sale	Reclassifications	Closing balance as at 31.12.2023
	175	**–**	**–**	**–1,089**
	175	–	–	–1,089
	687	**117**	**–**	**–2,886**
	687	117	–	–2,886
	5,677	**4,111**	**–**	**–33,250**
	3,159	3,277	–	–22,031
	2,518	834	–	–11,219
	6,539	**4,228**	**–**	**–37,225**

Breakdown of risk provision for financial assets at fair value through other comprehensive income in 2022

in € thousands	Opening balance as at 1.1.2022	Reclassifications from stage 1	Additions for newly issued/ acquired financial assets	Additions for financial assets currently in the portfolio
Subordinated securities and receivables	**−1,260**	**–**	**−206**	**−193**
Stage 1	−1,260	–	−206	−193
Senior debenture bonds and registered bonds	**−3,951**	**–**	**−347**	**−471**
Stage 1	−3,951	–	−347	−471
Senior fixed-income securities	**−31,769**	**–**	**−4,328**	**−9,259**
Stage 1	−20,886	270	−4,328	−3,642
Stage 2	−10,883	−270	–	−5,617
Risk provision for financial assets at fair value through other comprehensive income (OCI)	**−36,980**	**–**	**−4,881**	**−9,923**

Releases of financial assets currently in the portfolio	Releases of derecognised financial assets as a result of repayment of principal, modification or sale	Reclassifications	Closing balance as at 31.12.2022
374	**176**	**–**	**–1,109**
374	176	–	–1,109
28	**1,552**	**–**	**–3,189**
28	1,552	–	–3,189
1,386	**13,824**	**–**	**–30,146**
1,108	8,073	–2	–19,407
278	5,751	2	–10,739
1,788	**15,552**	**–**	**–34,444**

Breakdown of provision for off-balance-sheet business in 2023

in € thousands	Opening balance as at 1.1.2023	Reclassifi-cations from stage 1	Reclassifi-cations from stage 2	Reclassifi-cations from stage 3	Additions for newly issued/ac-quired financial assets	Additions for financial assets currently in the portfolio
Irrevocable loan commitments	**−3,075**	**–**	**–**	**–**	**−888**	**−1,279**
Stage 1	−1,274	45	−4	−1	−646	−11
Stage 2	−1,597	−36	33	−6	−240	−788
Stage 3	−204	−9	−29	7	−2	−480
Provision for off-balance-sheet business	**−3,075**	**–**	**–**	**–**	**−888**	**−1,279**

Breakdown of provision for off-balance-sheet business in 2022

in € thousands	Opening balance as at 1.1.2022	Reclassifi-cations from stage 1	Reclassifi-cations from stage 2	Reclassifi-cations from stage 3	Additions for newly issued/ acquired financial assets	Additions for financial assets currently in the portfolio
Irrevocable loan commitments	**−3,286**	**–**	**–**	**–**	**−1,932**	**−887**
Stage 1	−1,924	40	−6	–	−1,081	−23
Stage 2	−1,229	−29	68	–	−797	−708
Stage 3	−133	−11	−62	–	−54	−156
Provision for off-balance-sheet business	**−3,286**	**–**	**–**	**–**	**−1,932**	**−887**

	Addition/release due to changes in models/risk parameters	Releases of financial assets currently in the portfolio	Releases of derecognised financial assets as a result of repayment of principal, modification or sale	Closing balance as at 31.12.2023
	–36	**1,650**	**1,585**	**–2,043**
	–18	427	705	–777
	–16	776	798	–1,076
	–2	447	82	–190
	–36	**1,650**	**1,585**	**–2,043**

	Addition/release due to changes in models/risk parameters	Releases of financial assets currently in the portfolio	Releases of derecognised financial assets as a result of repayment of principal, modification or sale	Closing balance as at 31.12.2022
	–	**1,137**	**1,893**	**–3,075**
	–	568	1,152	–1,274
	–	491	607	–1,597
	–	78	134	–204
	–	**1,137**	**1,893**	**–3,075**

Accrued interest income on impaired assets was recognised as interest effects.

Newly issued building loans totalling €3,934 million (previous year: €5,180 million) resulted in an increase in the risk provision of €8.4 million (previous year: €11.7 million). Repayments of principal totalling €2,639 million (previous year: €3,480 million) resulted in a release from the risk provision of €6.2 million (previous year: €10.1 million).

Newly acquired senior fixed-income securities at fair value through other comprehensive income totalling €3,415 million (previous year: €5,693 million) resulted in an increase in the risk provision of €2.8 million (previous year: €4.3 million). Disposals and scheduled repayments totalling €3,102 million (previous year: €6,038 million) resulted in a release from the risk provision of €5.7 million (previous year: €13.8 million).

Changes in the contractual cash flows of financial assets that did not result in derecognition were made to only an immaterial extent.

Financial assets that, since initial recognition, were changed at a time when the risk provision was measured in the amount of the credit losses expected over the term and for which the risk provision was converted in the reporting period to the amount of the expected 12-month credit loss had a gross carrying amount of €4.7 million (previous year: €9.5 million).

For assets directly written off in the reporting year, we are continuing to attempt to collect the contractually agreed amounts of €3.0 million (previous year: €3.5 million) despite an estimation that they are uncollectable.

Effects of collateral the amount of expected credit losses in 2023

	Unimpaired assets			Impaired assets		
	Gross carrying amount before held collateral	Reduction of the maximum default risk through held collateral	Net carrying amount	Gross carrying amount before held collateral	Reduction of the maximum default risk through held collateral	Net carrying amount
in € thousands	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Financial assets at fair value through other comprehensive income	**29,393,205**	**–**	**29,393,205**	**–**	**–**	**–**
Subordinated securities and receivables	854,017	–	854,017	–	–	–
Senior debenture bonds and registered bonds	4,942,440	–	4,942,440	–	–	–
Senior fixed-income securities	23,596,748	–	23,596,748	–	–	–
Financial assets at amortised cost	**28,044,489**	**23,586,465**	**4,458,024**	**319,440**	**271,409**	**48,031**
Subordinated securities and receivables	212,552	–	212,552	–	–	–
Senior debenture bonds and registered bonds	57,397	–	57,397	–	–	–
Senior fixed-income securities	–	–	–	–	–	–
Building loans	26,485,556	23,586,465	2,899,091	311,994	271,409	40,585
Construction loans secured with a land charge (Grundpfandrecht)	23,532,482	23,532,482	–	270,403	270,403	–
Construction loans secured otherwise	53,983	53,983	–	1,006	1,006	–
Unsecured construction loans	2,899,091	–	2,899,091	40,585	–	40,585
Other receivables	1,288,984	–	1,288,984	7,446	–	7,446
Irrevocable loan commitments	**1,104,300**	**–**	**1,104,300**	**6,849**	**–**	**6,849**

Effects of collateral the amount of expected credit losses in 2022

	Unimpaired assets			Impaired assets		
	Gross carrying amount before held collateral	Reduction of the maximum default risk through held collateral	Net carrying amount	Gross carrying amount before held collateral	Reduction of the maximum default risk through held collateral	Net carrying amount
in € thousands	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022
Financial assets at fair value through other comprehensive income	**29,900,971**	**–**	**29,900,971**	**–**	**–**	**–**
Subordinated securities and receivables	815,758	–	815,758	–	–	–
Senior debenture bonds and registered bonds	5,636,315	–	5,636,315	–	–	–
Senior fixed-income securities	23,448,898	–	23,448,898	–	–	–
Financial assets at amortised cost	**26,667,423**	**22,767,028**	**3,900,395**	**258,846**	**221,853**	**36,993**
Subordinated securities and receivables	185,861	–	185,861	–	–	–
Senior debenture bonds and registered bonds	49,962	–	49,962	–	–	–
Senior fixed-income securities	9	–	9	–	–	–
Building loans	25,254,207	22,767,028	2,487,179	252,578	221,853	30,725
Construction loans secured with a land charge (Grundpfandrecht)	22,705,118	22,705,118	–	221,264	221,264	–
Construction loans secured otherwise	61,910	61,910	–	589	589	–
Unsecured construction loans	2,487,179	–	2,487,179	30,725	–	30,725
Other receivables	1,177,384	–	1,177,384	6,268	–	6,268
Irrevocable loan commitments	**1,439,672**	**–**	**1,439,672**	**6,860**	**–**	**6,860**

Construction loans are mainly secured with senior land charges (Grundpfandrechte).

In addition, loans and advance payments on insurance policies are fully secured with life insurance policies.

There were no significant changes in the quality of collateral in the financial year.

Because of sufficient collateralisation, no risk provision was created in the financial year for gross carrying amounts totalling €8.6 million (previous year: €8.3 million).

The irrevocable loan commitments mainly relate to construction loans, which are primarily secured with land charges (Grundpfandrechte) or otherwise.

For financial instruments to which the impairment rules of IFRS 9 are not applied, their carrying amount reflects the maximum default risk. They include all assets measured at fair value through profit or loss.

The following table provides a breakdown of gross carrying amounts according to external and internal rating classes.

Gross carrying amounts by external rating class per stage in 2023

	AAA	AA	A	BBB	BB	B or worse	Total
in € thousands	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Financial assets at fair value through other comprehensive income (OCI)	**4,639,070**	**11,666,143**	**7,846,847**	**2,749,115**	**955,940**	**1,536,090**	**29,393,205**
Subordinated securities and receivables	–	90,130	584,508	178,401	–	978	854,017
Stage 1	–	90,130	584,508	178,401	–	978	854,017
Senior debenture bonds and registered bonds	1,306,806	2,361,397	907,624	313,567	–	53,046	4,942,440
Stage 1	1,306,806	2,361,397	907,624	313,567	–	53,046	4,942,440
Senior fixed-income securities	3,332,264	9,214,616	6,354,715	2,257,147	955,940	1,482,066	23,596,748
Stage 1	3,332,264	9,214,616	6,354,715	2,257,147	883,709	1,392,992	23,435,443
Stage 2	–	–	–	–	72,231	89,074	161,305
Financial assets at amortised cost	**–**	**13,474**	**127,770**	**80,870**	**–**	**47,835**	**269,949**
Subordinated securities and receivables	–	13,474	118,208	80,870	–	–	212,552
Stage 1	–	13,474	118,208	80,870	–	–	212,552
Senior debenture bonds and registered bonds	–	–	9,562	–	–	47,835	57,397
Stage 1	–	–	9,562	–	–	47,835	57,397
Senior fixed-income securities	–	–	–	–	–	–	–
Stage 1	–	–	–	–	–	–	–
Total	**4,639,070**	**11,679,617**	**7,974,617**	**2,829,985**	**955,940**	**1,583,925**	**29,663,154**

Gross carrying amounts by external rating class per stage in 2022

	AAA	AA	A	BBB	BB	B or worse	Total
in € thousands	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022
Financial assets at fair value through other comprehensive income (OCI)	**4,984,385**	**12,178,447**	**7,278,923**	**2,876,196**	**938,161**	**1,644,859**	**29,900,971**
Subordinated securities and receivables	–	85,581	519,058	210,145	–	974	815,758
Stage 1	–	85,581	519,058	210,145	–	974	815,758
Senior debenture bonds and registered bonds	1,454,529	2,658,750	1,095,227	376,704	–	51,105	5,636,315
Stage 1	1,454,529	2,658,750	1,095,227	376,704	–	51,105	5,636,315
Senior fixed-income securities	3,529,856	9,434,116	5,664,638	2,289,347	938,161	1,592,780	23,448,898
Stage 1	3,529,856	9,434,116	5,664,638	2,289,347	838,073	1,507,112	23,263,142
Stage 2	–	–	–	–	100,088	85,668	185,756
Financial assets at amortised cost	**–**	**7,130**	**106,016**	**82,176**	**–**	**40,510**	**235,832**
Subordinated securities and receivables	–	7,130	96,555	82,176	–	–	185,861
Stage 1	–	7,130	96,555	82,176	–	–	185,861
Senior debenture bonds and registered bonds	–	–	9,461	–	–	40,501	49,962
Stage 1	–	–	9,461	–	–	40,501	49,962
Senior fixed-income securities	–	–	–	–	–	9	9
Stage 1	–	–	–	–	–	9	9
Total	**4,984,385**	**12,185,577**	**7,384,939**	**2,958,372**	**938,161**	**1,685,369**	**30,136,803**

Gross carrying amounts by internal rating class per stage in 2023

	Internal rating: A1-A2	Internal rating: B1-B2	Internal rating: C1-C2	Internal rating: D-H	Internal rating: I-M	Internal rating: worse than M	Total
in € thousands	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Financial assets at amortised cost	**4,219,628**	**10,898,871**	**3,672,477**	**4,291,946**	**387,546**	**332,417**	**26,797,550**
Construction loans secured by a land charge (Grundpfandrecht)	4,219,628	10,898,871	3,672,477	4,291,946	387,546	332,417	23,802,885
Stage 1	4,219,628	10,895,789	3,639,424	3,590,951	6,643	–	22,352,435
Stage 2	–	3,082	33,053	700,995	380,903	62,014	1,180,047
Stage 3	–	–	–	–	–	270,403	270,403
Construction loans secured otherwise	6,733	26,477	6,905	12,980	847	1,047	54,989
Stage 1	6,733	26,477	6,319	11,005	–	–	50,534
Stage 2	–	–	586	1,975	847	41	3,449
Stage 3	–	–	–	–	–	1,006	1,006
Unsecured construction loans	530,453	1,554,144	490,741	279,577	36,683	48,078	2,939,676
Stage 1	530,453	1,551,099	473,305	184,976	277	–	2,740,110
Stage 2	–	3,045	17,436	94,601	36,406	7,493	158,981
Stage 3	–	–	–	–	–	40,585	40,585
Irrevocable loan commitments[1]	**46,527**	**194,809**	**192,410**	**654,400**	**13,597**	**9,406**	**1,111,149**
Stage 1	46,527	194,726	192,034	641,634	868	–	1,075,789
Stage 2	–	83	376	12,766	12,729	2,557	28,511
Stage 3	–	–	–	–	–	6,849	6,849
Total	**4,266,155**	**11,093,680**	**3,864,887**	**4,946,346**	**401,143**	**341,823**	**27,908,699**

1 Nominal value.

Gross carrying amounts by internal rating class per stage in 2022

in € thousands	Internal rating: A1-A2 31.12.2022	Internal rating: B1-B2 31.12.2022	Internal rating: C1-C2 31.12.2022	Internal rating: D-H 31.12.2022	Internal rating: I-M 31.12.2022	Internal rating: worse than M 31.12.2022	Total 31.12.2022
Financial assets at amortised cost	**3,970,381**	**10,427,562**	**3,578,469**	**4,334,112**	**350,356**	**265,502**	**25,506,785**
Construction loans secured by a land charge (Grundpfandrecht)	3,970,381	10,427,562	3,578,469	4,334,112	350,356	265,502	22,926,382
Stage 1	3,970,381	10,425,440	3,539,714	3,653,762	9,283	–	21,598,580
Stage 2	–	2,122	38,755	680,350	341,073	44,238	1,106,538
Stage 3	–	–	–	–	–	221,264	221,264
Construction loans secured otherwise	–	8,827	33,112	9,401	10,530	629	62,499
Stage 1	–	8,827	32,646	7,270	9,036	23	57,802
Stage 2	–	–	466	2,131	1,494	17	4,108
Stage 3	–	–	–	–	–	589	589
Unsecured construction loans	441,984	1,372,048	414,715	223,493	29,167	36,497	2,517,904
Stage 1	441,984	1,370,887	393,623	146,454	307	–	2,353,255
Stage 2	–	1,161	21,092	77,039	28,860	5,772	133,924
Stage 3	–	–	–	–	–	30,725	30,725
Irrevocable loan commitments[1]	**42,302**	**314,696**	**491,556**	**569,938**	**17,495**	**10,545**	**1,446,532**
Stage 1	42,302	314,438	491,273	553,130	948	–	1,402,091
Stage 2	–	258	283	16,808	16,547	3,685	37,581
Stage 3	–	–	–	–	–	6,860	6,860
Total	**4,012,683**	**10,742,258**	**4,070,025**	**4,904,050**	**367,851**	**276,047**	**26,953,317**

1 Nominal value.

(50) Underwriting risks

Life and Health Insurance

Description of the insurance portfolio

In the W&W Group, personal insurance business consists of life and health insurance. Life insurance includes endowment and term insurance, annuity insurance and occupational disability. The portfolio of health insurance includes comprehensive insurance for medical costs and a broad portfolio of products in supplementary health and long-term care insurance. Life and health insurance portfolios mainly contain long-term contracts with discretionary surplus participation. Unit-linked endowment life insurance policies and annuity insurance policies are covered congruently by fund units attributable to the policies.

Risks of the insurance portfolio and the risk management system

Life ande health insurance is characterised by the long duration of the commitments entered into, for which reason calculations are made using conservative assumptions. Risks mainly consist of biometric risk and cancellation risk.

Biometric actuarial bases, such as mortality, life expectancy and invalidity probabilities, are subject both to short-term risks of fluctuation and error, as well as to longer-term change trends. These risks are controlled on an ongoing basis through actuarial analyses and tests. In terms of product development, potential changes are taken into account through corresponding actuarial modelling.

Lapse risk describes the adverse change in insurance liabilities that results of changes in amount and volatility of lapse, termination, extension and repurchase rate of insurance contracts.

In the event that expectations as to risks and/or interest rates should change, the effect on net income is substantially lessened by adjusting the future surplus participation of policyholders or rather by the possibility to adjust premiums in health insurnce. Risks are limited by obtaining suitable reinsurance from reinsurance companies with investment-grade credit ratings.

Sensitivity analysis

In life and health insurance, sensitivity analyses for relevant underwriting risks are carried out in addition to the reporting date calculations. For this purpose, the sensitivities listed in the table below are assumed in the business model and their impact on the consolidated income statement is analysed. This does not affect equity in any other way.

Exposure in life and health insurance is mainly reflected in the provision for future policy benefits and amounted to €29,403.9 million (previous year: €28,109.0 million) before taking into account reinsurance held (gross) of €29,376.6 million (previous year: €28,070.7 million) after taking into account the reinsurers' share (net) as at 31 December 2023. The breakdown of the provision for future policy benefits by type of insured risk is shown in the section risk concentration.

The following table summarise the analysis after deferred taxes.

Life and Health Insurance 2023

	Changes in the consolidated income statement	
in € thousands	Gross, before reinsurance held	Net, after reinsurance held
Area of life insurance		
Mortality increases 15%	840	932
Mortality decreases 20%	−2,213	−1,978
Cancellation increases 50%	−250	−142
Cancellation decreases 50%	−8	69
Disability (increases 35% in 2024; 25% from 2025)	−1,820	−364
Area of health insurance		
Medical inflation rises 1 percentage point	−165	−165
Medical inflation falls 1 percentage point	599	599

Life and Health Insurance 2022

in € thousands	Changes in the consolidated income statement Gross, before reinsurance held	 Net, after reinsurance held
Area of life insurance		
Mortality increases 15%	2,192	2,267
Mortality decreases 20%	–2,293	–1,923
Cancellation increases 50%	–3,040	–2,949
Cancellation decreases 50%	–397	–344
Disability (increases 35% in 2023; 25% from 2024)	–1,194	565
Area of health insurance		
Medical inflation rises 1 percentage point	–1,146	–1,146
Medical inflation falls 1 percentage point	1,053	1,053

Risk concentrations

Concentrations of underwriting risk in life and health insurance result from regional risk concentrations, as well as from high risks associated with individually insured persons.

The life and health insurers prevent regional risk concentrations from arising by selling their insurance products throughout Germany.

The risk concentration from individually insured persons (cluster risk) is reduced by obtaining reinsurance from reinsurers that have an investmentgrade rating.

For clarification of existing risk concentrations, the actuarial reserve is divided according to the insured risk in the following table.

Provision for future policy benefits, by type of insured risk Life and Health Insurance

in € thousands	31.12.2023	31.12.2022
Area of life insurance (net, after reinsurance held)	**28,016,345**	**26,896,978**
Provision for future policy benefits (gross, before reinsurance held)	28,043,713	26,935,286
Predominantly longevity risk (conventional)	16,007,860	15,320,317
Predominantly mortality risk (conventional)	7,366,331	7,562,928
Predominantly disability (conventional and unit-linked)	280,768	193,519
Predominantly longevity risk and mortality risk (unit-linked)	4,388,754	3,858,522
Reinsurers' portion	–27,368	–38,308
Area of health insurance (net, after reinsurance held)	**1,360,250**	**1,173,694**
Provision for future policy benefits (gross, before reinsurance held)	1,360,219	1,173,670
Reinsurers' portion	31	24
Provision for future policy benefits (gross, before reinsurance held)	**29,403,932**	**28,108,956**
Reinsurers' portion	–27,337	–38,284
Provision for future policy benefits (net, after reinsurance held)	**29,376,595**	**28,070,672**

Risks from options and guarantees contained in insurance contracts

- **Unit-linked life and annuity insurance: guaranteed minimum benefit**
  With unit-linked life and annuity insurance, the investment risk is borne by policyholders. There is no market risk, since all contracts are congruently covered. Products are designed so as to ensure that a corresponding reserve is created for the parts of the premium needed to cover the guaranteed minimum benefit.

  For dynamic hybrid products with guaranteed minimum benefits, there is a risk of monetisation should the price of the capital protection fund ("Wertsicherungsfonds") fall, in which case the investment risk is transferred to the insurance company. If the capital protection fund does not achieve the required capital protection commitment, the guarantee commitment provided by the insurance company becomes effective, in addition. The capital protection commitment is assured through put options. The underlying counterparty credit risk is reduced by selecting multiple banking partners with investment-grade ratings.

- **Annuity insurance: lump-sum option**
  Exercise of the lump-sum option is influenced by factors specific to the policyholder. Where the guaranteed interest rate is high, rational financial behaviour by customers during times of low interest rates can lower the rate of exercise of the lump-sum option. As a result, the expected reduction of the interest rate guarantee exposure would no longer exist.

- **Life insurance: annuitisation option**
  The annuitisation option is carried out at the rates applicable to new contracts. This option has no effect on the statement of financial position or the income statement.

- **Surrender and premium-waiver option**
  With all contracts with a surrender option the risk exists that the customer can cancel the contract. An increase of the cancellation rate can lead to larger outflows of liquidity. Excercising the option to release from premium payments on the contrary leads to lower future revenues.

- **Dynamic premium option**
  In life insurance, the option to increase insurance benefits by paying a greater premium without a reevaluation of risk is generally carried out at the original actuarial interest rate, but based on prior experience, the policyholder's decision is more strongly influenced by the insurance character of the contract or by the expectation of higher interest through surplus participation. Although rational financial behaviour by customers during times of low interest rates can increase the interest rate guarantee exposure, the terms and conditions for newer rate generations dealing with the increase of insurance provide for the ability to carry out the increase using the current actuarial bases. In health insurance, the risk of a negative selection generated by the above-described option is taken into account through an option premium or through the way the option is structured.
  For further remarks about the interest rate guarantee, please see Note 48 "Market price risks".

Property/Casualty Insurance

Description of the insurance portfolio

In the Property/Casualty Insurance segment, Württembergische Versicherung AG conducts primary insurance business in Germany for private and commercial customers. In this regard, Württembergische Versicherung AG insures risks in the traditional lines of motor insurance, accident insurance, legal expenses insurance, personal liability insurance, residential building and building contents insurance, property insurance, transport and technical insurance as well as credit and suretyship insurance.

In the area of property/casualty insurance, W&W AG coordinates the reinsurance concerns. W&W AG reinsures Württembergische Versicherung AG and passes the risks on to the reinsurance market in full, with the exception of a quota share reinsurance contract within the Group.

W&W AG has a multi-level reinsurance programme in place. First, there are business line-specific reinsurance solutions that are designed to lessen the impact that large individual losses have on the statement of financial position. These solutions contain facultative individual reinsurance policies for the purpose of hedging risks of a special nature or that are particularly weighty. In addition, there are reinsurance solutions applicable to all business lines that protect the company against excessive losses from natural events as well as other events.

The risk-mitigating effect of the reinsurance structure outlined above is regularly reviewed and optimised in the internal risk model, taking into consideration the risk policy requirements from the Group strategy.

Risks of the insurance portfolio and the risk management system

Underwriting risk arises from the uncertainty about future trends in claims and costs under concluded insurance contracts, as a consequence of which unexpected claim and benefit obligations can lead to a negative net income situation.

In the area of property insurance, underwriting risks are mainly of a short-term nature, since claim adjustment can usually happen quickly. In the case of serious personal injuries in the areas of general liability insurance, motor liability insurance and personal accident insurance, the risks are also subject to exogenous developments, such as medical advances and the life expectancy associated with them. Moreover, they are influenced by developments involving statutory damage compensation and liability rules.

Risks are underwritten solely on the basis of actuarial and statistical analyses. This means that Württembergische Versicherung AG has built sufficient safety margins into its rates in order to cover risk fluctuations.

Sensitivity analysis

If claims or costs trend contrary to expectations, this may have an impact on the income statement and equity.

Underwriting risks are measured by carrying out loss scenario analyses to quantify the fluctuations both in the amount of future losses and in the settlement of losses that have already occurred.

These analyses use the technical liabilities of property/casualty insurance as a risk parameter. These liabilities were €2,019.3 million (previous year: €1,722.0 million) before reinsurance and €1,708.9 million (previous year: €1,459.2 million) after reinsurance as at 31 December 2023.

The tables below summarises the analyses after deferred taxes.

Property/Casualty Insurance 2023

	Changes in the consolidated income statement		Change in other comprehensive income	
in € thousands	Gross, before reinsurance held	Net, after reinsurance held	Gross, before reinsurance held	Net, after reinsurance held
Loss ratio increases 5%	−109,300	−98,542	5,482	4,953
Loss ratio decreases 5%	102,642	93,145	−5,481	−4,952

Property/Casualty Insurance 2022

	Changes in the consolidated income statement		Change in other comprehensive income	
in € thousands	Gross, before reinsurance held	Net, after reinsurance held	Gross, before reinsurance held	Net, after reinsurance held
Loss ratio increases 5%	−89,679	−80,295	9,597	8,796
Loss ratio decreases 5%	87,260	79,059	−9,592	−8,790

Risk concentrations

Risk concentrations result primarily from locally high market shares and the risks insured under the various business lines. For the purposes of illustrating the existing risk concentrations, the following table breaks down the provision for outstanding insurance claims by type of insured risk. In this regard, it is evident that the portfolio, which is characterised by a broadly diversified mix of business lines, contributes to a reduction of risk exposures.

Provision for outstanding insurance claims by type of insured risk Property/Casualty Insurance

in € thousands	31.12.2023	31.12.2022
Motor	900,024	779,245
General liability	234,948	231,694
General personal accident	164,271	153,309
Legal expenses	149,826	140,243
Residential building and building contents	189,193	136,561
Property insurance	246,995	185,313
Other	134,013	95,634
Provision for outstanding insurance claims (gross, before reinsurance held)	**2,019,270**	**1,721,999**
Reinsurers' portion	-310,341	-262,847
Provision for outstanding insurance claims (net, before reinsurance held)	**1,708,929**	**1,459,152**

Further information about risk governance in the W&W Group is provided in Note 47 and Note 48.

Claims development

The run-off triangles depicted below show the run-off of the provision for outstanding insurance claims in the property/casualty insurance segment.

Expected total claims (gross) shows the claims development before reinsurance held. In the reconciliation to expected total claims (net), the reinsurers' portion is deducted. As permitted by IFRS 17.C28, we do not present previously unpublished information on the development of claims for insured events that occurred more than five years prior to the end of the 2023 financial year.

Expected total claims (gross, undiscounted)

in € thousands	Until 2018	2019	2020	2021	2022	2023	Not allocable to years of occurrence	Total
At the end of the year the claim arose	–	1,003,124	1,034,290	1,501,748	1,225,645	1,604,001	–	–
1 year after the claim	–	1,040,167	1,011,825	1,535,437	1,295,444	–	–	–
2 years after the claim	–	1,039,726	1,014,548	1,562,850	–	–	–	–
3 years after the claim	–	1,048,701	1,014,470	–	–	–	–	–
4 years after the claim	–	1,049,872	–	–	–	–	–	–
Payments, cumulative (gross)	**–**	**1,002,671**	**952,482**	**1,431,916**	**1,116,000**	**816,365**	**–**	**–**
Reserves (undiscounted)	**708,937**	**47,202**	**61,988**	**130,935**	**179,444**	**787,636**	**−169**	**1,915,973**
Claim adjustment reserves (undiscounted)	**111,458**	**7,962**	**10,684**	**18,071**	**26,534**	**105,731**	**–**	**280,440**
Effects from discounting	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**−267,845**
Effects from risk adjustment for non-financial risks (discounted)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**90,702**
Provision for outstanding insurance claims (gross)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,019,270**

Expected total claims (net, undiscounted)

in € thousands	Until 2018	2019	2020	2021	2022	2023	Not allocable to years of occurrence	Total
At the end of the year the claim arose	–	960,781	980,666	1,112,028	1,161,350	1,441,293	–	–
1 year after the claim	–	986,997	956,220	1,125,567	1,216,474	–	–	–
2 years after the claim	–	984,620	961,763	1,143,075	–	–	–	–
3 years after the claim	–	990,753	959,013	–	–	–	–	–
4 years after the claim	–	991,824	–	–	–	–	–	–
Payments, cumulative (net)	**–**	**944,620**	**897,635**	**1,049,962**	**1,055,099**	**757,251**	**–**	**–**
Reserves (undiscounted)	**623,172**	**47,205**	**61,378**	**93,113**	**161,374**	**684,042**	**−83,145**	**1,587,139**
Claim adjustment reserves (undiscounted)	**111,458**	**7,962**	**10,684**	**18,071**	**26,534**	**105,731**	**–**	**280,440**
Effects from discounting	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**−240,177**
Effects from risk adjustment for non-financial risks (discounted)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**81,527**
Provision for outstanding insurance claims (net)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,708,929**

(51) Liquidity risks

Liquidity risk describes the risk that a company will be unable to procure the financial resources necessary to settle the commitments it has made. Liquidity risks may also result where a financial asset cannot be sold promptly and at short notice at its fair value or where liquid resources can be obtained only under terms less favourable than anticipated. Liquidity risk thus consists of insolvency risk, market liquidity risk and refinancing risk. The consolidated liquidity plan constitutes the basis for managing liquidity risk at the Group level. It is based on liquidity planning by the individual companies. Liquidity fluctuations are monitored with a signal system in order to ensure minimum liquidity.

The following presents a breakdown of the remaining term to maturity of selected financial instruments:

Breakdown of remaining term to maturity of financial assets in 2023

in € thousands	Within 3 months	3 months to 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
Financial assets at fair value through profit or loss	**286,947**	**48,557**	**803,656**	**1,194,061**	**–**	**2,333,221**
Fixed-income financial instruments that do not pass the SPPI test	46,830	12,783	799,520	1,159,086	–	2,018,219
Derivative financial instruments	104,882	28,817	4,136	34,975	–	172,810
Senior fixed-income securities	135,235	6,957	–	–	–	142,192
Financial assets at fair value through other comprehensive income (OCI)	**370,180**	**258,727**	**4,257,695**	**18,800,472**	**–**	**23,687,074**
Subordinated securities and receivables	12,242	–	97,014	708,257	–	817,513
Senior debenture bonds and registered bonds	100,952	133,373	562,678	3,291,668	–	4,088,671
Senior fixed-income securities	256,986	125,354	3,598,003	14,800,547	–	18,780,890
Financial assets at amortised cost	**1,565,760**	**888,825**	**6,988,415**	**18,468,884**	**245,218**	**28,157,102**
Subordinated securities and receivables	4,154	–	63,516	144,618	–	212,288
Senior debenture bonds and registered bonds	170	46,959	10,156	–	–	57,285
Building loans	386,847	841,574	6,914,569	18,321,755	242,487	26,707,232
Other receivables	1,174,589	292	174	2,511	2,731	1,180,297
Positive market values from hedges	**−156,672**	**16,693**	**54,947**	**86,544**	**–**	**1,512**
Total	**2,066,215**	**1,212,802**	**12,104,713**	**38,549,961**	**245,218**	**54,178,909**

Breakdown of remaining term to maturity of financial assets in 2022

in € thousands	Within 3 months	3 months to 1 year	1 to 5 years	Later than 5 years	Undefined maturity	Total
Financial assets at fair value through profit or loss	**341,945**	**184,343**	**939,718**	**1,594,144**	**–**	**3,060,150**
Fixed-income financial instruments that do not pass the SPPI test	54,923	101,484	896,384	1,476,952	–	2,529,743
Derivative financial instruments	182,669	49,465	15,133	117,192	–	364,459
Senior fixed-income securities	104,353	33,394	28,201	–	–	165,948
Financial assets at fair value through other comprehensive income (OCI)	**414,696**	**277,425**	**3,539,211**	**18,647,034**	**–**	**22,878,366**
Subordinated securities and receivables	10,651	15,946	87,766	618,478	–	732,841
Senior debenture bonds and registered bonds	126,348	59,278	755,001	3,751,380	–	4,692,007
Senior fixed-income securities	277,697	202,201	2,696,444	14,277,176	–	17,453,518
Financial assets at amortised cost	**1,153,464**[1]	**794,073**	**6,563,345**	**18,094,745**	**214,861**	**26,820,488**[1]
Subordinated securities and receivables	3,512	–	63,600	118,513	–	185,625
Senior debenture bonds and registered bonds	108	40,348	–	9,443	–	49,899
Senior fixed-income securities	9	–	–	–	–	9
Building loans	359,970	582,905	6,472,591	17,812,421	197,040	25,424,927
Other receivables	789,865[1]	170,820	27,154	154,368	17,821	1,160,028[1]
Positive market values from hedges	**–138**	**5**	**148**	**507**	**–**	**522**
Total	**1,909,967**[1]	**1,255,846**	**11,042,422**	**38,336,430**	**214,861**	**52,759,526**[1]

1 Previous year's figure restated; see section "Changes in the presentation of the financial statements".

The following overview depicts the contractually agreed future gross distributions at the earliest possible date for the financial instruments in the portfolio as at the reporting date.

Contractual cash flows from financial instruments 2023

in € thousands	Within 3 months 31.12.2023	3 months to 1 year 31.12.2023	1 to 5 years 31.12.2023	5 to 10 years 31.12.2023	10 to 15 years 31.12.2023	15 to 20 years 31.12.2023	Later than 20 years 31.12.2023	Total 31.12.2023
Financial liabilities at fair value through profit or loss	**90,286**	**–**	**79,416**	**54,732**	**6,549**	**–**	**–**	**230,983**
Derivative financial liabilities at fair value through profit or loss	90,286	–	79,416	54,732	6,549	–	–	230,983
Liabilities	**5,098,031**	**20,418,907**	**2,199,969**	**1,303,626**	**109,335**	**8,576**	**32,899**	**29,171,343**
Liabilities evidenced by certificates	110,953	–	1,838,385	1,055,537	32,928	–	–	3,037,803
Liabilities to credit institutions	2,029,995	4,434	91,358	47,013	6,101	5,225	7,481	2,191,607
Liabilities to customers	2,732,116	20,267,817	242,778	192,181	67,112	–	–	23,502,004
Home loan savings business deposits and other savings deposits	–	19,527,783	–	–	–	–	–	19,527,783
Savings deposits with agreed termination period	79,158	–	–	–	–	–	–	79,158
Other deposits	2,652,958	740,034	242,778	192,181	67,112	–	–	3,895,063
Advances received	–	–	–	–	–	–	–	–
Lease liabilities	4,228	13,050	18,744	6,679	2,291	3,269	14,686	62,947
Miscellaneous liabilities[1]	220,739	133,606	8,704	2,216	903	82	10,732	376,982
Subordinated capital	**10,727**	**–**	**209,613**	**177,401**	**160,916**	**438,681**	**232,741**	**1,230,079**
Participation rights capital	148	–	2,148	–	–	–	–	2,296
Subordinated liabilities	10,579	–	207,465	177,401	160,916	438,681	232,741	1,227,783
Irrevocable loan commitments	**1,066,445**	**18,349**	**26,355**	**–**	**–**	**–**	**–**	**1,111,149**
Total	**6,265,489**	**20,437,256**	**2,515,353**	**1,535,759**	**276,800**	**447,257**	**265,640**	**31,743,554**

1 Other liabilities

Contractual cash flows from financial instruments 2022

in € thousands	Within 3 months 31.12.2022	3 months to 1 year 31.12.2022	1 to 5 years 31.12.2022	5 to 10 years 31.12.2022	10 to 15 years 31.12.2022	15 to 20 years 31.12.2022	Later than 20 years 31.12.2022	Total 31.12.2022
Financial liabilities at fair value through profit or loss	**164,991**	**–**	**6,550**	**2,323**	**105,785**	**25,414**	**–**	**305,063**
Derivative financial liabilities at fair value through profit or loss	164,991	–	6,550	2,323	105,785	25,414	–	305,063
Negative market values from hedges	**169,562**	**–**	**497,605**	**505,354**	**176,006**	**15,702**	**–**	**1,364,229**
Liabilities	**5,391,558**	**19,838,369**	**1,819,053**	**808,355**	**154,415**	**5,670**	**32,203**	**28,049,623**
Liabilities evidenced by certificates	55,307	–	1,265,286	572,845	34,188	–	–	1,927,626
Liabilities to credit institutions	2,357,368	84,546	211,120	56,836	3,424	2,883	4,756	2,720,933
Liabilities to customers	2,688,809	19,652,514	307,102	174,401	113,599	–	–	22,936,425
Home loan savings business deposits and other savings deposits	–	19,652,420	–	–	–	–	–	19,652,420
Savings deposits with agreed termination period	95,062	–	–	–	–	–	–	95,062
Other deposits	2,593,747	–	307,102	174,401	113,599	–	–	3,188,849
Advances received	–	94	–	–	–	–	–	94
Lease liabilities	4,222	12,700	22,518	3,384	2,154	2,261	16,178	63,417
Miscellaneous liabilities[1]	285,852	88,609	13,027	889	1,050	526	11,269	401,222
Subordinated capital	**46,387**	**–**	**158,051**	**127,295**	**102,833**	**390,483**	**262,378**	**1,087,427**
Participation rights capital	296	–	2,296	–	–	–	–	2,592
Subordinated liabilities	46,091	–	155,755	127,295	102,833	390,483	262,378	1,084,835
Irrevocable loan commitments	**1,383,914**	**23,477**	**39,141**	**–**	**–**	**–**	**–**	**1,446,532**
Total	**7,156,412**	**19,861,846**	**2,520,400**	**1,443,327**	**539,039**	**437,269**	**294,581**	**32,252,874**

1 Other liabilities

The following overview shows the expected maturity structure of the undiscounted cash flows (balance of incoming and outgoing cash flows) from the insurance contracts in the portfolio remaining within the boundaries of the contract as at the reporting date. The positive amounts in the table depict net cash outflows and the negative amounts depict net cash inflows from the corresponding portfolios. The cash flows for the provision for future policy benefits for groups of insurance contracts that are measured using the premium allocation approach (PAA) are not included in the following analysis.

The presentation of the expected maturity structure reflects the long-term nature of insurance contracts in life and health insurance. In property and casualty insurance, on the other hand, most insured risk exposures are expected to mature within the next five years due to the generally rapid claims settlement period. The exceptions to this rule are third-party liability, accident and legal expenses insurance policies, which take longer to settle.

Expected maturity of undiscounted cash flows from insurance contracts in 2023 Life and Health Insurance

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Longer than 5 years	Total
in € thousands	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Area of life insurance							
Cash flows (gross, before reinsurance held)	**1,080,394**	**1,040,848**	**1,033,936**	**1,035,037**	**1,060,652**	**53,115,865**	**58,366,732**
Insurance contracts issued that are liabilities	1,080,394	1,040,848	1,033,936	1,035,037	1,060,652	53,115,865	58,366,732
Predominantly longevity risk (conventional)	617,187	643,083	650,122	685,723	719,692	27,920,727	31,236,534
Predominantly mortality risk (conventional)	601,900	553,654	517,947	465,353	437,544	5,685,992	8,262,390
Predominantly disability risk (conventional and unit-linked)	−86,800	−105,314	−94,559	−87,273	−80,112	1,277,773	823,715
Predominantly longevity risk and mortality risk (unit-linked)	−51,893	−50,575	−39,574	−28,766	−16,472	18,231,373	18,044,093
Insurance contracts issued that are assets	–	–	–	–	–	–	–
Cash flows from reinsurance contracts held	**22,504**	**11,951**	**11,248**	**10,903**	**10,807**	**257,368**	**324,781**
Reinsurance contracts held that are liabilities	–	–	–	–	–	–	–
Reinsurance contracts held that are assets	22,504	11,951	11,248	10,903	10,807	257,368	324,781
Cash flows (net, after reinsurance held)	**1,102,898**	**1,052,799**	**1,045,184**	**1,045,940**	**1,071,459**	**53,373,233**	**58,691,513**
Area of health insurance							
Cash flows (gross, before reinsurance held)	**−61,682**	**−100,355**	**−96,379**	**−86,838**	**−76,730**	**5,479,824**	**5,057,840**
Insurance contracts issued that are liabilities	−69,135	−94,177	−90,683	−81,263	−70,750	5,686,306	5,280,298
Insurance contracts issued that are assets	7,453	−6,178	−5,696	−5,575	−5,980	−206,482	−222,458
Cash flows from reinsurance contracts held	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cash flows (net, after reinsurance held)	**−61,682**	**−100,355**	**−96,379**	**−86,838**	**−76,730**	**5,479,824**	**5,057,840**
Cash flows (gross, before reinsurance held)	**1,018,712**	**940,493**	**937,557**	**948,199**	**983,922**	**58,595,689**	**63,424,572**
Cash flows (net, after reinsurance held)	**1,041,216**	**952,444**	**948,805**	**959,102**	**994,729**	**58,853,057**	**63,749,353**

Expected maturity of undiscounted cash flows from insurance contracts in 2022
Life and Health Insurance

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Longer than 5 years	Total
in € thousands	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022
Area of life insurance							
Cash flows (gross, before reinsurance held)	**1,059,426**	**1,092,154**	**1,100,721**	**1,095,514**	**1,107,096**	**55,002,526**	**60,457,437**
Insurance contracts issued that are liabilities	1,060,893	1,093,495	1,101,882	1,096,503	1,107,936	55,001,029	60,461,738
Predominantly longevity risk (conventional)	599,694	648,942	678,484	685,674	713,820	28,480,397	31,807,011
Predominantly mortality risk (conventional)	622,544	573,550	538,444	517,168	477,406	6,689,637	9,418,749
Predominantly disability risk (conventional and unit-linked)	−102,183	−97,503	−92,980	−89,763	−83,590	1,495,355	1,029,336
Predominantly longevity risk and mortality risk (unit-linked)	−59,162	−31,494	−22,066	−16,576	300	18,335,640	18,206,642
Insurance contracts issued that are assets	−1,467	−1,341	−1,161	−989	−840	1,497	−4,301
Predominantly disability risk (conventional and unit-linked)	−1,467	−1,341	−1,161	−989	−840	1,497	−4,301
Cash flows from reinsurance contracts held	**16,707**	**10,539**	**10,475**	**10,185**	**9,986**	**231,218**	**289,110**
Reinsurance contracts held that are assets	16,707	10,539	10,475	10,185	9,986	231,218	289,110
Cash flows (net, after reinsurance held)	**1,076,133**	**1,102,693**	**1,111,196**	**1,105,699**	**1,117,082**	**55,233,744**	**60,746,547**
Area of health insurance							
Cash flows (gross, before reinsurance held)	**−69,273**	**−106,195**	**−100,129**	**−89,772**	**−83,697**	**5,153,876**	**4,704,810**
Insurance contracts issued that are liabilities	−72,212	−97,605	−92,142	−82,242	−75,268	5,405,840	4,986,371
Insurance contracts issued that are assets	2,939	−8,590	−7,987	−7,530	−8,429	−251,964	−281,561
Cash flows from reinsurance contracts held	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cash flows (net, after reinsurance held)	**−69,273**	**−106,195**	**−100,129**	**−89,772**	**−83,697**	**5,153,876**	**4,704,810**
Cash flows (gross, before reinsurance held)	**990,153**	**985,959**	**1,000,592**	**1,005,742**	**1,023,399**	**60,156,402**	**65,162,247**
Cash flows (net, after reinsurance held)	**1,006,860**	**996,498**	**1,011,067**	**1,015,927**	**1,033,385**	**60,387,620**	**65,451,357**

Expected maturity of undiscounted cash flows from insurance contracts in 2023 Property/casualty insurance

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Longer than 5 years	Total
in € thousands	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
Cash flows (gross, before reinsurance held)	**671,659**	**253,522**	**154,744**	**137,146**	**149,055**	**738,440**	**2,104,566**
Insurance contracts issued that are liabilities	671,660	253,522	154,744	137,146	149,055	738,440	2,104,567
Motor	329,468	82,537	61,525	50,135	42,988	438,120	1,004,773
General liability	48,967	22,157	20,763	21,502	21,457	73,233	208,079
General personal accident	−22,904	4,957	6,954	8,824	10,946	108,884	117,661
Legal expenses	12,169	13,634	15,180	16,943	17,567	55,082	130,575
Residential building and building contents	64,400	9,568	6,370	11,110	16,878	15,384	123,710
Property insurance	170,044	80,064	31,482	21,841	16,944	14,188	334,563
Other	69,516	40,605	12,470	6,791	22,275	33,549	185,206
Insurance contracts issued that are assets	−1	–	–	–	–	–	−1
Other	−1	–	–	–	–	–	−1
Cash flows from reinsurance contracts held	**−192,928**	**−34,928**	**−15,159**	**−10,389**	**−8,798**	**−66,632**	**−328,834**
Reinsurance contracts held that are liabilities	−112	−7	−2	−132	−106	−4	−363
Reinsurance contracts held that are assets	−192,816	−34,921	−15,157	−10,257	−8,692	−66,628	−328,471
Cash flows (net, after reinsurance held)	**478,731**	**218,594**	**139,585**	**126,757**	**140,257**	**671,808**	**1,775,732**

Expected maturity of undiscounted cash flows from insurance contracts in 2022 Property/casualty insurance

in € thousands	Up to 1 year 31.12.2022	1 to 2 years 31.12.2022	2 to 3 years 31.12.2022	3 to 4 years 31.12.2022	4 to 5 years 31.12.2022	Longer than 5 years 31.12.2022	Total 31.12.2022
Cash flows (gross, before reinsurance held)	**467,241**	**220,917**	**148,876**	**136,086**	**145,498**	**709,791**	**1,828,409**
Insurance contracts issued that are liabilities	467,375	220,917	148,876	136,086	145,498	709,791	1,828,543
Motor	229,029	79,826	62,220	51,787	44,428	436,055	903,345
General liability	40,802	23,067	19,850	20,743	35,445	58,241	198,148
General personal accident	−16,135	4,993	10,501	11,973	13,053	106,045	130,430
Legal expenses	14,447	13,155	15,800	17,254	17,740	55,466	133,862
Residential building and building contents	50,938	5,918	6,094	10,931	13,879	11,101	98,861
Property insurance	95,344	61,832	24,214	17,603	15,030	14,048	228,071
Other	52,950	32,126	10,197	5,795	5,923	28,835	135,826
Insurance contracts issued that are assets	−134	–	–	–	–	–	−134
Other	−134	–	–	–	–	–	−134
Cash flows from reinsurance contracts held	**−136,518**	**−47,895**	**−22,749**	**−11,127**	**−7,118**	**−57,601**	**−283,008**
Reinsurance contracts held that are liabilities	-8	−2	−1	−1	−1	−2	−15
Reinsurance contracts held that are assets	−136,510	−47,893	−22,748	−11,126	−7,117	−57,599	−282,993
Cash flows (net, after reinsurance held)	**330,723**	**173,022**	**126,127**	**124,959**	**138,380**	**652,190**	**1,545,401**

The following table explains the relationship between the amounts payable on demand and the carrying amounts of the associated portfolios of insurance contracts issued by the W&W Group as at the reporting date. Amounts payable on demand relate to life and health insurance and consist primarily of surrender rights and lump-sum settlement options, including guaranteed minimum benefits.

Amounts payable on demand

in € thousands	Amount payable on demand 31.12.2023	Carrying amount of the portfolio 31.12.2023	Amount payable on demand 31.12.2022	Carrying amount of the portfolio 31.12.2022
Area of life insurance	**21,706,156**	**28,172,869**	**21,373,999**	**27,063,098**
Insurance contracts issued that are liabilities	**21,706,156**	**28,172,869**	**21,373,999**	**27,063,098**
Predominantly longevity risk (conventional)	9,811,475	16,091,471	9,706,430	15,390,369
Predominantly mortality risk (conventional)	6,995,322	7,393,394	7,470,329	7,599,964
Predominantly disability risk (conventional and unit-linked)	848,276	282,157	775,383	196,530
Predominantly longevity risk and mortality risk (unit-linked)	4,051,083	4,405,847	3,421,857	3,876,235
Area of health insurance	**252,723**	**1,429,788**	**212,289**	**1,271,154**
Insurance contracts issued that are liabilities	**252,723**	**1,429,788**	**212,289**	**1,271,154**

Further information about risk management in the W&W Group is provided in Note 47 and Note 48.

Capital management

As the holding company, W&W AG manages the capital resources of the W&W Group. On the one hand, it collects dividends and transfers of profit or loss; on the other hand, it carries out capital measures, such as capital increases and decreases, and makes loans to Group companies.

The objectives of capital management are an efficient allocation of and an adequate return on IFRS equity. In order to ensure this, claims to income or loss are derived for the individual subsidiaries based on a minimum return on the respective IFRS equity.

As at 31 December 2023, the equity of the W&W Group calculated in accordance with IFRS amounted to €4,961.0 million (previous year: €4,894.3 million). The changes in the individual equity components are depicted in Note 25 "Equity".

Other objectives of capital management are, on the one hand, ensuring risk-bearing capacity on the basis of the internal risk-bearing capacity model of the W&W Group and, on the other hand, meeting the minimum regulatory capital requirements set forth in, among other things, the provisions of the EU Capital Requirements Regulation (CRR), the German Banking Act (KWG), the German Act on the Supervision of Insurance Undertakings (VAG) and the German Act on the Supervision of Financial Conglomerates (FKAG).

Another capital requirement is that the W&W Group as a whole, as well as the individual subsidiaries and W&W AG, maintain sufficient regulatory capital. In connection with efficient capital management, the W&W Group moreover deploys subordinated capital in order to satisfy supervisory requirements concerning solvency.

Internally, the W&W Group has set target solvency ratios for the insurance companies and credit institutions in risk classes 1 and 2, as well for the Solvency II group and the financial conglomerate, that are in excess of current statutory requirements in order to ensure the continued high stability of the groups and of the individual companies.

We provide further remarks about our capital management and its objectives in the risk report in the combined management report.

(52) Regulatory solvency

W&W AG and the W&W Group's insurance companies and credit and financial services institutions are subject at the company level to supervision by the German Federal Financial Supervisory Authority (BaFin) and the Deutsche Bundesbank pursuant to the German Act on the Supervision of Insurance Undertakings (VAG), the German Banking Act (KWG), the EU Capital Requirements Regulation (CRR) and the German Act on the Supervision of Financial Conglomerates (FKAG), as well as to the respective rules applicable in the country of registration of the W&W Group's supervised foreign companies. This supervision results in requirements concerning the capital resources of these companies.

W&W AG ensures that all supervised subsidiaries maintain, at a minimum, the capital resources that they require in order to satisfy regulatory requirements. In this respect, in accordance with supervisory laws, equity and subordinated capital form the basis for such capital management.

In the case of Wüstenrot Bausparkasse AG, subordinated liabilities are allocated to regulatory capital pursuant to Regulation (EU) No 575/2013.

In the case of W&W AG and Württembergische Lebensversicherung AG, subordinated liabilities are allocated to regulatory capital pursuant to Section 89 (3) No. 2 of the German Act on the Supervision of Insurance Undertakings (VAG).

As at the reporting date, Wüstenrot Bausparkasse AG fulfilled the regulatory capital requirements. As at 31 December 2023, the total capital ratio of Wüstenrot Bausparkasse AG stood at 20.0% (previous year: 20.3%), which was above the minimum supervisory requirement of 14.16% (previous year: 13.06%). As at the reporting date, the capital-solvency margin relations of the insurance companies that belong to the Group were likely well above 100%. The final results will be published in the second quarter of 2024 in the Solvency and Financial Conditions Reports (SFCR). The ratios calculated as at 31 December 2022 were reported to BaFin in the second quarter of 2023. They amounted to 418.1% for Wüstenrot & Württembergische AG, to 372.2% for Württembergische Lebensversicherung AG and to 226.9% for Württembergische Versicherung AG. Württembergische Lebensversicherung AG received approval from BaFin to apply transitional measures for technical provisions, and it is currently applying them.

In addition to supervision at the level of the individual company, W&W Group companies are also subject to sectoral supervision by BaFin at the consolidated level. For instance, W&W AG and its insurance companies constitute a Solvency II group. In addition, BaFin has classified the W&W Group as a financial conglomerate.

W&W AG and the W&W Group's insurance companies constitute a Solvency II group. As at the reporting date, the capital-solvency margin relation was likely well above 100%. The final results will be published in the second quarter of 2024 in the Solvency and Financial Condition Report (SFCR). The ratio for the previous year, which stood at 248.8%, was reported to BaFin in the second quarter of 2023.

As the superordinate undertaking of the financial conglomerate, W&W AG must ensure that the regulatory requirements for financial conglomerates are satisfied. These requirements include, among other things, that the W&W Group financial conglomerate maintain sufficient capital resources to satisfy minimum regulatory requirements at all times. As at the reporting date, the capital-solvency margin relation was likely well above 100%. In the previous year, the capital-solvency margin relation stood at 238.9% as at 31 December 2022.

Internal calculations on the basis of data for 2023 and on the basis of the planning for 2024 and 2025 show that the regulatory requirements concerning capital resources can be satisfied in the financial conglomerate and in the Solvency II group in the future as well.

(53) Risk-bearing-capacity model

Please see our presentation in the risk report in the combined management report.

(54) External rating

Please see the combined management report with respect to the current ratings of the W&W Group.

Other disclosures

(55) Revenue from contracts with customers

Breakdown of revenue

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

2023

	Housing	Life and Health Insurance	Property/Casualty Insurance	All other segments	Consolidation/ reconciliation	Total
in € thousands	1.1.2023 to 31.12.2023	1.1.2023 to 31.12.2023	1.1.2023 to 31.12.2023	1.1.2023 to 31.12.2023	1.1.2023 to 31.12.2023	1.1.2023 to 31.12.2023
Commission income	**50,265**	**29**	**15,542**	**52,524**	**–78,977**	**39,383**
from home loan savings business	6,270	–	–	–	–51	6,219
from brokering activities	40,087	29	15,542	19,751	–47,415	27,994
from investment business	–	–	–	31,732	–28,381	3,351
from other business	3,908	–	–	1,041	–3,130	1,819
Net other income/expense	**26,734**	**3,627**	**18,817**	**116,323**	**–6,806**	**158,695**
Income from disposals of inventories (property development business)	–	–	–	102,619	–	102,619
Income from disposals of property, plant and equipment	5	–	14,500	290	–	14,795
Income from disposals of intangible assets	275	–	–	94	–	369
Other revenues	26,454	3,627	4,317	13,320	–6,806	40,912
Net income from disposals	**–**	**–**	**–**	**1,500**	**–**	**1,500**
Income from disposals of investment property	–	–	–	1,500	–	1,500
Total	**76,999**	**3,656**	**34,359**	**170,347**	**–85,783**	**199,578**
Type of revenue recognition						
at a point in time	72,960	29	30,042	59,224	–79,426	82,829
over time	4,039	3,627	4,317	111,123	–6,357	116,749
Total	**76,999**	**3,656**	**34,359**	**170,347**	**–85,783**	**199,578**

2022

in € thousands	Housing 1.1.2022 to 31.12.2022	Life and Health Insurance 1.1.2022 to 31.12.2022	Property/Casualty Insurance 1.1.2022 to 31.12.2022	All other segments 1.1.2022 to 31.12.2022	Consolidation/ reconciliation 1.1.2022 to 31.12.2022	Total 1.1.2022 to 31.12.2022
Commission income	**85,170**	**30**	**17,348**	**60,568**	**–84,959**	**78,157**
from home loan savings business	30,518	–	–	–	–	30,518
from brokering activities	51,032	30	17,348	1,004	–27,485	41,929
from investment business	–	–	–	57,448	–54,277	3,171
from other business	3,620	–	–	2,116	–3,197	2,539
Net other income/expense	**125,804**	**475**	**142,600**	**243,456**	**–3,155**	**509,180**
Income from disposals of inventories (property development business)	–	–	–	231,426	–	231,426
Income from disposals of property, plant and equipment	1,146	–	137,480	220	–	138,846
Income from disposals of intangible assets	–	–	–	–	–	–
Other revenues	124,658	475	5,120	11,810	–3,155	138,908
Net income from disposals	**–**	**351,728**	**–**	**–**	**–**	**351,728**
Income from disposals of investment property	–	351,728	–	–	–	351,728
Total	**210,974**	**352,233**	**159,948**	**304,024**	**–88,114**	**939,065**
Type of revenue recognition						
at a point in time	183,290	352,233	159,948	254,366	–52,982	896,855
over time	27,684	–	–	49,658	–35,132	42,210
Total	**210,974**	**352,233**	**159,948**	**304,024**	**–88,114**	**939,065**

Performance obligations

Commission revenue from home loan savings business

In the home loan savings business, commission income mainly consists of fees that are collected for the administration of home loan savings contracts, such as account maintenance fees, as well as for payment transactions. The fees received for account maintenance are recognised in the income statement over time in the course of continually providing the service. The other fees are recognised as commission revenue at the point in time at which the one-time service is completed.

Commission revenue from brokering activities

Commission revenue from brokering activities for our own banking/home loan savings products and those of other entities, as well as for the insurance products of other entities, is recognised in the income statement at the point in time at which the respective brokering service is completed. Portfolio commissions for brokering services relating to investment units are recognised in the income statement at the time of contract fulfilment.

Commission revenue from investment business

Commission revenue from investment business consists of, in particular, income from portfolio management, received portfolio commissions, and income from advisory services. Income is realised at the time when the services are rendered.

Income from disposals of inventories (property development business)

In property development business, disposal revenue is mainly generated from the construction and sale of residential housing units. This revenue is recognised in the income statement at a point in time based on the progress of the construction of the sold residential housing unit, as well as on the contractually specified down payments received. Furthermore, pursuant to IAS 2, the associated residential units that are currently under construction or have not yet been turned over to customers are carried under inventories at the cost of purchase or manufacture and then recognized upon sale as an expense under “Other operating expenses”. In the case of new construction, the property developer is required to provide a five-year warranty for each purchased residential unit.

Income from disposals of investment property
Income from disposals of investment property is recognised at the time of transfer of ownership and relates exclusively to properties of life and health insurers.

Contract balances

Receivables from contracts with customers primarily consisted of fees owed by home loan savings customers of € 8,0 million (previous year: € 13,4 million) and receivables from property development business of €9.8 million (previous year: €147.1 million), and they are included in the item “Financial assets at amortised cost” (sub-items “Other receivables”). Impairment expenses amounted to €4.6 million (previous year: €4.9 million) for loans and advances to home loan savings customers and to €0.0 million (previous year: €0.0 million) for receivables from property development business.

In the area of property development business relating to the construction and sale of residential housing units, down payments received amounted to €0.0 million (previous year: €0.0 million). Revenue from property development business was recognised in the reporting period in the amount of €0.0 million (previous year: €0.0 million), which was included at the start of the period in the liability balance for down payments received.

In addition, business activities in the other divisions did not result in any contract assets or contract liabilities.

Transaction price allocated to the remaining performance obligations

At the end of the reporting period, there were unsatisfied or partially unsatisfied customer contracts in property development business, since the anticipated time required to construct residential housing units is normally somewhat longer than one year. This did not result in a material aggregate amount of the transaction price being allocated to unsatisfied or partially unsatisfied performance obligations.

Significant judgements

No significant judgements were made.

Contract costs

Contract costs are incurred solely in the area of property development business in the form of commissions paid for the sale of building plots and self-constructed residential housing units. Such contract costs are capitalised and then amortised over the period of the service provision. As at the reporting date, contract costs amounted to €1.4 million (previous year: €1.5 million). Amortisation amounts total €1.4 million (previous year: €0.0 million).

(56) Currency translation gains and losses

Currency translation – with the exception of the currency translation of financial instruments at fair value through profit or loss – generated total currency income of €31.4 million (previous year: €80.8 million) and currency expenses of €59.8 million (previous year: €26.2 million).

(57) Leases

W&W Group as lessee

The W&W Group leases properties, vehicles and EDP equipment for own use, as well as investment properties.

Most of the properties for own use have indefinite terms. Renewal options exist in some cases. Price adjustment clauses are likewise agreed to, which are based on the consumer price index. There are normally no purchase options. EDP equipment and vehicles have fixed terms of up to three years. Investment properties have terms of up to 99 years.

Right-of-use assets that meet the definition of investment property are included in “Investment property” (see Note 9). The following overview shows the changes in right-of-use assets within property, plant and equipment in the consolidated statement of financial position.

Right-of-use assets in 2023

	Property for own use	Vehicles	EDP equipment	Total
in € thousands	2023	2023	2023	2023
Carrying amounts as at 1 January	**29,294**	**1,952**	**3,126**	**34,372**
Additions	14,893	3,469	–	18,362
Disposals	−2,422	–	–	−2,422
Depreciation/amortisation	−12,354	−1,736	−1,780	−15,870
As at 31 December	**29,411**	**3,685**	**1,346**	**34,442**

Right-of-use assets in 2022

	Property for own use	Vehicles	EDP equipment	Total
in € thousands	2022	2022	2022	2022
Carrying amounts as at 1 January	**39,621**	**2,027**	**4,906**	**46,554**
Additions	2,423	1,075	–	3,498
Disposals	−1	–	–	−1
Depreciation/amortisation	−12,749	−1,150	−1,780	−15,679
As at 31 December	**29,294**	**1,952**	**3,126**	**34,372**

The consolidated income statement includes interest expenses from lease liabilities of €0.7 million (previous year: €0.5 million). Expenses for short-term leases of €0.1 million (previous year: €0.0 million) were also recognised in the consolidated income statement. Expenses for leases of a low-value asset of €0.8 million (previous year: €0.2 million) relate to bike leasing for employees.

Recognised under “Property for own use” are, in particular, the property located at Friedrich-Scholl-Platz 1 in Karlsruhe, Germany, and the building of former Aachener Bausparkasse AG, which were sold in the 2011 and 2022 financial year, respectively, and then leased back for continued own use (known as sale and leaseback transactions).

The lease for the property at Friedrich-Scholl-Platz 1 in Karlsruhe has a term of 15 years and cannot be terminated. Also agreed was a one-time lease renewal option for a fixed term of five years. If the lessee intends to exercise the option, it must give the lessor notice thereof 16 months prior to expiry of the lease term. Moreover, the lease contains a general prospective price adjustment clause, which is based on how the consumer price index changes. In addition, neither a repurchase option nor contingent lease payments or restrictions were agreed to. Most of the property is used within the Group. A portion has been subleased outside the Group.

The basic lease term for the former Aachener Bausparkasse AG building is five years. The lease is extended by one year if it is not terminated at least six months before it expires. The lessee also has a unilateral one-time termination option on 31 December 2024. If the lessee intends to exercise the option, it must give the lessor notice thereof six months prior to expiry. In addition, neither a repurchase option nor contingent lease payments or restrictions were agreed to. The property is used within the Group.

The lease for the property at Presselstrasse 10 in Stuttgart, which is reported under property for own use and was sold with the transfer of ownership in the 2018 financial year and subsequently leased back for further own use (sale and leaseback transaction), was terminated on 31 December 2023.

The cash flow statement includes a cash outflow from leases of €18.2 million (previous year: €17.5 million).

For an analysis of the remaining term to maturity of lease liabilities, please see Note 51 “Liquidity risk”.

W&W Group as lessor

We are the lessor under operating leases for investment property. Many of the leases entered into have open-ended terms. Some, however, have fixed terms. With regard to commercial properties, price adjustment clauses are regularly agreed to, which are based on the consumer price index. With regard to residential properties, such agreements have been entered into for properties that have been acquired since 2012 and for those that have undergone high-quality renovations. Rental income amounted to €130.7 million (previous year: €123.3 million).

Undiscounted minimum lease payments

	Lessor – operating leases	
in € thousands	31.12.2023	31.12.2022
Within 1 year	93,508	77,413
1 to 2 years	74,285	65,679
2 to 3 years	66,665	58,813
3 to 4 years	58,347	53,496
4 to 5 years	51,186	46,054
Later than 5 years	323,411	314,624
Total	**667,402**	**616,079**

A finance lease under which we are the lessor is in place for the portion of the property at Friedrich-Scholl-Platz 1 in Karlsruhe, which has been subleased outside the Group. The lease receivables from this sublease are due as follows:

Undiscounted minimum lease payments

	Lessor - finance lease	
in € thousands	31.12.2023	31.12.2022
Within 1 year	1,032	1,032
1 to 2 years	1,032	1,032
2 to 3 years	–	1,032
3 to 4 years	–	–
4 to 5 years	–	–
Later than 5 years	–	–
Gross investment value (also net investment value)	**2,064**	**3,096**

Income relating to variable lease payments not included in the measurement of the net investment in the lease came to €0.2 million (previous year: €0.1 million).

(58) Contingent assets, contingent liabilities and other obligations

in € thousands	31.12.2023	31.12.2022
Contingent liabilities	**2,315,085**	**2,232,460**
from deposit guarantee funds	401,018	357,918
from letters of credit and warranties	10,000	10,000
from uncalled capital	1,734,216	1,823,473
from contractual obligations to buy and to build investment property	165,319	34,019
from contractual obligations to buy and to build property, plant and equipment	2,204	5,508
Other contingent liabilities	2,328	1,542
Other commitments	**1,111,149**	**1,446,532**
Irrevocable loan commitments	1,111,149	1,446,532
Total	**3,426,234**	**3,678,992**

Section 221 of the German Act on the Supervision of Insurance Undertakings (VAG) requires German life insurers to be members of a protection fund. ARA Pensionskasse AG joined the protection fund for life insurers (Protektor Lebensversicherungs-AG) as a voluntary member pursuant to Section 221 (2) VAG. On the basis of the German Protection Fund Financing Regulation (Life), the protection fund for life insurers levies annual contributions of not more than 0.2‰ of total net technical provisions until a protection fund of 1‰ of total net technical provisions has been built up. The Group is not subject to any future obligations from this.

In addition, the protection fund can levy special contributions equal to an additional 1‰ of total net technical provisions. This corresponded to an obligation of €39.8 million (previous year: €35.5 million).

Following the underwriting of insurance contracts, the protection fund for health insurers can levy special contributions of not more than 2‰ of total net technical provisions in order to fulfil its duties. This results in a payment obligation of €3.0 million (previous year: €2.7 million).

In addition, the W&W Group's life insurers and pension funds have undertaken to provide the protection fund or, alternatively, Protektor Lebensversicherungs AG with financial resources in the event that the resources of the protection fund are insufficient in the case of a reorganisation. The obligation amounts to 1% of total net technical provisions, with offsetting of the contributions that have previously been made to the protection fund to date. Including the above-mentioned payment obligation of 1%, the total obligation as at the reporting date amounted to €358.2 million (previous year: €319.7 million).

As at 31 December 2023, obligations for capital contribution calls not yet made relating to investment funds in the W&W Group amounted to €1,734.2 million (previous year: €1,823.5 million).

Irrevocable loan commitments consisted of remaining obligations under loans and credit lines that have been granted but not yet drawn down or fully drawn down. The risk of a change in interest rates is low for irrevocable loan commitments due to their short terms.

Wüstenrot Bausparkasse AG is a member of Entschädigungseinrichtung deutscher Banken GmbH, which is a company that operates the compensation scheme established by the Association of German Banks. As a member of this compensation scheme and given the obligation to fund the European restructuring fund for credit institutions, Wüstenrot Bausparkasse AG is required to pay annual contributions to the guarantee funds. The calculations for determining the annual contributions are based on factors including the amount of covered deposits and the risk parameters of all credit institutions in question. We are not aware of the estimate of the reportable key figures by the guarantee funds or the risk factors set for Wüstenrot Bausparkasse AG. This have a material impact on the amount of the contributions payable. Accordingly, there are considerable estimation uncertainties that could affect Wüstenrot Bausparkasse AG's financial position. As a result of participation in the deposit protection funds, member institutions are obligated to provide additional funding when necessary.

As a result of membership in Verkehrsopferhilfe e.V., which is an association that assists road accident victims through a guarantee fund established by German motor liability insurers, the W&W Group is obligated to provide this association with the resources necessary for carrying out its purpose. The amount that it is required to pay in each year is determined by its share of the premium revenue that member companies earned from direct motor liability insurance in the calendar year before last.

Employees who joined one of the two sponsoring undertakings, Württembergische Versicherung AG and Württembergische Lebensversicherung AG, prior to 1 January 2002 could be accepted as members in the pension fund Pensionskasse der Württembergischen VVaG (WürttPK). Being a legally independent, regulated pension fund, WürttPK is subject to supervision by the German Federal Financial Supervisory Authority (BaFin). WürttPK benefits are financed through contributions by members and subsidies by the sponsoring undertakings. Pursuant to their articles of association, Württembergische Versicherung AG and Württembergische Lebensversicherung AG are obligated to pay subsidies. In accordance with the business plan, the sponsoring undertakings handle administration at no cost. In addition, there is secondary liability in some cases under the German Occupational Pensions Act (BetrAVG).

With regard to the calculation of current tax assets and current tax liabilities made as at the reporting date, it cannot be ruled out that the fiscal authorities will take a different position. In addition, the outcome of pending tax proceedings, both in and out of court, cannot be determined or predicted. Additional liabilities and receivables may need to be recognised in this area whose occurrence is not overwhelming likely, meaning that no corresponding liabilities and receivables were created.

Württembergische Lebensversicherung AG indemnified the pension institutions Versorgungseinrichtung Karlsruhe e.V. (VeK) and AVM – Arbeitnehmer Vorsorge Management – überbetriebliche Unterstützungskasse e.V. against claims for compensation of damages resulting from a mistake in the processing of the insurance contracts of the sponsoring undertakings.

With the signed purchase agreement dated 21 December 2023, Württembergische Versicherung AG intends to acquire 25.0% of the shares in claims service provider riparo GmbH for €10.0 million.

Waiver of recourse and indemnity declaration

Pursuant to an existing waiver of recourse and indemnification agreement, in the event that the company is sued as a result of an agent having provided faulty advice in connection with the brokering of an insurance product that the company sells, the company has agreed to waive potential recourse claims against the agent, unless the agent acted wilfully and the damage is covered by liability insurance. With respect to the agent's own liability in connection with the brokering of insurance or financial services products offered by an insurance company of the W&W Group, by a collaboration partner of one of these insurance companies or in the course of further advice for one of these companies or collaboration partners, the company has also agreed to provide an indemnity in the event faulty advice was provided. The minimum insurance cover is limited to €200 thousand per claim and a total of €300 thousand per year and, for damages in connection with faulty advice provided in insurance brokering, to €1,300 thousand per claim and €1,925 thousand per year.

(59) Related party disclosures

Parent company

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

Transactions with related persons

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

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

All transactions were at arm's length.

Receivables from related persons amounted to €80 thousand (previous year: €193 thousand) as at 31 December 2023. Liabilities to related persons amounted to €1,022 thousand (previous year: €687 thousand) as at the end of the reporting period. In the 2023 financial year, interest income from loans to related persons amounted to €3 thousand (previous year: €6 thousand), while interest expenses for savings deposits of related persons amounted to €23 thousand (previous year: €2 thousand). In 2023, premiums of €74 thousand (previous year: €81 thousand) were paid by related persons for life, health and property insurance policies. Premiums paid by related persons for company pension schemes came to €611 thousand (previous year: €623 thousand). Benefits received by related persons from company pension schemes totalled €252 thousand (previous year: €296 thousand).

Transactions with related companies

Subsidiaries of W&W AG and other related companies

There are various service agreements, including in the area of investment management, between the W&W Group and subsidiaries of W&W AG as well as other related companies of W&W AG. There is a brand transfer and use agreement between Wüstenrot Holding AG and W&W AG. As at 31 December 2023, there is a remaining financial liability to Wüstenrot Holding AG under this agreement of €6.1 million (previous year: €8.6 million). W&W AG pays Wüstenrot Holding AG a fixed annual amount (principal and interest) of €2.5 million plus statutory VAT.

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

The transactions were at arm's length.

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

in € thousands	31.12.2023	31.12.2022
Financial assets from related companies	**289,342**	**289,039**
Subsidiaries	260,010	263,045
Other related parties	29,332	25,994
Financial liabilities to related companies	**81,652**	**82,416**
Subsidiaries	43,611	52,671
Associated company	10,670	–
Other related parties	27,371	29,745

Financial liabilities including obligations to related associates include German covered bonds issued in the reporting period.

As at the end of the reporting period, the outstanding transactions with related companies of W&W AG in its capacity as the parent company of the Group comprised receivables of €1.2 million (previous year: €0.8 million) and liabilities of €9.2 million (previous year: €11.8 million).

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

in € thousands	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Income from transactions with related companies	**61,317**	**57,438**
Subsidiaries	58,455	54,810
Associated company	9	35
Other related parties	2,853	2,593[1]
Expenses from transactions with related companies	**-85,750**	**-70,520**
Subsidiaries	-55,409	-53,393
Associated company	-1,492	-26
Other related parties	-28,849	-17,101

1 Previous year's figure restated.

In the reporting period, the income from transactions with related companies of W&W AG in its capacity as the parent company of the Group amounted to €1.1 million (previous year: €1.0 million) with expenses of €1.0 million (previous year: €1.6 million).

(60) Information concerning remuneration of the Executive Board and the Supervisory Board

Remuneration of the Executive Board

The following remarks contain the disclosures required under Section 314 (1) No. 6 (a) to (c) of the German Commercial Code (HGB).

in € thousands	31.12.2023	31.12.2022
Remuneration paid to Executive Board members	3,825	3,625
Remuneration paid to former Executive Board members	1,572	1,680
Remuneration paid to survivors	446	383
Pension commitments for former Executive Board members	20,009	25,537

Total remuneration was examined by the Supervisory Board, and it bears a reasonable relationship to the duties and performance of Executive Board members, as well as to the company's condition.

The Group did not grant any loans to members of the Executive Board. No contingent liabilities were assumed for the benefit of the members of the Executive Board. No subscription rights or other share-based payments were granted to the Executive Board.

There were no other encumbrances on the Group during the financial year for benefits to former members of the Executive Board or Supervisory Board or their survivors through severance payments, pensions, survivor's pensions or other benefits of a related nature.

Remuneration of the Supervisory Board

The Supervisory Board members of Wüstenrot & Württembergische AG received total remuneration of €891.6 thousand (previous year: €865.8 thousand) from the company for the 2023 financial year. Of this amount, further Supervisory Board mandates in the Group accounted for €115.5 thousand (previous year: €104.4 thousand). Members of the Supervisory Board of Wüstenrot & Württembergische AG who left the company during the financial year received pro rata remuneration of €0.0 thousand (previous year: €128.3 thousand) from the company for the 2023 financial year.

Members of the Supervisory Board are reimbursed for expenses and the value-added tax due on Supervisory Board remuneration, provided same is owed. However, they are not included in the expenses mentioned.

Advances and loans to active members of the Supervisory Board of the W&W Group amounted to €80.1 thousand (previous year: €89.0 thousand). The loans were granted by Group companies. The agreed interest rates range from 1.6% to 7.9%. Loans amounting to €8.9 thousand (previous year: €8.1 thousand) were repaid by active members of the Supervisory Board. No liabilities were entered into in favour of these persons.

There are no subscription rights or other share-based payments for members of the Supervisory Board in the W&W Group. No provisions for current pensions or future pension claims had to be made for members of the Supervisory Board or their surviving dependents.

Total remuneration for persons in key positions

The total remuneration for Group management members in key positions (Management Board and Supervisory Board of Wüstenrot & Württembergische AG) amounted to €8,171.8 thousand (previous year: €8,374.9 thousand). Of this amount, short-term employee benefits accounted for €6,777.5 thousand (previous year: €6,581.6 thousand), post-employment benefits accounted for €712.4 thousand (previous year: €986.8 thousand), other long-term benefits accounted for €681.9 thousand (previous year: €806.5 thousand) and termination benefits accounted for €0.0 thousand (previous year: €0.0 thousand).

(61) Number of employees

The W&W Group had 6,437 employees (full-time equivalents) as at 31 December 2023 (previous year: 6,306). Its headcount by employment contracts was 7,546 as at the end of the reporting period (previous year: 7,390).

The average number of employees over the past twelve months was 7,485 (previous year: 7,381). This average is calculated as the arithmetic mean of the end-of-quarter headcounts between 31 March 2023 and 31 December 2023 and the respective prior-year period. The Group's headcount breaks down by segment as follows:

Average number of employees over the year by segment

	31.12.2023	31.12.2022
Housing	2,134	2,138
Life and Health Insurance	507	532
Property/Casualty Insurance	3,831	3,698
All other segments	1,013	1,013
Total	**7,485**	**7,381**

(62) Auditor's fee

The Supervisory Board of Wüstenrot & Württembergische AG engaged EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Stuttgart, to audit the consolidated financial statements. The cost of the audit firm's services for the W&W Group totalled €6,248 thousand (previous year: €5,131 thousand) for the financial year. Of this amount, audit services accounted for €6,029 thousand (previous year: €4,586 thousand), other assurance services accounted for €56 thousand (previous year: €108 thousand), tax advisory services accounted for €0 thousand (previous year: €0 thousand) and other services accounted for €163 thousand (previous year: €437 thousand).

The fee for the **auditing services** of EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Stuttgart, is related to the audit of the consolidated financial statements and the annual financial statements of W&W AG, as well as to other permissible services occasioned directly by the audit. In addition, the audit firm conducted audits of the annual financial statements and group reporting of various subsidiaries, as well as statutory audits in accordance with the German Securities Trading Act (WpHG), the German Act on the Supervision of Insurance Undertakings (VAG), the German Stock Corporation Act (AktG) and other legal provisions.

Other assurance services included audits pursuant to the General Terms and Conditions of the Deutsche Bundesbank, the audit to obtain limited assurance of the non-financial report and other audits under the German Securities Trading Act (WpHG), the German Investment Firm Act (WpIG) and other industry-specific laws.

The **other services** consisted of various professional assistance – primarily concerning current and future accounting and regulatory issues, as well as in the area of IT. Also, a tool solution was provided for the structured processing of regulatory and legislative developments.

(63) Events after the reporting period

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

(64) Corporate Governance Code

The Executive Board and Supervisory Board of the publicly traded Wüstenrot & Württembergische AG, Kornwestheim, Germany, submitted the statement of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) and have made it permanently available to shareholders on the website of the W&W Group at www.ww-ag.com → Investor Relations → Publications → Further publications (in German only).

(65) Group affiliation

Wüstenrot & Württembergische AG, Kornwestheim, is the parent company of the W&W Group. The consolidated financial statements of the W&W Group are published in the German Federal Gazette.

(66) List of shareholdings pursuant to Section 315e (1) of the German Commercial Code (HGB) in conjunction with Section 313 (2) HGB

The list of shareholdings of the W&W Group as at 31 December 2023 is presented below. We made use of the exemption provided for in Section 313 (3) sentence 4 HGB in conjunction with Section 313 (2) No. 4 HGB.

Name and registered office of the company	Interest in capital, in %	Consolidation type[1]
Wüstenrot & Württembergische AG, Kornwestheim		F
Affiliated companies		
Germany		
3B Boden-Bauten-Beteiligungs-GmbH, Ludwigsburg	100.00	F
Adam Riese GmbH, Stuttgart[2]	100.00	F
Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart	100.00	F
Altmark Versicherungsmakler GmbH, Stuttgart	100.00	M
Altmark Versicherungsvermittlung GmbH, Stuttgart	100.00	M
Asendorfer Kippe ASK GmbH & Co. KG, Kornwestheim	100.00	M
Bausparkasse Wüstenrot Immo GmbH, Ludwigsburg	100.00	M
Beteiligungs-GmbH der Württembergischen, Stuttgart	100.00	M
BF.capital GmbH, Stuttgart	35.00	M
Feuersee Entwicklungsgesellschaft mbH & Co. KG, Kornwestheim	100.00	F
Ganzer GmbH & Co. KG, Kornwestheim	100.00	M
Gerber GmbH & Co. KG, Kornwestheim	100.00	F
GMA Gesellschaft für Markt- und Absatzforschung mbH, Ludwigsburg	100.00	M
IVB - Institut für Vorsorgeberatung Risiko- und Finanzierungsanalyse GmbH, Karlsruhe	100.00	M
KLV BAKO Dienstleistungs-GmbH, Karlsruhe	95.20	M
KLV BAKO Vermittlungs-GmbH, Karlsruhe	78.90	M
W&W Asset Management GmbH, Ludwigsburg	100.00	F
W&W brandpool GmbH, Stuttgart	100.00	F
W&W Informatik GmbH, Ludwigsburg[2]	100.00	F
W&W Interaction Solutions GmbH, Munich	100.00	M
W&W Service GmbH, Stuttgart[2]	100.00	F
WHS Entwicklungs-GmbH, Kornwestheim	100.00	M
Windpark Golzow GmbH & Co. KG, Rheine	100.00	M
WL Erneuerbare Energien Verwaltungs GmbH, Stuttgart	100.00	M
WL Renewable Energy GmbH & Co. KG, Kornwestheim	100.00	F
WL Sustainable Energy GmbH & Co. KG, Kornwestheim	100.00	F

List of shareholdings (continuation)

Name and registered office of the company	Interest in capital, in %	Consolidation type[1]
Württembergische Akademie GmbH, Stuttgart	100.00	M
Württembergische Immobilien AG, Stuttgart	100.00	F
Württembergische Kö 43 GmbH, Stuttgart	89.90	M
Württembergische Krankenversicherung AG, Kornwestheim	100.00	F
Württembergische Lebensversicherung AG, Kornwestheim	94.89	F
Württembergische Logistik I GmbH & Co. KG, Kornwestheim	100.00	M
Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart	100.00	M
Württembergische Versicherung AG, Kornwestheim	100.00	F
Württembergische Vertriebspartner GmbH, Stuttgart	100.00	M
Württembergische Verwaltungsgesellschaft mbH, Stuttgart	100.00	M
Württfeuer Beteiligungs-GmbH, Stuttgart	100.00	F
WürttLeben Alternative Investments GmbH, Stuttgart	100.00	F
WürttVers Alternative Investments GmbH, Stuttgart	100.00	F
Wüstenrot Bausparkasse AG, Kornwestheim	100.00	F
Wüstenrot Energieberatung GmbH, Kornwestheim	100.00	M
Wüstenrot Grundstücksverwertungs-GmbH, Ludwigsburg	100.00	M
Wüstenrot Haus- und Städtebau GmbH, Ludwigsburg	100.00	F
Wüstenrot Immobilien GmbH, Ludwigsburg	100.00	M
Finland		
Kiinteistö Oy Porkkalankatu 5, Helsinki	100.00	F
France		
REI Holding Management France I SAS, Paris	100.00	F
REI PropCo France I SCI, Paris	100.00	F
Württembergische France Immobiliere SARL, Strasbourg	100.00	M
Württembergische France Strasbourg SARL, Strasbourg	100.00	M
Ireland		
W&W Asset Management Ireland DAC (formerly W&W Asset Management Dublin DAC), Dublin	100.00	F
W&W Investment Managers DAC, Dublin	100.00	F
Austria		
G6 Zeta Errichtungs- und VerwertungsGmbH & Co OG, Vienna	99.90	M
Kellerwirt Holding GmbH, Brixlegg	100.00	M
Kellerwirt Mountain Health Resort GmbH, Brixlegg	100.00	M
SAMARIUM drei GmbH & Co OG, Vienna[3]	100.00	M

List of shareholdings (continuation)

Name and registered office of the company	Interest in capital, in %	Consolidation type[1]
Structured entities (required to be consolidated)		
Germany		
LBBW AM-69, Stuttgart	100.00	F
LBBW AM-76, Stuttgart	100.00	F
LBBW AM-AROS, Stuttgart	100.00	F
LBBW AM Emerging Markets Bonds-Fonds 1, Stuttgart	100.00	F
LBBW AM Emerging Markets Bonds-Fonds 2, Stuttgart	100.00	F
LBBW AM Emerging Markets Bonds-Fonds 3, Stuttgart	100.00	F
LBBW AM-EQS, Stuttgart	100.00	F
LBBW AM High Yield Corporates Bonds Fonds, Stuttgart	98.36	F
LBBW AM REA-Fonds, Stuttgart	100.00	F
LBBW AM-Südinvest 160, Stuttgart	100.00	F
LBBW AM-US Municipals 1, Stuttgart	100.00	F
LBBW AM-US Municipals 2, Stuttgart	86.33	F
LBBW AM-USD Corporate Bond Fonds 1, Stuttgart	100.00	F
LBBW AM-USD Corporate Bond Fonds 2, Stuttgart	100.00	F
LBBW AM-WSV, Stuttgart	100.00	F
LBBW AM-WV Corp Bonds Fonds, Stuttgart	100.00	F
LBBW AM WWAG Corporate Bonds Fonds, Stuttgart	100.00	F
\N&\N Real Estate International 1, Frankfurt am Main	100.00	F
Ireland		
ARP Alternative Investment Fund I, Dublin	100.00	F
ARP Alternative Investment Fund II, Dublin	100.00	F
The W&W Global Income Fund ICAV - The W&W AG Alternative Investment Fund, Dublin	100.00	F
The W&W Global Income Fund ICAV - The W&W Infrastructure Fund, Dublin	100.00	F
The W&W Global Income Fund ICAV - The W&W Private Debt Fund, Dublin	100.00	F
W&W Flexible Premium, Dublin	100.00	F
W&W Flexible Premium II, Dublin	100.00	F
W&W Global Strategies South East Asian Equity Fund, Dublin	99.91	F
W&W International Global Convertibles Fonds, Dublin	90.74	F
WK Alternative Investment Fund I, Dublin	100.00	F
WK Alternative Investment Fund II, Dublin	100.00	F
WL Alternative Investment Fund I, Dublin	100.00	F
WV Alternative Investment Fund I, Dublin	100.00	F
WV Alternative Investment Fund II, Dublin	100.00	F

List of shareholdings (continuation)

Name and registered office of the company	Interest in capital, in %	Consolidation type[1]
Joint ventures		
Germany		
ver.di Service GmbH, Berlin	40.10	M
Associated company		
Germany		
BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart	35.00	E
BWK Holding GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart	35.00	M
Domus Beteiligungsgesellschaft der Privaten Bausparkassen mbH, Berlin	28.73	M
V-Bank AG, Munich	15.26	E

1 Explanations of the types of company and consolidation:
F = Companies included in the consolidated financial statements by way of full consolidation.
E = Companies included in the consolidated financial statements using the equity method
M = Not included in the Consolidated financial statements due to minor significance.
2 Pursuant to Section 264 (3) of the German Commercial Code (HGB),W&W Service GmbH, Stuttgart, Germany, W&W Informatik GmbH, Ludwigsburg, Germany, and Adam Riese GmbH, Stuttgart, Germany, are exempt from the obligation to prepare, have audited and publish a management report in accordance with the rules applicable to corporations and limited liability companies.
3 SAMARIUM drei GmbH & Co OG, Vienna, is a structured entity.

List of shareholdings (continuation)

Name and registered office of the company	Interest in capital, in %	Currency	Reporting date	Equity[1]	Net income after taxes[1]
Other participations of 5% or more					
Germany					
Adveq Europe II GmbH, Frankfurt am Main[2]	16.77	€	31.12.2022	894,823	–15,343
Adveq Opportunity II Zweite GmbH, Frankfurt am Main[2]	29.31	€	31.12.2022	1,395,015	–226,082
Adveq Technology V GmbH, Frankfurt am Main[2]	16.50	€	31.12.2022	1,909,189	–378,046
Deutscher Solarfonds “Stabilität 2010” GmbH & Co. KG, Frankfurt am Main[2]	17.77	€	31.10.2022	69,029,963	22,647,984
European Sustainable Power Fund Nr. 2 GmbH & Co. KG, Grünwald[2]	12.10	€	30.9.2022	332,199,000	52,071,000
Immomio GmbH, Hamburg	14.34	€	31.12.2022	8,305,823	–1,453,253
Keleya Digital-Health Solutions GmbH, Berlin	17.53	€	31.12.2021	1,211,467	–1,245,549
Kinderheldin GmbH, Berlin	7.81	€	31.12.2022	–1,839,212	–893,905
Onshore Wind Portfolio 2012 GmbH & Co. KG, Frankfurt am Main[2]	20.72	€	31.8.2022	86,863,263	5,656,989
VC Fonds Baden-Württemberg GmbH & Co. KG, Stuttgart[2]	25.00	€	31.12.2022	1,404,339	–119,169
Hungary					
Fundamenta-Lakáskassza-Lakástakarékpénztár Zrt., Budapest[4]	11.47	HUF[3]	31.12.2022	72,636,000,000	4,508,000,000
United Kingdom and Northern Ireland					
Partners Group Emerging Markets 2007, L.P., Edinburgh[2]	9.38	US$[3]	31.12.2022	27,861,000	222,000

1 This information refers to the last available annual financial statements named under “Reporting date”.
2 These companies are structured entities.
3 Exchange rates as at 31 December 2022: US$/€: 1.0666/1.0000; HUF/€: 400.8700/10000.
4 Recognised as an associated company in the previous year.

The W&W Group
Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the cosolidated financial statements present a true and accurate view of the Group’s net assets, financial position and financial performance, and the Group management provides a true and accurate presentation of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Kornwestheim, 4 March 2024

Jürgen A. Junker

Alexander Mayer

Jürgen Steffan

Jens Wieland

The W&W Group
Auditor’s report

Independent auditor’s report

To Wüstenrot & Württembergische AG, Kornwestheim

Report on the audit of the consolidated financial statements and of the combined management report

Audit opinions

We have audited the consolidated financial statements of Wüstenrot & Württembergische AG, Kornwestheim, and its subsidiaries (the Group), consisting of the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2023, as well as the notes to the consolidated financial statements, together with the a summary of significant accounting policies. In addition, we have audited the combined management report of Wüstenrot & Württembergische AG, Kornwestheim, for the financial year 1 January to 31 December 2023. In compliance with German law, we did not audit the content of the Group corporate governance declaration in accordance with Section 341j HGB in conjunction with Section 315d HGB contained in the corporate governance declaration section of the combined management report or the six image pages under the title “A commitment to values”. We did not audit any information given by the W&W Group outside this Annual Report, referred to in the declaration on corporate governance or the combined management report.

In our opinion, based on the findings of our audit,

- the attached consolidated financial statements comply in all material respects with the IFRSs applicable in the EU and with the additional German statutory requirements that are applicable pursuant to Section 315e (1) of the German Commercial Code (HGB), and in compliance with those provisions, they present a true and accurate view of the Group’s net assets and financial position as at 31 December 2023 and its financial performance for the financial year 1 January to 31 December 2023, and

- the attached combined management report as a whole presents a true and accurate view of the Group’s position. The combined management report is consistent with the consolidated financial statements in all material respects, complies with German statutory requirements and accurately depicts the opportunities and risks of future development. As stated above, our audit opinion on the combined management report does not cover the content of the Group corporate governance declaration, the six image pages under the title “A commitment to values” or any information provided by the W&W Group outside this annual report, referred to in this report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations concerning the regularity of the consolidated financial statements or the combined management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the combined management report in conformity with Section 317 of the HGB (German Commercial Code) and with Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities (hereinafter, the “EU Audit Regulation”), as well as in accordance with the German standards for the proper auditing of financial statements promulgated by the IDW (Institute of Public Auditors in Germany). Our responsibility in accordance with those provisions and standards is described extensively in the section of our audit report entitled “Responsibility of the statutory auditor for the audit of the consolidated financial statements and the combined management report”. We are independent of the Group companies in accordance with the requirements of European and German commercial law, as well as professional rules, and we have fulfilled our other German professional duties in accordance with these requirements and rules. In addition, we declare pursuant to Article 10, Paragraph 2 Letter f) EU-AR that we have provided no prohibited non-audit services referred to in Article 5, Paragraph 1 EU-AR. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions concerning the consolidated financial statements and the combined management report.

Key audit matters in connection with the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the following, we describe the audit matters that we consider to be key:

1. Measurement of unlisted securities and derivative financial instruments held for the purpose of capital investment

Reasons for designation as a key audit matter

The Wüstenrot & Württembergische AG Group holds unlisted securities for the purpose of capital investment, particularly registered bonds, debenture bonds and unlisted derivative financial instruments.

If prices for identical financial instruments (Level 1 of the measurement hierarchy) quoted on active markets are unavailable, recognised measurement methods are used to determine the fair value of the unlisted securities and derivative financial instruments. The input factors used in this regard are based to the greatest possible extent on measurement parameters that are observable on the market (Level 2 of the measurement hierarchy). If these are not sufficiently current, measurement parameters that are not observable on the market are also used (Level 3 of the measurement hierarchy).

Unlisted securities and derivative financial instruments make up a considerable amount of the consolidated balance sheet, and changes in their value have an impact on consolidated equity in some cases and on consolidated net income in other cases.

For registered bonds and debenture bonds as well as unlisted derivative financial instruments, fair values are calculated using recognised measurement procedures that are customary on the market, particularly discounted cash flow methods. Other recognised instrument-specific measurement procedures are used to only a limited extent. Primarily used as input data in this regard are measurement parameters that are observable on the market (in particular, yield curves, risk premiums, and volatilities), but also to a lesser extent measurement parameters that are not observable on the market. Discretion is exercised by the management in connection with the selection of the procedures and the specification of the measurement parameters.

Because discretion is exercised in connection with the specification of the measurement procedures and measurement parameters for the purpose of model-based measurement and because this is associated with the risk of a materially incorrect presentation in the consolidated financial statements, this has to do with a key audit matter.

Audit approach

As part of our audit, we first analysed the process used to measure unlisted securities and derivative financial instruments for risks of error, evaluated the implemented controls with respect to their design, and tested their effectiveness. The focus here was on controls that ensure the accuracy of the portfolio data and the appropriateness of the utilised prices.

For unlisted securities and derivative financial instruments, we performed spot checks to gain an understanding of the utilised measurement procedures with respect to their appropriateness. Furthermore, for a partial portfolio of these financial instruments, we examined the discretion-dependent measurement parameters that are observable on the market for whether they are located within a range that is observable on the market. In this connection, we gained an understanding of the utilised measurement parameters and prices by comparing them with publicly available measurement parameters and prices for a selection of financial instruments. If parameters were not observable on the market, we evaluated them by remeasuring a select partial portfolio of the financial instruments.

In addition, for a partial portfolio of unlisted securities and derivative financial instruments, we performed our own calculations of fair value, drawing on the assistance of measurement specialists.

Our audit procedures did not result in any objections concerning the measurement of unlisted securities and derivative financial instruments.

Reference to related information
The disclosures concerning the measurement of unlisted securities and derivative financial instruments are contained in the notes to the consolidated financial statements in Note 38 "Disclosures concerning the measurement of fair value".

2. Estimation of future cash flows in the measurement of technical liabilities for life insurance contracts issued

Reasons for designation as a key audit matter
Technical liabilities for life insurance contracts issued are measured in accordance with IFRS 17 using the variable fee approach, as these are contracts with direct participation features. The estimation of future cash flows is a central aspect of the measurement of these contracts. In addition, the measurement of technical liabilities affects the recognition of technical income, since the latter is determined by the reversal of technical liabilities in the amount of the expected cash outflows.

Future cash flows comprise all cash flows within the boundaries of the contract for the fulfilment of contractual obligations such as premium payments, guaranteed benefit payments taking into account profit participation, and administrative and acquisition costs. They account for the largest share of the measurement of technical liabilities from life insurance contracts. IFRS 17 requires an entity-specific best estimate of all future cash flows to determine the probability-weighted mean of the full range of possible outcomes. This must include all information that is available without undue cost or effort. The estimates made at the end of the previous reporting period must be reviewed and updated at the relevant measurement date.

Estimating future cash flows involves a considerable degree of discretion. Future cash flows are projected using complex stochastic models accounting for a variety of possible scenarios and assumptions about the future development of economic and non-economic variables. Future management decisions that depend on the development of the portfolio of capital investments and insurance contracts are also modelled in the scenarios as management rules. Separate projections are performed for the various life insurance products and often cover a long time horizon.

On account of the complexity involved in the estimation of cash flows, the associated uncertainty and the exercise of discretion, there is a risk that the measurement of technical liabilities from life insurance contracts will not be in conformity with accounting requirements. For this reason, we defined this matter to be a key audit matter.

Audit approach
As part of our audit, we analysed the processes used to calculate future cash flows for life insurance contracts for risks of error, evaluated the controls implemented in these processes with respect to their design, and tested their effectiveness for ensuring the complete and accurate recognition of future cash flows. This also includes the process of further developing the actuarial models used, taking into account the defined management rules, and the derivation of entity-specific assumptions (biometrics, policyholder behaviour and costs) on the basis of portfolio data.

In addition, we performed statement-based audit procedures. In the case of fixed and variable overheads, for example, we verified whether they were allocated to the groups of insurance contracts using systematic and rational methods.

We verified the appropriateness of the model used to determine the cash flows. In particular, we analysed the simplifications contained in the model and the appropriate implementation of a selection of further developments of the model. Through comparison with the portfolio management systems, we also examined whether selected data was correctly included in the model calculation and whether the parameters used were within an appropriate range. In addition, we evaluated the plausibility of the assumptions used in the model and, for a selection, verified the validations performed in this context. For the assumed capital market scenarios, we verified the appropriateness of the scenario generator used and analysed the validation results. We likewise examined the appropriateness of the management rules and their derivation. We then analysed the calculated future cash flows for anomalies.

For the reconciliations of the technical liabilities to be disclosed in the notes, which reconcile the initial value at the beginning of the period to the value at the reporting date, we checked the plausibility of the changes in the expected cash flows for the technical liabilities.

We also examined whether the technical income recognised as at the reporting date was recognised in the amount included as an estimate in the technical liabilities.

As part of our audit, we used our own actuaries.

Our audit procedures did not result in any objections to the estimation of future cash flows in the measurement of technical liabilities in life insurance.

Reference to related information
The disclosures concerning the measurement of technical liabilities in life insurance are contained in the notes to the consolidated financial statements in the section "Accounting policies: Insurance contracts".

3. Estimation of future cash flows in the measurement of technical liabilities in property and casualty insurance

Reasons for designation as a key audit matter
Insurance contracts are measured in accordance with IFRS 17, whereby the contract portfolio in property and casualty insurance is generally accounted for using the building block approach and for short-term contracts using the premium allocation approach. The estimation of future cash flows is a central aspect of the measurement of technical liabilities. In addition, the measurement of technical liabilities affects the recognition of technical income, since the latter is determined by the reversal of technical liabilities in the amount of the expected cash outflows.

The estimation of future cash flows covers all cash flows within the boundaries of the contract for the fulfilment of contractual obligations such as premium and claims payments and administrative and acquisition costs. They account for the largest share of the measurement of technical liabilities in property and casualty insurance. IFRS 17 requires an entity-specific best estimate of all future cash flows to determine the probability-weighted mean of the full range of possible outcomes. This must include all information that is available without undue cost or effort. The estimates made at the end of the previous reporting period must be reviewed and updated at the relevant measurement date.

Estimating cash flows involves a considerable degree of discretion. Future cash flows are projected using complex actuarial models. Expected future claims payments are estimated on the basis of historical observations for the entity's own portfolio (run-off patterns) and, if necessary, with reference to external reference data and expert evaluations. The modelling is carried out on a business line-specific basis and – where necessary – separately for basic or mass losses and large losses. The key assumptions here are the business line-specific final loss ratios and assumptions about the distribution of large losses.

On account of the complexity involved in the estimation of future cash flows, the associated uncertainty and the exercise of discretion, there is a risk that the measurement of technical liabilities will not be in conformity with accounting requirements. For this reason, we defined this matter to be a key audit matter.

Audit approach

As part of our audit, we analysed the processes used to calculate future cash flows for risks of error, evaluated the controls implemented in these processes with respect to their design, and tested their effectiveness for ensuring the complete and accurate recognition of future cash flows. This also includes the process to derive entity-specific assumptions on the basis of historical claims performance and assumptions about administrative and claim adjustment costs and the further development of the actuarial models used.

In addition, we performed statement-based audit procedures. In the case of fixed and variable overheads, for example, we verified whether they were allocated to the groups of insurance contracts using systematic and rational methods.

On the basis of mathematical and statistical procedures, we performed our own claims projections in order to evaluate the measurement of the obligation for incurred claims. In this regard, we used the estimated value as determined by us for a selection of business lines that was made on a risk-oriented basis as the standard for evaluating the measurement of obligations. We also examined whether the parameters used were within an appropriate range.

We examined the appropriateness of the assumptions about final loss ratios used to measure future claims payments for a selection of business lines, taking into account the individual characteristics of the contracts. We then analysed the calculated future cash flows for anomalies, including over time.

As part of our audit, we used our own actuaries.

Our audit procedures did not result in any objections to the estimation of future cash flows in the measurement of technical liabilities in property and casualty insurance.

Reference to related information

The disclosures concerning the measurement of technical liabilities are contained in the notes to the consolidated financial statements in the section “Accounting policies: Insurance contracts”.

4. Measurement of provisions for home loan savings business

Reasons for designation as a key audit matter

The provisions for home loan savings business include, in particular, provisions for expected charges for interest bonuses (interest bonus provisions) where the requirements defined in the product-specific General Terms and Conditions for Home Loan Savings Contracts (ABB) are met. The amount of the provisions to be created is determined on the basis of historical data (empirical forward projection) and, in the absence of sufficient historical data, on the basis of expert estimates.

The provisions for home loan savings business are fraught with uncertainties to a great extent and require that assumptions and estimates be made with respect to the relevant parameters and future customer behaviour. In addition, the measurement model is highly complex. These circumstances may have a significant impact on the recognition and amount of the provision and thus on net assets and financial performance. Therefore, we determined the measurement of provisions for home loan savings business (interest bonus provisions) to be a key audit matter.

Audit approach

We dealt with the process for calculating the amount of the provision for expected charges for interest bonuses, evaluated the implemented controls.

We gained a methodological understanding of the measurement models used for the calculation and examined whether the material estimation parameters were taken into account in the model.

For the purpose of validating the estimation parameters, we analysed the annual comparison of the actual change during the financial year with the estimates made for the previous year (target/actual comparison).

Moreover, we gained an understanding of the mathematical accuracy of the calculations of the amount of the provisions.

On the basis of a selection of products, we examined whether the data base underlying the calculation of the provision rates and the bonus potential was complete. Moreover, we gained an understanding of whether all relevant products were taken into account in the measurement model.

In connection with our audit of the model, we used our own specialists, who have special expertise in the area of home loan savings mathematics.

Our audit procedures did not result in any objections to the measurement of provisions for home loan savings business (interest bonus provisions).

Reference to related information
The company's disclosures concerning the measurement of home loan savings provisions are contained in the notes to the consolidated financial statements in the section "Accounting policies: Other provisions".

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. The Executive Board and the Supervisory Board are responsible for the statement pursuant to the Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG), which is an element of the Group corporate governance statement. The legal representatives are responsible for the other information in all other respects. The other information comprises the Group corporate governance declaration, the six image pages under the title "A commitment to values" and the report on gender equality and equal pay in accordance with the German Transparency in Wage Structures Act. Furthermore, the other information comprises the combined non-financial report of the W&W Group, a version of which we obtained prior to issuing this auditor's report. Also, the other information includes other components intended for the annual report, a version of which we obtained prior to issuing this auditor's report, namely:

- the letter to shareholders,
- presentation of Management Board and Supervisory Board,
- key figures, financial calendar, glossary,
- the responsibility statement and
- the report of the Supervisory Board,

Our audit opinions concerning the consolidated financial statements and the combined management report do not cover the other information, and as a result, we do not provide an audit opinion or any other form of audit conclusion concerning it.

As part of our audit, we have a responsibility to read the other information and to evaluate whether it

- is materially inconsistent with the consolidated financial statements, the combined management report or our knowledge obtained in the audit or
- otherwise seems significantly incorrect.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the combined management report

The legal representatives are responsible for preparing the consolidated financial statements in a manner that complies in all material respects with the IFRSs applicable in the EU and with the additional German statutory requirements that are applicable pursuant to Section 315e (1) of the HGB (German Commercial Code), as well as for ensuring that in compliance with those provisions, the consolidated financial statements present a true and accurate view of the Group's net assets, financial position and financial performance. Furthermore, the legal representatives are responsible for the internal controls that they deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. the manipulation of financial reporting or financial losses) or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. Moreover, they are responsible for using the going concern basis of accounting unless they intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for preparing the combined management report that as a whole presents a true and accurate view of the Group's position and that in all material respects is consistent with the consolidated financial statements, complies with German statutory requirements and accurately depicts the opportunities and risks of future development. In addition, the legal representatives are responsible for the arrangements and measures (systems) that it considers necessary in order to facilitate the preparation of a combined management report in conformity with applicable German statutory requirements and to enable sufficient and appropriate evidence to be provided for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the Group's accounting process with respect to the preparation of the consolidated financial statements and the combined management report.

Responsibility of the statutory auditor for the audit of the consolidated financial statements and the combined management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an accurate view of the Group's position and is in all material respects consistent with the consolidated financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with Section 317 HGB, the EU-AR and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always uncover a material misstatement. Misstatements may be the result of fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users that are taken on the basis of these consolidated financial statements and the combined management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and assess the risks of material misstatements in the consolidated financial statements and the combined management report due to fraud or errors, we plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our audit opinions. The risk that material misstatements as a result of fraud are not detected is greater than the risk that material misstatements due to error are not detected, because fraud can include collusion, falsification, intentional omissions, misrepresentation or the invalidation of internal controls;

- we gain an understanding of internal control relevant to the audit of the consolidated financial statements and of the arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;

- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures;

- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements depict the underlying business transactions and events in such a way as to present a true and accurate view of the Group's net assets, financial position and financial performance in accordance with the IFRSs applicable in the EU and with the additional German statutory requirements that are applicable pursuant to Section 315e (1) HGB.

- we obtain sufficient and appropriate audit evidence for the accounting information of the companies or business activities in the Group in order to submit audit opinions concerning the consolidated financial statements and the combined management report. We are responsible for guiding, monitoring and conducting the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions;

- we evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with the law and its depiction of the view of the Group's position;

- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

We issue a statement to the monitors to the effect that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be assumed to affect our independence and the safeguards put in place to protect against this.

From the matters that we discussed with the individuals responsible for monitoring, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the auditor's report, unless laws or other legal provisions preclude their public disclosure.

Other statutory and legal requirements

Report on the audit of the electronic renderings of the consolidated financial statements and the combined management report that are prepared for the purposes of disclosure pursuant to Section 317 (3a) of the HGB (German Commercial Code)

Audit opinion

Pursuant to Section 317 (3a) HGB, we performed a reasonable assurance engagement to determine whether the renderings of the consolidated financial statements and the combined management report (hereinafter also referred to as the "ESEF documents") prepared for the purposes of disclosure and contained in the WW_AG_KLB+KA_ESEF-2023-12-31.zip comply in all material respects with the electronic reporting format ("ESEF format") requirements of Section 328 (1) HGB. In conformity with German statutory provisions, this audit covers only the transmission of the information in the consolidated financial statements and the combined management report in the ESEF format and therefore does not cover either the information included in those renderings or other information included in the aforementioned file.

In our opinion, the renderings of the consolidated financial statements and the combined management report contained in the aforementioned attached file and prepared for the purpose of disclosure comply in all material respects with the electronic reporting format requirements of Section 328 (1) HGB. Other than this audit opinion and the audit opinions concerning the attached consolidated financial statements and the attached combined management report for the financial year from 1 January to 31 December 2023 that are included in the foregoing "Report on the audit of the consolidated financial statements and of the combined management report", we do not provide any audit opinion concerning the information included in those renderings or concerning the other information included in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the renderings of the consolidated financial statements and the combined management report that are included in the aforementioned file in conformity with Section 317 (3a) HGB and in observance of the standard promulgated by the IDW (Institute of Public Auditors in Germany) "Audit of electronic renderings of financial statements and management reports prepared for the purposes of disclosure pursuant to Section 317 (3a) HGB" (IDW PS 410 (June 2022)). Our responsibility in accordance therewith is described extensively in the section "Responsibility of the Group statutory auditor for the audit of the ESEF documents". Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The company's legal representatives are responsible for preparing the ESEF documents with the electronic renderings of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4, No. 1 HGB and for marking up the consolidated financial statements in accordance with Section 328 (1) sentence 4, No. 2 HGB.

Furthermore, the legal representatives of the company are responsible for the internal controls that they deem necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Section 328 (1) HGB.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Responsibility of the Group statutory auditor for the audit of the ESEF documents

Our objective is to obtain reasonable assurance as to whether the ESEF documentation is free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB. We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB, plan and implement audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion;

- we gain an understanding of the internal controls relevant for the audit of the ESEF documents in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these controls;

- we evaluate the technical validity of the ESEF documents, i.e. whether the file contained in the ESEF documents satisfies the requirements concerning the technical specifications for this file as are set forth in Delegated Regulation (EU) 2019/815, in the version in force on the audit date;

- we evaluate whether the ESEF documents facilitate an identical XHTML rendering of the audited consolidated financial statements and the audited combined management report; and

- we evaluate whether the markup of the ESEF documents with inline XBRL technology (iXBRL) facilitates an suitable, complete, machine-readable XBRL copy of the XHTML rendering in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version in force on the audit date.

Other disclosures pursuant to Article 10 EU-AR

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on 23 May 2023. We were engaged by the Chairperson of the Risk and Audit Committee of the Supervisory Board on 12 June 2023. We have served as the Group statutory auditor of Wüstenrot & Württembergische AG without interruption since the 2020 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Supervisory Board's Risk and Audit Committee in accordance with Article 11 of the EU Audit Regulation.

Other matters – use of the auditor's report

Our audit report must always be read in conjunction with the audited consolidated financial statements and the audited combined management report, as well as with the audited ESEF documents. The consolidated financial statements and combined management report transmitted in the ESEF format – including the versions to be included in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and are not a substitute for them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the electronic audited ESEF documents.

Responsible auditor

The auditor responsible for the audit is Martin Gehringer.

Stuttgart, 20 March 2024

EY GmbH & Co KG
Wirtschaftsprüfungsgesellschaft

Wagner
Public auditor

Gehringer
Public auditor

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Assets

In € thousand	Cf. Note No.[1]	31.12.2023	31.12.2023	31.12.2023	31.12.2022
A. Investments					
I. Land, land rights and buildings including buildings on third-party land	1		450,433		458,213
II. Investments in affiliated companies and participating interests	2				
1. Shares in affiliated companies		1,429,729			1,399,375
2. Loans to affiliated companies		556,000			517,500
3. Participating interests		20,342			20,615
			2,006,071		1,937,490
III. Other investments					
1. Shares, units or shares in investment funds and other non-fixed-income securities	3	938,618			892,271
2. Bearer bonds and other fixed-income securities		437,503			436,075
3. Other loans	4	221,477			243,503
4. Deposits with credit institutions	5	62,217			79,264
of which at affiliated companies € 52,600 thousand (previous year: € 66,100 thousand)					
5. Other investments		87			87
			1,659,902		1,651,200
IV. Deposits from reinsurance accepted			623		847
				4,117,029	4,047,750
B. Receivables					
I. Amounts receivable on reinsurance business			82,262		73,431
II. Other receivables	6		180,703		224,657
of which to affiliated companies € 174,668 thousand (previous year: € 177,387 thousand)					
				262,965	298,088
Carryover				**4,379,994**	**4,345,838**

1 Refer to the numbered explanations in the notes.

Assets

In € thousand	Cf. Note No.	31.12.2023	31.12.2023	31.12.2023	31.12.2022
Carryover				**4,379,994**	**4,345,838**
C. Other assets					
I. Tangible assets and inventories			3,899		3,118
II. Cash at banks, cheques and cash-in-hand			40,181		8,653
				44,080	11,771
D. Deferred assets					
I. Deferred rent and interest income			9,745		8,512
II. Other deferred assets	7		3,071		3,673
				12,816	12,185
E. Excess of plan assets over pension liabilities	8			593	855
Total assets				**4,437,483**	**4,370,649**

Equity and liabilities

In € thousand		Cf. Note No.	31.12.2023	31.12.2023	31.12.2023	31.12.2022
A.	**Equity**					
I.	Share capital[1]	9	490,311			490,311
	of which less: notional value of treasury shares		179			181
				490,132		490,130
II.	Capital reserve	10		993,202		993,691
III.	Retained earnings	11				
	Other revenue reserves		640,577			569,577
				640,577		569,577
IV.	Net retained profits	12		79,870		80,048
					2,203,781	2,133,446
B.	**Subordinated liabilities**	13			**300,000**	**300,000**
C.	**Technical provisions**					
I.	Provision for unearned premiums					
	1. Gross premiums		21,760			18,179
				21,760		18,179
II.	Provision for future policy benefits					
	1. Gross premiums		13			12
				13		12
III.	Provision for outstanding insurance claims					
	1. Gross premiums		678,964			615,786
	2. of which less: share for ceded reinsurance business		260,354			239,388
				418,610		376,398
IV.	Claims equalisation reserve and similar provisions			76,790		104,719
V.	Other technical provisions					
	1. Gross premiums		3,082			3,135
	2. of which less: share for ceded reinsurance business		–2,029			–1,953
				5,111		5,088
					522,284	504,396
Carryover					**3,026,065**	**2,937,842**

1 Refer to the notes for information on authorised and contingent capital.

Equity and liabilities

In € thousand		Cf. Note No.	31.12.2023	31.12.2023	31.12.2023	31.12.2022
Carryover					**3,026,065**	**2,937,842**
D.	**Other provisions**					
I.	Provisions for pensions and similar obligations	14		1,178,555		1,196,870
II.	Provisions for taxes			28,162		33,267
III.	Miscellaneous provisions	15		17,823		19,485
					1,224,540	1,249,622
E.	**Deposits retained from ceded reinsurance business**	16			**23,388**	**38,813**
F.	**Other liabilities**					
I.	Accounts payable on reinsurance business			12,291		53,081
	of which to affiliated companies € 3,977 thousand (previous year: € 45,300 thousand)					
II.	Miscellaneous liabilities	17		151,164		91,291
	of which to affiliated companies € 144,932 thousand (previous year: € 80,333 thousand), of which taxes € 745 thousand (previous year: € 1,359 thousand)					
					163,490	144,372
Total equity and liabilities					**4,437,483**	**4,370,649**

Income statement
for the period from 1 January to 31 December 2023

In € thousand	Cf. Note No.	1.1.2023 to 31.12.2023	1.1.2023 to 31.12.2023	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
I. Technical account					
1. Earned premiums, net of reinsurance					
a) Gross premiums written		581,599			499,639
b) Premiums ceded to reinsurers		228,605			178,957
			352,994		320,682
c) Change in provision for unearned premiums		–3,581			–534
			–3,581		–534
				349,413	320,148
2. Income from technical interest, net of reinsurance	18			–342	13
3. Other underwriting income, net of reinsurance				411	388
4. Claims incurred, net of reinsurance					
a) Claims payments					
aa) Gross premiums		379,137			424,342
bb) Reinsurers' portion		160,151			230,973
			218,986		193,369
b) Change in the provision for outstanding insurance claims	19				
aa) Gross premiums		63,500			–130,005
bb) Reinsurers' portion		19,699			–130,848
			43,801		843
				262,787	194,212
5. Change in other net actuarial reserves					
a) Net aggregate reserve			–1		451
b) Other net underwriting provisions			–23		71
				–24	522
6. Expenses for insurance business, net of reinsurance	20				
a) Gross expenses for insurance operations			151,818		154,362
b) of which less: commissions and profit participations received from ceded reinsurance contracts			40,449		33,416
				111,369	120,946
7. Other underwriting expenses, net of reinsurance				2,363	2,059
8. Subtotal				**–27,061**	**3,854**
9. Changes to equalisation reserve and similar provisions				27,929	–6,315
10. Underwriting result, net of reinsurance				868	–2,461
Carryover				**868**	**–2,461**

In € thousand			Cf. Note No.	1.1.2023 to 31.12.2023	1.1.2023 to 31.12.2023	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Carryover						**868**	**–2,461**
II.	**Non-underwriting account**						
1.	Investment income						
	a)	Income from participating interests	21	63,707			54,359
		of which from affiliated companies € 62,963 thousand (previous year: € 54,182 thousand)					
	b)	Income from other investments	22	62,189			41,324
		of which from affiliated companies € 17,234 thousand (previous year: € 13,429 thousand)					
	c)	Income from write-ups	23	20,073			35,404
	d)	Gains on disposal of investments	24	2,578			12,527
	e)	Income from profit-pooling, profit transfer and partial profit transfer agreements		117,693			144,171
					266,240		287,785
2.	Investment charges						
	a)	Investment management expenses, interest expenses and other expenses related to investments		8,581			7,278
	b)	Impairment losses on investments	25	17,774			83,147
	c)	Losses on disposal of investments	26	893			9,092
	d)	Costs of loss absorption		419			4,127
					27,667		103,644
					238,573		184,141
						238,573	184,141
3.	Other income		27		68,950		70,606
4.	Other expenses		28		135,662		133,409
						–66,712	–62,803
5.	Result from ordinary activities					172,729	118,877
6.	Income taxes		29		41,684		–242
7.	Other taxes				–692		–237
						40,992	–479
8.	**Net income for the year**					**131,737**	**119,356**
9.	Retained profit brought forward					133	692
10.	Appropriation to revenue reserves						
		Other revenue reserves				52,000	40,000
11.	**Net retained profits**					**79,870**	**80,048**

Notes

Disclosures on the annual financial statements

Wüstenrot & Württembergische AG prepares the annual financial statements and the management report in accordance with the legal requirements of the German Commercial Code (HGB), the German Stock Corporation Act (AktG), the German Insurance Supervision Act (VAG) and the German Insurance Accounting Regulation (RechVersV).

Asset accounting policies

Land, land rights and buildings including buildings on third-party land

Assets included in the item "land and land rights and buildings" are measured at the lower of fair value or cost minus permissible straight-line depreciation.

Impairment losses are only recognised when permanent impairment is likely, and the impaired asset is written down to the lower fair value (less strict principle of lower of cost or market). If the reasons for a lower carrying amount no longer apply, the impairment loss is reversed to no more than the amortised historical cost.

Shares in affiliated companies

Shares in affiliated companies are measured at cost. Pursuant to Section 341b (1) HGB in conjunction with Section 253 (3) sentence 5 HGB, impairment losses to the lower fair value are only recognised if permanent impairment is likely (less strict principle of lower of cost or market). If the reasons for a lower carrying amount no longer apply, the impairment loss is reversed to no more than the historical cost.

Loans to affiliated companies

The item "loans to affiliated companies" can contain bearer bonds, registered bonds, promissory notes and loans. Its accounting and measurement is presented in the disclosures for the following balance sheet items.

Participating interests

Participating interests are measured at cost. Pursuant to Section 341b (1) HGB in conjunction with Section 253 (3) sentence 5 HGB, impairment losses to the lower fair value are only recognised if permanent impairment is likely (less strict principle of lower of cost or market). If the reasons for a lower carrying amount no longer apply, the impairment loss is reversed to no more than the historical cost.

Shares, units or shares in investment funds and other non-fixed-income securities

Shares, units or shares in investment funds and other non-fixed-income securities are recognised at the average cost of the security less impairment losses in accordance with the strict principle of lower of cost or market pursuant to Section 341b (2) HGB in conjunction with Section 253 (4) HGB. If the reasons for a lower carrying amount no longer apply, the impairment loss is reversed to no more than the historical cost.

Securities within this item that are intended to support business operations on a long-term basis are recognised in accordance with the provisions of Section 341b (2) clause 2 HGB in conjunction with Section 253 (3) sentence 5 HGB and measured at the lower of amortised cost or market using the less strict lower-of-cost-or-market principle. Impairment losses are only recognised when permanent impairment is likely. Allocations to fixed assets are generally decided on a case-by-case basis. In the case of special funds held as fixed assets with hidden liabilities, the respective fund is measured using the look-through approach on the basis of the individual underlying securities. In this approach, fixed-income securities with only temporary hidden liabilities are measured at amortised cost, whereas shares and derivatives are measured at market value. As a result, they are written down to the current redemption price of the fund units or the fair value determined using the look-through approach, whichever is higher. If the reasons for a lower carrying amount no longer apply, the impairment loss is correspondingly reversed to no more than the historical cost.

Bearer bonds and other fixed-income securities

Bearer bonds and other fixed-income securities are recognised at the average cost of the security less impairment losses in accordance with the strict lower-of-cost-or-market principle pursuant to Section 341b (2) HGB in conjunction with Section 253 (4) HGB. Write-downs are reversed when the reasons for them no longer apply.

Securities within this item that are intended to support business operations on a long-term basis are recognised in accordance with the provisions of Section 341b (2) clause 2 HGB in conjunction with Section 253 (3) sentence 5 HGB and measured at the lower of cost or market using the less strict lower-of-cost-or-market principle.

Creditworthiness analyses are conducted to identify permanent impairments for issuers whose ratings have deteriorated by two or more notches or whose issues have hidden liabilities of 10.0% or more. To do this, permanence is assessed on the basis of applicability criteria relevant for the company or environment. Furthermore, critical issuers are discussed in the Group Credit Committee. If the creditworthiness analyses reveal that it is no longer likely that the securities will be redeemed in accordance with the terms of their contracts, they are written down to the lower fair value.

Other loans

The item “other loans” contains registered bonds, promissory notes and loans. These receivables are measured in accordance with the rules and regulations for fixed assets.

Registered bonds, in contrast, are recognised at their nominal value less repayments made in accordance with Section 341c (1) HGB. Premiums and discounts are distributed on a straight-line basis over the term.

Promissory notes and loans are measured at amortised cost in accordance with Section 341c (3) HGB by distributing the difference between the cost and the repayment amount over the remaining term using the effective interest method.

Creditworthiness analyses are conducted for registered bonds, promissory notes and loans to identify permanent impairments for issuers whose ratings have deteriorated by two or more notches or whose issues have hidden liabilities of 10.0% or more. If the creditworthiness analyses reveal that it is no longer likely that the securities will be redeemed in accordance with the terms of their contracts, they are written down to the lower fair value. Portfolio-based general valuation allowances are also recognised for registered bonds based on empirical data from recent years.

Deposits with credit institutions

Deposits with credit institutions are recognised at their nominal amounts.

Other investments

Investments classified as “other” are measured at cost.

Deposits

Deposits from reinsurance accepted are recognised at their nominal amounts.

Receivables

Amounts receivable on reinsurance business are recognised at their nominal amounts. Amounts receivable on reinsurance business also include receivables that are measured based on their probability of default, which is indicated by the S&P rating and determines their general valuation allowances.

Reinsurer default risk was accounted for not only by recognising a general valuation allowance for amounts receivable from reinsurers but also by deducting the reinsurers' shares from the technical provisions for insurance claims on the liabilities side.

Other receivables are carried at cost or nominal value. Specific and general valuation allowances are recognised for discernible risks and deducted from the assets.

In the 2023 financial year, Wüstenrot & Württembergische AG, Württembergische Versicherung AG and Württembergische Lebensversicherung AG concluded a joint cash pool agreement. Under this agreement, Wüstenrot & Württembergische AG acts as "cash pool leader", and Württembergische Versicherung AG and Württembergische Lebensversicherung AG act as "cash pool participants". The accounting balances from this agreement are recognised as receivables or liabilities.

Other assets

Property, plant and equipment are measured at cost less straight-line depreciation over their standard useful life. Low-value assets with a net cost of up to € 800 are fully depreciated in the year of acquisition.

Assets acquired by 2019 with a net acquisition cost of more than € 250 and up to € 1,000 were capitalised in the year of acquisition and depreciated on a straight-line basis over five years.

Current accounts with banks, cheques and cash are recognised at their nominal amounts.

Other assets are carried at cost or nominal value. Specific and general valuation allowances are recognised for discernible risks and deducted from the assets.

Deferred assets

Deferred rent and interest income is carried at nominal value. The premiums included in other deferred assets were deferred and amortised over their terms.

Excess of plan assets over pension liabilities

The excess of plan assets over pension liabilities refers to the surplus resulting from offsetting claims from pension liability insurance policies measured at fair value against obligations from phased retirement agreements. Insolvency-remote claims from pension liability insurance policies were measured at the actuarial reserve based on the business plan plus irrevocable profit participation commitments, which are equal to amortised cost in accordance with the strict lower-of-cost-or-market principle pursuant to Section 253 (4) HGB and thus, in the absence of other measurement methods, to fair value as defined by Section 255 (4) sentence 4 HGB.

Deferred tax assets

The option to report deferred tax assets due to available tax relief under Section 274 (1) sentence 2 HGB is not exercised. In accordance with Section 274 (3) HGB, differences arising from the OECD Pillar 2 rules were not taken into account in the recognition and measurement of deferred taxes.

Reversals of write-downs

Assets written down to a lower fair value in previous years must be written up if the reasons for the write-down no longer apply. These reversals of write-downs may not exceed the amortised cost in accordance with the principles set out in Section 253 (5) HGB.

Derivatives

Forward exchange contracts were concluded to hedge foreign currency investments. They are measured on an individual transaction basis. Provisions are recognised for expected losses from these contracts.

Acquired option rights are measured at cost, which amounts to the option premium, less depreciation according to the strict lower-of-cost-or-market principle. Write-downs are reversed when the reasons for them no longer apply. Premiums for written options are recognised as miscellaneous liabilities for as long as the performance obligation from the option exists. Any impending excess liability resulting from writing options is accounted for by recognising provisions for expected losses.

Fair value measurements

The fair values of land, land rights and buildings including buildings on third-party land are calculated using the discounted cash flow method and verified on an ongoing basis. The W&W Campus is measured using the net asset value method.

The fair value of capital investments in affiliated companies and participating interests is based on the income value or a fair value calculated using the net asset value method. In individual cases, fair value is also based on cost, liquidation value or equity stake.

The fair value of the alternative investment funds is generally determined on the basis of the pro rata net asset value, taking into account any interim capital amortisation, distributions and performance fees.

Units or shares in investment funds are carried at the last available redemption price.

The fair values of the remaining investments are based on the last available stock market price or a market value calculated using standard recognised valuation models.

Currency translation

We generally measure capital investments in foreign currencies using item-by-item measurement rules and the lower-of-cost-or-market principle. They are subsequently measured using the ECB’s mean spot exchange rate.

Bank balances denominated in foreign currency are measured at the ECB’s mean spot exchange rate on the reporting date.

For remaining terms of one year or less, the gains and losses from the translation are recognised in net profit or loss in accordance with Section 256a HGB.

Exchange rate gains and losses for investments in foreign currency are reported under income from write-ups and gains on the realisation of investments or write-downs and losses on the realisation of investments.

Exchange rate gains and losses from current bank balances in foreign currency are reported under other income and other expenses.

Measurement methods: liabilities

Subordinated liabilities

Subordinated liabilities are carried at their settlement amount.

Technical provisions

Provision for unearned premiums

The provision for unearned premiums from accepted reinsurance business was recognised based on information provided by the ceding insurers and in compliance with the supervisory regulations.

Provision for future policy benefits

The provision for future policy benefits related to return-of-premium personal accident insurance and the life insurance business was recognised based on information provided by the ceding insurers.

Provision for outstanding insurance claims

Provisions for outstanding insurance claims for accepted reinsurance business were calculated based on information provided by the ceding insurers and supplemented where necessary by our own findings.

Claims equalisation reserve and similar provisions

The claims equalisation reserve was recognised in accordance with the annex to Section 29 RechVersV.

The provision for nuclear plants and the major risk provision for product liability insurance for pharmaceutical risks were recognised in accordance with Section 30 RechVersV.

Other technical provisions

Other technical provisions were calculated based on information provided by the ceding insurers and supplemented where necessary by our own findings.

The reinsurers' portion of technical provisions was calculated in accordance with the contractual agreements.

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are calculated using actuarial principles. The settlement amount, as defined in the German Accounting Law Modernisation Act (BilMoG), is calculated using the projected unit credit method and reported as the present value of the acquired entitlement. The following actuarial assumptions apply to the calculation of these provisions:

In %	31.12.2023	31.12.2022
Interest rate	1.83	1.79
Pension trend	2.00	2.00
Salary trend	3.00	3.00
Fluctuation of pay-scale employees	3.50	3.50
Fluctuation of contracted employees	1.00	1.00
Biometry	Heubeck Mortality Tables 2018 G	Heubeck Mortality Tables 2018 G

Pursuant to Section 253 (2) sentence 1 HGB, the actuarial interest rate is set at the average market interest rate of the past ten years. The discount rates published by the Deutsche Bundesbank as of 31 October 2023 with a ten-year average interest rate were adjusted by extrapolating the interest rate as of 31 October 2023 for the months of November and December 2023, thus calculating the interest rate as of 31 December 2023.

The simplification rule of Section 253 (2) sentence 2 HGB is used. In the case of pension liability insurance policies IDW Accounting Practice Note IDW RH FAB 1.021 was applied using the actuarial reserve method on the basis of pension provisions.

The pledged pension liability insurance policies are recognised at their fair value (plan assets) in accordance with the offsetting requirement of Section 246 (2) HGB. The fair value comprises the actuarial reserve plus irrevocable profit participation commitments.

Tax provisions and miscellaneous provisions

Tax provisions and miscellaneous provisions were recognised at the required settlement amount. Provisions with a term of more than one year were generally calculated using the settlement amount pursuant to Section 253 (1) sentence 2 HGB after adjusting for future price and cost increases. The price and cost increases are based on the inflation rate and were accounted for over the respective term of the provision.

Tax provisions are recognised at the settlement amount; if they are non-current, they are compounded at an interest rate of 6.0% p.a. for interest periods until 31 December 2018 in accordance with IDS RS HFA 34 pursuant to Section 233a German Tax Code (AO). For interest periods from 1 January 2019 onwards, in accordance with the case law of the German Federal Constitutional Court the statutory interest rate was determined anew at 1.8% p.a. in 2022. In accordance with the expected term, the tax provisions were discounted using the Deutsche Bundesbank's discount rate.

The interest rate used for discounting miscellaneous provisions is equal to the average interest rate of the last seven years published by the Deutsche Bundesbank in accordance with the German Regulation on the Discounting of Provisions (RückAbzinsV) for an appropriate assumed remaining term. Gains or losses from applying or unwinding discounts, changes in the discount rate, or interest effects from a change in the estimated remaining term are reported as interest income and interest expense in other income or other expenses.

The tax interest accrued up to the reporting date is reported under miscellaneous provisions.

Legal obligations from phased retirement agreements in force on the reporting date consist of a provision equalling the present value of future top-up benefits (salary and additional pension contributions), agreed compensation payments due to reduced pension claims and settlement arrears from work performed in advance by the employee after accounting for the employer's social security expenses. The provision is discounted based on the individual maturities using the interest rates published by the Deutsche Bundesbank in accordance with RückAbzinsV. The measurement also incorporates a salary trend of 3.67% p.a. Biometric factors are reflected in the measurement of the provision through a universal discount of 2.0%. Pledged pension liability insurance policies are measured at fair value, which is equal to cost minus the phased retirement obligations since they are cover assets pursuant to Section 285 no. 25 HGB in conjunction with Section 246 (2) sentence 2 HGB. The fair value comprises the actuarial reserve plus irrevocable profit participation commitments.

The provisions for social security and for anniversary bonuses were calculated at the settlement amount required under Section 253 (1) sentence 2 HGB using the Heubeck 2018 G mortality tables, interest rate of 1.27%, according to the projected unit credit method. Fluctuation and future salary increases were taken into account.

Deposits retained from ceded reinsurance business and other liabilities

Deposits retained and other liabilities are carried at their settlement amount.

Other liabilities

Liabilities were recognised at their settlement amount.

In the 2023 financial year, Wüstenrot & Württembergische AG, Württembergische Versicherung AG and Württembergische Lebensversicherung AG concluded a joint cash pool agreement. Under this agreement, Wüstenrot & Württembergische AG acts as “cash pool leader”, and Württembergische Versicherung AG and Württembergische Lebensversicherung AG act as “cash pool participants”. The accounting balances from this agreement are recognised as liabilities.

Currency translation

We translate the balance sheet items related to foreign insurance business into euros at the ECB’s mean spot exchange rates on the reporting date. The corresponding expenses and income are recognised in the income statement at the applicable ECB mean spot exchange rate on the settlement date.

The actuarial translation gains or losses are reported in the general part of the income statement under other income and other expenses.

Accrual accounting of income and expenses

Non-group reinsurance acceptance business is recognised in the year after the transaction takes place since the information required to prepare the financial statements for the current accounting year is not provided by the ceding insurers before the financial statements are prepared. Business acquired from affiliated companies is recognised in the reporting year.

Asset disclosures

B. Capital investments

Changes in capital investments are shown in the notes under individual asset disclosures.

I. Land, land rights and buildings including buildings on third-party land (1)

As of the reporting date, our real estate comprises three (previous year: four) plots of land with a carrying amount of € 450.4 million (previous year: € 458.2 million), € 444.8 million (previous year: € 447.2 million) of which relates to W&W Campus.

One property was sold in the reporting year.

The useful lives of the properties are currently 40 years.

II. Capital investments in affiliated companies and participating interests (2)

The disclosures on participating interests are shown in the “List of shareholdings” table in accordance with Section 285 no. 11 HGB in conjunction with Section 271 (1) HGB. The list includes all the companies in which W&W AG holds at least 5.0% of the shares.

III. Other investments

1. Shares, units or shares in investment funds and other non-fixed-income securities (3)

In € thousand	31.12.2023	31.12.2022
Shares, units or shares in investment funds and other non-fixed-income securities	938,618	892,271
Total	**938,618**	**892,271**

3. Other loans (4)

In € thousand	31.12.2023	31.12.2022
Registered bonds	82,446	102,441
Promissory notes and loans	139,031	141,062
Total	**221,477**	**243,503**

4. Deposits with credit institutions (5)

At the end of the reporting year, we had overnight and term deposits of € 62.2 million (previous year: € 79.3 million), of which € 52.6 million (previous year: € 66.1 million) were invested with affiliated companies.

Fair value of investments

Valuation reserves

In € thousand	Carrying amount 31.12.2023	Fair value 31.12.2023	Valuation reserves[1] 31.12.2023	Carrying amount 31.12.2022	Fair value 31.12.2022	Valuation reserves[1] 31.12.2022
Land, land rights and buildings including buildings on third-party land	450,433	450,433	–	458,213	458,213	–
Shares in affiliated companies	1,429,729	3,458,879	2,029,150	1,399,375	3,475,933	2,076,558
Loans to affiliated companies	556,000	557,819	1,819	517,500	510,345	–7,155
Participating interests	20,342	45,321	24,979	20,615	25,548	4,933
Shares, units or shares in investment funds and other non-fixed-income securities	938,618	1,001,088	62,470	892,271	931,463	39,192
Bearer bonds and other fixed-income securities	437,503	352,619	–84,884	436,075	334,432	–101,643
Registered bonds	82,446	80,337	–2,109	102,441	98,880	–3,561
Promissory notes and loans	139,031	131,592	–7,439	141,062	127,729	–13,333
Deposits with credit institutions	62,217	62,216	–1	79,264	78,721	–543
Other investments	87	87	–	87	87	–
Deposits from reinsurance accepted	623	623	–	847	847	–
Total	**4,117,029**	**6,141,014**	**2,023,985**	**4,047,750**	**6,042,198**	**1,994,448**
As % of carrying amount of all investments			**49.16**			**49.27**

1 Net view, total from valuation reserves and hidden liabilities.

The figures provided above include the following amounts for securities serving a long-term investment:	Carrying amount	Fair value	Valuation reserves[1]	Carrying amount	Fair value	Valuation reserves
In € thousand	2023	2023	2023	2022	2022	2022
Shares, units or shares in investment funds and other non-fixed-income securities	1,932	2,066	134	2,970	2,970	–
Bearer bonds and other fixed-income securities	410,226	325,282	–84,944	410,838	309,197	–101,656
Total	**412,158**	**327,348**	**–84,810**	**413,808**	**312,167**	**–101,656**

1 Net view, total from valuation reserves and hidden liabilities.

Section 285 no. 18 HGB – disclosures on investments shown above their fair value

On loans to affiliated companies with a carrying amount of € 456,000.0 thousand, write-downs of € 2,812.1 thousand were not taken, as this is temporary impairment induced by interest rates.

For bearer bonds of € 407,651.7 thousand, write-downs of € 84,944.1 thousand were avoided. This was due to the fact that the impairment is induced only by interest rates and is expected to be only temporary due to the issuer rating. The securities are held on a long-term basis to ensure redemption at nominal value.

Other loans (registered bonds and promissory note loans) have a market value € 9,707.4 thousand below the carrying amount of € 221,477.4 thousand. No write-downs were taken due to the fact that the impairment is induced only by interest rates and is expected to be only temporary due to the issuer rating. It is expected that interest and principal payments will be made as scheduled.

On deposits with credit institutions with a carrying amount of € 9,617.3 thousand, write-downs of € 2.0 thousand were not taken, as this impairment is only temporary.

Section 285 no. 19 HGB – disclosures on derivative financial instruments not recognised at fair value

Derivative financial instrument / classification	Type	Nominal amount	Fair value	Measurement method used	Carrying amount and balance sheet item[1]
		In € thousand	In € thousand		In € thousand
Share / index-related transactions	Option OTC	78	732	Option price model	334
Currency-related transactions	Forward exchange contract	71,359	40	Discounted cash flow method	–1

1 The derivatives are pending transactions not recognized for accounting purposes. Paid option premiums are an exception. The negative balance sheet items relate to the loss provision recognised.

Derivatives are the focus of this table if their carrying amount does not equal the fair value on the reporting date. Derivatives are transactions to be settled at a future date whose value is determined by the change in the value of an underlying object under the contractual conditions. They cost little to nothing to acquire.

If the carrying amount of a derivative corresponds to the fair value on the reporting date, it is nevertheless included in the table if the recognised value is based on the imparity principle or results from the recognition of a loss provision.

Disclosures according to Section 285 no. 26 HGB: shares, units or shares in investment funds

Fund name	Investment target	Certificate value according to Section 36 InvG	Carrying amount	Difference to carrying amount	Distribution made for the financial year
		In € thousand	In € thousand	In € thousand	In € thousand
LBBW AM-76	Mixed fund (up to 70% shares)	328,997	320,034	8,963	0
LBBW AM-EMB3	Bond fund	115,004	108,004	7,000	0
LBBW AM-W&W AG Corporate Bonds fund	Bond fund	87,610	84,500	3,110	0
LBBW AM-USD CORP.BD FDS 3	Bond fund	49,673	49,673	0	1,801
W&W Flexible Point & Figure	Mixed fund (up to 70% shares)	39,739	39,739	–	–
LBBW AM-US Municipals 2	Bond fund	28,378	28,378	–	1,175
W+W GL.STRAT.-SE ASI.EQ.	Equity funds	19,039	16,823	2,216	322
W&W Flexible Premium II Fund B	Mixed fund (up to 70% shares)	15,625	15,625	–	–
Do-RM Special Situations Total Return	Mixed fund (up to 70% shares)	4,961	4,961	–	27

All funds have no restrictions on daily redemptions or on full redemption of unit certificates on three months’ notice.

C. Receivables

II. Other receivables (6)

In € thousand	31.12.2023	31.12.2022
Receivables from accounting transactions with affiliated companies and with investees and investors	48,297	25,289
Receivables from profit and loss transfer agreements	117,693	144,171
Tax office receivables	4,187	45,742
Assets pledged, transferred or deposited as security[1]	8,678	7,927
Miscellaneous other receivables	1,849	1,528
Total	**180,703**	**224,657**

1 Of which pension liability insurance policies at affiliated companies to secure pension obligations against insolvency € 8,677.9 thousand (previous year: € 7,927.3 thousand).

Remaining terms of receivables

The item includes receivables of € 172,025.4 thousand that have a remaining term of one year or less. There are no receivables with a remaining term of more than one year and less than five years. Receivables with a remaining term of more than five years amount to € 8,677.9 thousand and relate to receivables from pension liability insurance policies for pension commitments.

E. Deferred assets

II. Other deferred assets (7)

The item contains a discount of € 2,380.8 thousand (previous year: € 2,515.3 thousand) from subordinated liabilities and a premium from the purchase of registered bonds of € 409.1 thousand (previous year: € 1,207.7 thousand).

F. Excess of plan assets over pension liabilities (8)

Assets that serve to cover debts arising from retirement benefit obligations or similar long–term obligations and that are inaccessible to all other creditors must be offset against the provisions for these obligations. If the fair value of these assets exceeds the carrying value of the provisions, an “excess of plan assets over pension liabilities” item must be shown on the assets side of the balance sheet. Offsetting claims from pension liability insurance policies of € 3.0 million (previous year: € 2.6 million) against the portions of the phased retirement provisions used for outstanding settlement amounts of € 2.4 million (previous year: € 1.8 million) in accordance with Section 246 (2) sentence 3 HGB yields an excess of plan assets over pension liabilities of € 0.6 million (previous year: € 0.9 million). A ban on distributions pursuant to Section 268 (8) sentence 3 HGB does not apply because the fair value of the pension liability insurance policies equals amortised cost.

Liability disclosures

A. Equity

Employee share ownership programme

An employee share ownership programme was again conducted in the first half-year of 2023. It enabled all eligible employees of companies in the W&W Group to acquire up to 40 shares (previous year: 40 shares) at a price of € 11.28 (previous year: €13.50) per share, which represented a discount of € 5.00 (previous year: € 5.00) per share. Employees are required to hold these shares for at least three years (previous year: three years) (vesting period). The purchase price was fixed at the XETRA closing price on 27 March 2023.

In addition to issuing 34,632 treasury shares, another 84,898 treasury shares were bought on the market. Employees acquired a total of 85,035 (previous year: 85,974) employee shares in exchange for paying the purchase price. This translates into € 0.4 million or 0.09% of the relevant share capital. When the programme expired, 160 shares were returned to the market. W&W AG thus still held 34,335 (previous year: 34,632) treasury shares on 31 December 2023, which accounted for € 179,572.05 of the share capital (0.04%). These shares are to be used for further employee share ownership programmes.

Number of shares outstanding

	2023	2022
As of 1 January	93,715,088	93,669,754
Repurchase for employee share ownership programme	–84,898	–41,000
Issue to employees	85,035	85,974
Sale on the stock exchange	160	360
As of 31 December	**93,715,385**	**93,715,088**

I. Share capital (9)

According to the Articles of Association the share capital remains at € 490.3 million), divided into 93,749,720 fully paid-up no-par value registered shares, each representing a pro rata notional value of € 5.23 of the share capital. Of this amount there are 34,335 no-par value treasury shares (€ 0.2 million). These were acquired in the context of implementing the employee share ownership programme. This results in share capital of € 490.1 million.

Legally, they are ordinary shares.

They confer voting and dividend rights, the right to a share in the liquidation proceeds and subscription rights. They are not subject to preferential rights or restrictions.

Share capital

	In € thousand
As of 31.12.2022	490,130
Purchase: 84,898 treasury shares	–444
Sale to employees: 85,035 treasury shares (selling price: € 11.28)	445
Sale on the stock exchange: 160 treasury shares (selling price: € 16,36)	1
As of 31.12.2023	**490,132**

II. Capital reserve (10)

The capital reserve is € 993.2 million (previous year: € 993.7 million) on the reporting date and consists of the premium from the capital contribution of € 271.9 million (previous year: € 271.9 million) and other additional payments of € 725.9 million (previous year: € 725.9 million), less € 4.6 million (previous year: € 4.1 million) for the net shortfall obtained by deducting the notional value from the difference between the acquisition costs and sales proceeds of the treasury shares over multiple years.

Capital reserve

	In € thousand
As of 31.12.2022	993,691
Purchase: 84,898 treasury shares (average purchase price: € 17.07)	–1,005
Sale to employees: 85,035 treasury shares (selling price: € 11.28)	514
Sale on the stock exchange: 160 treasury shares (selling price: € 16,36)	2
As of 31.12.2023	**993,202**

III. Retained earnings (11)

Retained earnings increased from € 569.6 million to € 640.6 million due to the allocation of € 19.0 million from the net retained profits of 2022 and the allocation of € 52.0 million from the net profit of 2023 approved by the Annual General Meeting.

Retained earnings

	In € thousand
As of 31.12.2022	569,577
Allocation by the Annual General Meeting from the net profit of 2022	19,000
Allocation from net income of 2023	52,000
As of 31.12.2023	**640,577**

IV. Net retained profits (12)

Net retained profits are € 79.9 million (previous year: € 80.0 million). They include retained profits brought forward from the previous year of € 0.1 million (previous year: € 0.7 million).

Proposal on the appropriation of net retained profits

Net retained profits are € 79,870,119.05. We request that they be used as follows:

In €	31.12.2023
€ 0.65 dividend per no-par value share	60,915,000,25
Allocation to other revenue reserves	18,000,000,00
Profit brought forward to new account	955,118,80
Total	**79,870,119,05**

The proposal for the appropriation of net retained profits considers the 34,335 treasury shares held directly by the company on 31 December 2023, which are not entitled to dividends pursuant to Section 71b AktG. The number of participating shares may change by the time of the Annual General Meeting. In this case, an updated proposal for a resolution on the appropriation of net retained profits will be submitted to the Annual General Meeting containing updated amounts for the total amount distributed and the profit carried forward with an unchanged distribution of € 0.65 per participating no-par value share.

B. Subordinated liabilities (13)

In September 2021, W&W AG issued a subordinated bond with a value of € 300.0 million and a maturity of 20 years. The issue price was 99.103%. The subordinated bond carries an interest rate of 2.125% for the first ten years and a variable interest rate thereafter.

C. Other provisions

I. Provisions for pensions and similar obligations (14)

The pension provisions for eight (previous year: eight) subsidiaries are reported here in addition to the pension provisions for Wüstenrot & Württembergische AG and employees of the former Württembergische Feuerversicherung AG and Gemeinschaft der Freunde Wüstenrot GmbH. Wüstenrot & Württembergische AG assumed joint liability for the pension commitments of these companies in return for a one-time compensation payment amounting to the net present value at the time and agreed in a contract with these companies to fulfil their pension obligations. The income and expense from the change in these pension obligations is settled with the subsidiaries in cash every year. Pension provisions are € 1,178.6 million (previous year: € 1,196.9 million) on the reporting date. This amount includes the offset capitalised value from pension liability insurance policies of € 4.7 million (previous year: € 4.7 million).

III. Miscellaneous provisions (15)

In € thousand	31.12.2023	31.12.2022
Partial retirement	1,246	1,599
Expenses for the annual financial statements	1,558	1,515
Annual leave obligations and flexitime credits	2,767	2,417
Bonuses and management commissions	5,173	5,935
Outstanding invoices from goods and services relating to property	3,466	4,002
Expenses for deferred maintenance relating to property	243	235
Employee anniversary obligations	225	241
Legal risks	693	11
Interest expenses according to Section 233a AO	1,043	1,954
Provisions for guarantees	334	461
Contributions to occupational health and safety agency, handicapped compensation levy et al	1,074	1,112
Derivatives	1	3
Total	**17,823**	**19,485**

Miscellaneous provisions also include benefits for phased retirement. This item includes the portion of the provision that is not funded in an insolvency-remote manner by a pension liability insurance policy. They are netted against pledged pension liability insurance policies for the credit balance from phased retirement agreements, which are inaccessible to all other creditors and serve exclusively to fulfil debts from these phased retirement obligations. The same procedure is followed for the expenses and income from discounting the obligations and from the netted assets. The pledged pension liability insurance policies are recognised at fair value. The fair value comprises the actuarial reserve plus irrevocable profit participation commitments.

Benefits for phased retirement as of 31 December are calculated as follows:

In € thousand	31.12.2023	31.12.2022
Settlement amount of the vested claims	3,651	3,354
Of which with nettable pension liability insurance policies	2,405	1,755
Recognition	**1,246**	**1,599**

D. Deposits retained from ceded reinsurance business (16)

Deposits retained have an indefinite term. The term can be longer than five years depending on the individual claims experience and the terms available in the capital market.

E. Other liabilities

II. Miscellaneous liabilities (17)

In € thousand	31.12.2023	31.12.2022
Loans taken out from affiliated companies	81,750	75,000
Liabilities from profit and loss transfer agreements	420	4,127
Accrued interest for subordinated bond	1,968	1,974
Trade payables	957	445
Liabilities from accounting transactions with affiliated companies	61,598	680
Taxes	745	1,359
Miscellaneous other liabilities	3,727	7,705
Total	**151,165**	**91,290**

Remaining terms of miscellaneous liabilities
The item comprises liabilities of € 151,127.1 thousand that have a remaining term of one year or less and liabilities of € 38.0 thousand that have a remaining term of more than one year and less than five years. There were no liabilities with a remaining term of more than five years.

Income statement disclosures

Technical account

2. Income from technical interest, net of reinsurance (18)

Pursuant to Section 38 RechVersV, this item is used to report interest on pension reserves and provisions for future policy benefits after deducting the reinsurers' share. The item also includes the interest on the provision for future policy benefits for reinsurance acceptances on life insurance business.

4. Claims incurred, net of reinsurance

b) Change in the provision for outstanding insurance claims (19)
Reversing the provision for outstanding insurance claims that was assumed from the previous financial year resulted in gains of € 8.7 million (previous year: gains of € 11.3 million). The gains mainly stemmed from the liability (€ 8.9 million), other insurance (€ 4.7 million), fire (€ 4.4 million) and casualty (€ 1.2 million) lines. Run-off losses mainly stemmed from the other property insurance (€ 8.4 million) and auto (€ 2.0 million) lines.

6. Expenses for insurance business, net of reinsurance (20)

Gross operating expenses amounted to € 151.8 million (previous year: € 154.4 million), of which € 151.8 million (previous year: € 154.0 million) was for profit shares and commissions and € 0.5 million (previous year: € 0.4 million) for general administrative expenses.

II. Non-technical account

1. Investment income

b) Income from other investments (22)

In € thousand	2023	2022
Land, land rights and buildings including buildings on third-party land	15,931	9,019
Other investments	46,258	32,305
Total	**62,189**	**41,324**

c) Income from write-ups (23)

Write-ups include exchange rate gains of € 48.9 thousand (previous year: € 730.2 thousand). The breakdown of the item is described in the notes under “Individual asset disclosures”.

d) Gains on the realisation of investments (24)

In € thousand	2023	2022
Land, land rights and buildings including buildings on third-party land	816	–
Participating interests	443	3,964
of which exchange rate gains realised € 104.2 thousand		
Shares, units or shares in investment funds and other non-fixed-income securities	461	8,281
of which exchange rate gains realised € 404.9 thousand		
Bearer bonds and other fixed-income securities	428	109
of which exchange rate gains realised € 369.4 thousand		
Deposits with credit institutions	3	88
of which exchange rate gains realised € 2.8 thousand		
Other investments	427	85
Total	**2,578**	**12,527**

In the previous year, a gain of € 8.3 million was realised with the sale of alternative investment funds.

2. Investment charges

b) Value adjustments on investments (25)

Value adjustments on investments include write-downs according to Section 253 (3) sentences 5 and 6 and (4) in conjunction with Section 277 (3) sentence 1 HGB. They break down as follows:

In € thousand	2023	2022
Shares in affiliated companies and participating interests	–	–
Shares, units or shares in investment funds and other non-fixed-income securities	1,113	61,813
of which exchange rate losses € 0.0 thousand (previous year: € 43.1 thousand)		
Bearer bonds and other fixed-income securities	1	7,883
of which exchange rate losses € 1.0 thousand (previous year: € 0.0 thousand)		
Other loans	32	16
Deposits with credit institutions	197	13
of which exchange rate losses € 196.6 thousand (previous year: € 13.2 thousand)		
Total	**1,343**	**69,725**

Amounts at affiliated companies and participating interests and land all relate to balance sheet items reported as fixed assets. Of the shares, units or shares in investment funds € 32.6 thousand is to be allocated to balance sheet items reported as fixed assets. Of the shares, units or shares in investment funds € 1,309.3 thousand is to be allocated to balance sheet items measured as current assets.

c) Losses on the realisation of investments (26)

In € thousand	2023	2022
Land, land rights and buildings including buildings on third-party land	–	219
Shares in affiliated companies	–	–
Participating interests	90	7,543
of which exchange rate losses € 90.0 thousand		
Shares, units or shares in investment funds and other non-fixed-income securities	607	1,317
of which exchange rate losses € 36.9 thousand		
Bearer bonds and other fixed-income securities	5	13
of which exchange rate losses € 4.5 thousand		
Deposits with credit institutions	191	–
of which exchange rate losses € 191.2 thousand		
Total	**893**	**9,092**

3. Other income (27)

The main items included here are:

In € thousand	2023	2022
Income from services to affiliated companies and participating interests	61,523	58,731
Interest income from taxes	721	2,692
Income from post-employment benefits and phased retirement	1,517	1,934
Exchange rate gains	710	321
of which exchange rate gains realised € 354.5 thousand (previous year: € 3.1 thousand)		
Reversal of other provisions	546	3,396
Total	**65,017**	**67,074**

4. Other expenses (28)

The position includes the following material items:

In € thousand	2023	2022
Administrative expenses	112,152	108,520
of which: expenses affiliated companies and participating interests for services	61,523	58,731
Interest expenses	21,206	21,077
of which: interest on current accounts resulting from joint liability for pension provisions	8,876	8,852
of which: interest expenses from pension provisions	2,423	4,881
of which: interest expenses on subordinated capital	6,504	6,375
of which: interest expenses from unwinding the discount on provisions	21	14
Post-employment benefit costs	1,570	2,108
Negative interest	–	52
Exchange rate expenses	569	1,129
Total	**135,497**	**132,886**

In relation to phased retirement agreements, expenses of € 11.2 thousand (previous year: € 5.4 thousand) from unwinding discounts on the assets being offset and income of € 57.1 thousand (previous year: € 52.9 thousand) from applying discounts were offset against each other in accordance with Section 246 (2) sentence 2 HGB. Likewise, expenses of € 2,423.0 thousand (previous year: € 4,881.0 thousand) from unwinding discounts on pension provisions and income of € 100.5 thousand (previous year: € 103.2 thousand) from applying discounts to the capitalised values of pension liability insurance policies were offset against each other in accordance with Section 246 (2) sentence 2 HGB.

7. Income taxes (29)

Income taxes were € 41.7 million (expenses) (previous year: € 0.2 million (income)) in the financial year. The increased tax expenses are due to higher net income before taxes and lower tax relief.

Deferred tax assets and liabilities result from different carrying amounts under commercial and tax law for land, land rights and buildings, units or shares in investment funds and other non-fixed-income securities, the provision for outstanding insurance claims and provisions for pensions. Deferred taxes were calculated using a tax rate of 30.01%. Expected future tax charges and tax benefits are netted against each other when calculating deferred tax amounts. In exercising the option granted in Section 274 (1) sentence 2 HGB, any excess deferred tax assets left after netting are not recognised in the balance sheet.

The company is the ultimate parent company within the meaning of the German Minimum Taxation Act. On the basis of the data from the previous year's country-by-country report for the Group's business units in accordance with the OECD Pillar 2 rules, no effects are expected for the company because the Group's business units each meet the minimum tax rate of 15% or are subject to a domestic top-up tax.

Other mandatory disclosures

Mandates

Memberships in supervisory boards required by law and in comparable domestic and foreign supervisory bodies (disclosures pursuant to Section 285 (10) HGB):

a) Group mandates on domestic supervisory boards required by law
b) Third-party mandates on domestic supervisory boards required by law
c) Mandates on comparable supervisory bodies

Members of the Supervisory Board of W&W AG

Dr Michael Gutjahr, Chairman
Former member of the Executive Board
Wüstenrot & Württembergische AG
Wüstenrot Bausparkasse AG
Württembergische Versicherung AG
Württembergische Lebensversicherung AG

Frank Weber, Deputy Chairman[1]
Chairman of the Works Council
Württembergische Versicherung AG/Württembergische Lebensversicherung AG,
Karlsruhe location
Chairman of the Group Works Council
a) Württembergische Lebensversicherung AG, Kornwestheim

Jutta Eberle[1]
Insurance employee
Württembergische Versicherung AG

Dr Frank Ellenbürger
Auditor and tax advisor
a) Wüstenrot Bausparkasse AG, Kornwestheim (from 28 March 2023)

Prof. Dr Nadine Gatzert
Chair of Insurance Economics and Risk Management
at the Friedrich Alexander University Erlangen/Nuremberg
b) Nürnberger Beteiligungs-AG, Nuremberg
Nürnberger Lebensversicherung AG, Nuremberg

Dr Reiner Hagemann
Former Chairman of the Executive Board
Allianz Versicherungs-AG
Former member of the Executive Board
Allianz AG

Jochen Höpken[1]
Task Group Chair
ver.di United Services Union

Ute Kinzinger[1]
Chairwoman of the Works Council
W&W Informatik GmbH
a) W&W Informatik GmbH, Kornwestheim, Deputy Chairwoman

Corinna Linner
Linner Wirtschaftsprüfung
Managing Director Bankhaus von der Heydt GmbH & Co. KG (until 28 February 2023)
b) Donner & Reuschel AG, Munich/Hamburg
SIGNAL IDUNA Bauspar AG, Hamburg

Bernd Mader[1]
Head of Customer Service – Cross-Functional Operations Functions
Württembergische Versicherung AG

Andreas Rothbauer[1]
Chairman of the Works Council
Wüstenrot Bausparkasse AG
a) Wüstenrot Bausparkasse AG, Kornwestheim

Dr Wolfgang Salzberger
Chief Financial Officer (CFO) and
member of the ATON GmbH management

Christoph Seeger[1]
Chairman of the Works Council
Wüstenrot Bausparkasse AG, Kornwestheim location
a) Wüstenrot Bausparkasse AG, Kornwestheim, Deputy Chairman

Jutta Stöcker
Former member of the Executive Board
RheinLand-Versicherungsgruppe
b) RheinLand Versicherungs AG, Neuss
RheinLand Holding AG, Neuss

Susanne Ulshöfer[1]
Deputy Chairwoman of the Works Council
Wüstenrot Bausparkasse AG, Kornwestheim location
a) Wüstenrot Bausparkasse AG, Kornwestheim

Edith Weymayr
Chairwoman of the Executive Board
Landeskreditbank Baden-Württemberg – Förderbank (L-Bank)
c) Baden-Württemberg International – Gesellschaft für internationale wirtschaftliche und wissenschaftliche Zusammenarbeit mbH (bw-i), Stuttgart

1 Employee representatives

Members of the Executive Board of W&W AG

Jürgen A. Junker, Chair
Group Legal, Group Audit, Communication, Group Development (strategy, M&A, strategic brand management and corporate identity, customer data) and Operational Organisation
a) Württembergische Lebensversicherung AG, Kornwestheim, Chairman
Württembergische Versicherung AG, Kornwestheim, Chairman
Wüstenrot Bausparkasse AG, Kornwestheim, Chairman

Alexander Mayer
Group Accounting, Financial Management/Asset Allocation, Financial Services, Retained Organisation
b) BF.direkt AG, Stuttgart (from 18 November 2023), Deputy Chairman of the Supervisory Board (from 26 January 2024)
c) BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart, Deputy Chairman of the Supervisory Board

Jürgen Steffan
Risk and Compliance (money laundering/securities compliance), Group Controlling, Cost Controlling, Group Personnel
a) Württembergische Krankenversicherung AG, Kornwestheim, Deputy Chairman
W&W Informatik GmbH, Kornwestheim, Chairman
b) V-Bank AG, Munich, Chairman
EUWAX AG, Stuttgart
c) Vereinigung Baden-Württembergische Wertpapierbörse e.V., Stuttgart, Deputy Chairman of the Executive Committee

Jens Wieland
Enterprise IT Management, Customer Data Protection and Operational Security

Supplemental disclosures

Contingencies and other financial commitments

As a member of the pharmaceutical reinsurance pool, we have to assume our 1.41% portion of another pool member's payment obligation if that member defaults. The pool currently has a total volume of € 106.7 million. No provision was made for this contingency because we have no doubts about the current named pool members' creditworthiness and so do not expect the company's obligation to be invoked.

In a release and hold harmless agreement dated 20 October 1993, Württembergische Versicherung AG assumed the risk from the contract signed by W&W AG through a London broker. This is why Württembergische Versicherung AG shows provisions for outstanding insurance claims of € 21.9 million. W&W AG is outwardly liable to third parties for these obligations. Württembergische Versicherung AG has sufficient reserves from today's perspective. It therefore appears unlikely that W&W AG will be held liable. The debtor's credit rating means that no liability claim is expected.

Wüstenrot Bausparkasse AG obtains security from W&W AG for any loans that have been granted for housing purposes and are not secured by property. W&W AG extended a guarantee to Wüstenrot Bausparkasse AG for the receivables from the loans in place at the time the contract was concluded. The guarantee is reduced as the loan principal is repaid. The volume of the guarantee was € 9.7 million on the reporting date, after accounting for the provisions for guarantees (€ 0.3 million). The guarantee is not expected to be additionally enforced, judging from Wüstenrot Bausparkasse AG's assessment of the borrowers' creditworthiness.

W&W AG has assumed an unconditional, unlimited, directly enforceable guarantee up to € 10.0 million to WISAG Facility Management Süd-West GmbH & Co. KG under a staff transfer agreement between W&W Service GmbH and WISAG Facility Management Süd-West GmbH & Co. KG. This guarantee applies to the fulfilment of all existing and future financial liabilities of W&W Service GmbH under this staff transfer agreement. The guarantee is not expected to be called due to the debtor's credit rating.

By agreement dated 16 June 2023, W&W AG issued a guarantee commitment for WWS GmbH to the benefit of Holman Leasing Germany GmbH for the event that W&W AG's profit and loss transfer agreement with WWS GmbH is terminated or WWS GmbH is dissolved or becomes insolvent.

Outstanding call obligations for equity and fund investments received amounted to € 94.6 million on the reporting date.

W&W AG had financial obligations of around € 1.9 million as of the reporting date resulting from contracts signed for the first and second stage of W&W Campus, the new construction project.

We expect compensation payments of € 0.7 million to start-ups from start-up losses under existing control and profit and loss transfer agreements in the next three years. Profits are expected in the medium term.

Expenses of € 38.2 million are expected for intra-group services in the coming financial year.

Pursuant to Section 253 (2) sentence 1 HGB, the actuarial interest rate is set at the average market interest rate of the past ten years. The discount rates published by the Deutsche Bundesbank as of 31 October 2023 with a ten-year average interest rate were adjusted by extrapolating the interest rate as of 31 October 2023 for the months of November and December 2023, thus calculating the interest rate as of 31 December 2023. The difference between the measurement of the provision for pensions and similar obligations at the ten-year average interest rate and the seven-year average interest rate (1.76%) in accordance with Section 253 (6) HGB amounts to € 11.7 million (previous year: € 56.2 million). In accordance with Section 268 (8) HGB, this amount is barred from distribution. The simplification rule of Section 253 (2) HGB is used.

Based on what we know today, we assume that, as in the past, the company will not incur any additional expenses from the risk of being held liable for the listed contingencies in the future.

Authorised capital

Under Article 5 (5) of the Articles of Association of W&W AG, the Executive Board is authorised, with the consent of the Supervisory Board, to increase the share capital of the company by issuing new no-par value registered shares for cash and/or non-cash contributions on one or more occasions until 24 May 2027. The total increase may not exceed € 100.0 million. The shareholders have a statutory subscription right.

Contingent capital

The Annual General Meeting resolved on 25 May 2022 to authorise the Executive Board to issue bonds with warrants, convertible bonds, participation rights, participating bonds or a combination of these instruments until 24 May 2027. Article 5 (6) of the Articles of Association accordingly provides that the share capital of W&W AG is contingently increased by the nominal amount of not more than € 240,000.0 thousand, divided into not more than 45,889,102 registered no-par-value shares.

German Corporate Governance Code

The Executive Board and Supervisory Board of our company have issued the declaration of conformity with the German Corporate Governance Code in accordance with Section 161 AktG and have made it permanently available to shareholders on the W&W Group website at www.ww-ag.com → Investor Relations → Publications → Further Publications. It is also included in the declaration on corporate governance in the annual report.

Related parties

Transactions with related parties are conducted at arm's length terms used in the market. Transactions with employees are conducted at arm's length terms used in the market or industry.

The control and profit and loss transfer agreements concluded with Württembergische Versicherung AG, W&W Informatik GmbH, W&W Asset Management GmbH, W&W Service GmbH and W&W brandpool GmbH remain in effect.

Group affiliation

Wüstenrot & Württembergische AG, Stuttgart, is the parent company of the W&W Group. The consolidated financial statements of the W&W Group are published in the German Federal Gazette.

The company has received the following notices pursuant to Section 33 (1) WpHG:

Company name	Domicile	Threshold crossed upward / downward	Reporting threshold	Date	Percentage voting rights held	Number of votes	Attribution in line with Section 22 WpHG
Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e. V. (attribution via Wüstenrot Holding AG, Ludwigsburg)	Ludwigsburg, Stuttgart	Downward	50%	17.8.2016	39.91%	37,417,638	Section 22 (1) sentence 1 no. 1 WpHG
Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e. V. (attribution via WS Holding AG, Stuttgart)	Ludwigsburg, Stuttgart	Upward	25%	17.8.2016	26.40%	24,750,000	Section 22 (1) sentence 1 no. 1 WpHG
Dr Lutz Helmig (attribution via FS BW Holding GmbH)	Hallbergmoos, Germany	Upward	10%	11.12.2013	10.62%	9,960,674	Section 22 (1) sentence 1 no. 1 WpHG

Legal bases

Wüstenrot & Württembergische Aktiengesellschaft has its domicile in Kornwestheim and is entered in the Commercial Register of the Local Court of Stuttgart under number HRB 20203.

Supplementary report

No events of particular importance for the assessment of the net assets, financial position and results of operations of Wüstenrot & Württembergische AG occurred after the end of the financial year and the preparation of the annual financial statements.

Auditor's fee

The fee for the auditing services of EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Stuttgart, is related to the audit of the consolidated financial statements and the annual financial statements of W&W AG, as well as to other permissible services occasioned directly by the audit. In addition, EY GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, audited the annual financial statements and consolidated financial statements of various subsidiaries as well as statutory audits in accordance with the German Securities Trading Act, the German Insurance Supervision Act, the German Stock Corporation Act and other legal provisions.

The disclosures of the auditor's fees are included in the consolidated financial statements of W&W AG. They are not disclosed at this point due to the group exemption set forth in Section 285 no. 17 HGB.

Employees

Number[1]	2023	2022
Employees	551	532
of which women	294	281
of which men	257	251
of which full time	399	378
of which part time	152	154

1 Average number of employees in line with Section 285 no. 7 HGB.

Remuneration of the Executive Board

The remuneration report required by Section 162 AktG is published at www.ww-ag.com.
The following statements include the disclosures required by Section 285 no. 9 HGB.

In € thousand	31.12.2023	31.12.2022
Remuneration paid to Executive Board members	2,967	2,780
Remuneration paid to former Executive Board members	1,572	1,680
Remuneration paid to survivors	446	383
Pension commitments for former Executive Board members	22,354	22,861

The total remuneration was reviewed by the Supervisory Board and is commensurate with the duties and performance of the Executive Board members and the situation of the company.

No loans were granted to members of the Executive Board. No contingent liabilities were assumed for the benefit of the members of the Executive Board. No subscription rights or other share-based payments were granted to the Executive Board.

There were no other encumbrances on the company during the financial year for benefits to former members of the Executive Board or their survivors through severance payments, pensions, survivor's pensions or other benefits of a related nature.

Remuneration of the Supervisory Board

The Supervisory Board members of Wüstenrot & Württembergische AG received total remuneration of € 776.1 thousand (previous year: € 761.4 thousand) from the company for the 2023 financial year. Members of the Supervisory Board of Wüstenrot & Württembergische AG who left the company during the financial year received pro rata remuneration of € 0.0 thousand (previous year: € 128.3 thousand) from the company for the 2023 financial year.

Members of the Supervisory Board are reimbursed for expenses and any value-added tax levied on Supervisory Board remuneration (if subject to value-added tax). However, they are not included in the expenses mentioned.

Wüstenrot & Württembergische AG holds no receivables from members of the Supervisory Board arising for advances and loans granted.

There are no subscription rights or other share-based payments for members of the Supervisory Board in the W&W Group. No provisions for current pensions or future pension claims had to be made for members of the Supervisory Board or their surviving dependents.

The company did not pay any remuneration or grant any benefits to members of the Supervisory Board for personal services such as consulting or mediation services.

Annex to the notes

Individual asset disclosures

Asset disclosures

In € thousand			Balance sheet values 2022	Additions	Reclassifications	Disposals	Write-ups	Depreciation, amortisation and write-downs	Balance sheet values 2023
B.	**I.**	**Land, land rights and buildings including buildings on third-party land**	**458,213**	**9,548**	**–**	**896**	**–**	**16,432**	**450,433**
B.	**II.**	**Investments in affiliated companies and participating interests**							
1.	Shares in affiliated companies		1,399,375	30,354	–	–	–	–	1,429,729
2.	Loans to affiliated companies		517,500	182,500	–	144,000	–	–	556,000
3.	Participating interests		20,615	–	–	358	85	–	20,342
4.	Loans to long-term investees and investors		–	–	–	–	–	–	–
Total B. II.			**1,937,490**	**212,854**	**–**	**144,358**	**85**	**–**	**2,006,071**
B.	**III.**	**Other investments**							
1.	Shares, units or shares in investment funds and other non-fixed-income securities		892,271	47,463	–	17,915	17,912	1,113	938,618
2.	Bearer bonds and other fixed-income securities		436,075	1,638	–	2,248	2,039	1	437,503
3.	Other loans								
	a)	Registered bonds	102,441	–	–	20,000	36	31	82,446
	b)	Promissory notes and loans	141,062	–	–	2,031	–	–	139,031
4.	Deposits with credit institutions		79,264	27,130,813	–	27,147,664	1	197	62,217
5.	Other investments		87	–	–	–	–	–	87
Total B. III.			**1,651,200**	**27,179,914**	**–**	**27,189,858**	**19,988**	**1,342**	**1,659,902**
Total			**4,046,903**	**27,402,316**	**–**	**27,335,112**	**20,073**	**17,774**	**4,116,406**

List of shareholdings

	Direct share in capital in %	Indirect share in capital in %[3]	Currency	Reporting date	Equity[1]	Net income after taxes[1]
Germany						
3B Boden-Bauten-Beteiligungs-GmbH, Ludwigsburg	100.00		€	31.12.2022	67,344,101	1,366,294
Adam Riese GmbH, Stuttgart[2]		100.00	€	31.12.2022	25,000	–
Adveq Europe II GmbH, Frankfurt am Main		16.77	€	31.12.2022	894,923	–15,343
Adveq Opportunity II Zweite GmbH, Frankfurt am Main		29.31	€	31.12.2022	1,395,015	–226,082
Adveq Technology V GmbH, Frankfurt am Main		16.50	€	31.12.2022	1,909,189	–378,046
Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart		100.00	€	31.12.2022	92,890,553	–2,500,000
Altmark Versicherungsmakler GmbH, Stuttgart		100.00	€	31.12.2022	1,476,917	426,917
Altmark Versicherungsvermittlung GmbH, Stuttgart		100.00	€	31.12.2022	191,049	166,049
Asendorfer Kippe ASK GmbH & Co. KG, Kornwestheim		100.00	€	31.12.2022	1,455,196	594,770
Bausparkasse Wüstenrot Immo GmbH, Ludwigsburg		100.00	€	31.12.2022	107,939	–138
Beteiligungs-GmbH der Württembergischen, Stuttgart		100.00	€	31.12.2022	3,653,899	88,451
BF.capital GmbH, Stuttgart		35.00		New investment 2023		
BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart		35.00	€	31.12.2022	256,222,324	43,821,612
BWK Holding GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart		35.00	€	31.12.2022	14,225,036	–26,936
Deutscher Solarfonds "Stabilität 2010" GmbH & Co. KG, Frankfurt am Main		17.77	€	31.10.2022	69,029,963	22,647,984
Domus Beteiligungsgesellschaft der Privaten Bausparkassen mbH, Berlin		28.73	€	31.12.2022	25,850	–2,060
European Sustainable Power Fund No. 2 GmbH & Co. KG, Grünwald	1.00	11.10	€	30.9.2022	332,199,000	52,071,000
Feuersee Entwicklungsgesellschaft mbH & Co. KG, Kornwestheim		100.00	€	31.12.2022	96,895,000	0
Ganzer GmbH & Co. KG, Kornwestheim		100.00	€	31.12.2022	2,000,000	1,923,477
Gerber GmbH & Co. KG, Kornwestheim		100.00	€	31.12.2022	286,583,450	–3,527,186
GMA Gesellschaft für Markt- und Absatzforschung mbH, Ludwigsburg		100.00	€	31.12.2022	1,761,209	318,326
Immomio GmbH, Hamburg		14.34	€	31.12.2022	8,305,823	–1,453,253
IVB - Institut für Vorsorgeberatung Risiko- und Finanzierungsanalyse GmbH, Karlsruhe		100.00	€	31.12.2022	144,989	767
Keleya Digital-Health Solutions GmbH, Berlin		17.53	€	31.12.2021	1,211,467	–1,245,549
Kinderheldin GmbH, Berlin		7.81	€	31.12.2022	–1,839,212	–893,905
KLV BAKO Dienstleistungs-GmbH, Karlsruhe		95.20	€	31.12.2022	256,261	7,962
KLV BAKO Vermittlungs-GmbH, Karlsruhe		78.90	€	31.12.2022	268,178	8,282
Onshore Wind Portfolio 2012 GmbH & Co. KG, Frankfurt am Main	4.41	16.31	€	31.8.2022	86,863,263	5,656,989
V-Bank AG, Munich		15.26	€	31.12.2022	101,214,839	8,730,827
VC Fonds Baden-Württemberg GmbH & Co. KG, Stuttgart		25.00	€	31.12.2022	1,404,339	–119,169
ver.di Service GmbH, Berlin		40.10	€	31.12.2022	102,181	–93,159

List of shareholdings (continuation)

Name and domicile of the company	Direct share in capital in %	Indirect share in capital in %[3]	Currency	Reporting date	Equity[1]	Net income after taxes[1]
W&W Asset Management GmbH, Ludwigsburg[2]	100.00		€	31.12.2022	11,261,185	–
W&W brandpool GmbH, Stuttgart[2]	100.00		€	31.12.2022	3,275,000	–
W&W Informatik GmbH, Ludwigsburg[2]	100.00		€	31.12.2022	473,025	–
W&W Interaction Solutions GmbH, Munich[2]		100.00	€	31.12.2022	1,382,560	–
W&W Service GmbH, Stuttgart[2]	100.00		€	31.12.2022	100,153	–
WHS Entwicklungs-GmbH, Kornwestheim[2]		100.00	€	31.12.2022	25,000	–
Windpark Golzow GmbH & Co. KG, Rheine		100.00	€	31.12.2022	0	2,010,878
WL Erneuerbare Energien Verwaltungs GmbH, Stuttgart		100.00	€	31.12.2022	80,722	–87
WL Renewable Energy GmbH & Co. KG, Kornwestheim		100.00	€	31.12.2022	100,089,789	5,893,074
WL Sustainable Energy GmbH & Co. KG, Kornwestheim		100.00	€	31.12.2022	96,404,725	4,625,769
Württembergische Akademie GmbH, Stuttgart		100.00	€	31.12.2022	97,782	14,660
Württembergische Immobilien AG, Stuttgart		100.00	€	31.12.2022	120,094,194	2,792,817
Württembergische Kö 43 GmbH, Stuttgart		89.90	€	31.12.2022	23,094,317	821,100
Württembergische Krankenversicherung AG, Kornwestheim	100.00		€	31.12.2022	57,148,122	6,500,000
Württembergische Lebensversicherung AG, Kornwestheim	94.89		€	31.12.2022	606,511,724	95,000,000
Württembergische Logistik I GmbH & Co. KG, Kornwestheim		100.00	€	31.12.2022	16,818,954	1,701,641
Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart		100.00	€	31.12.2022	75,726	–182
Württembergische Versicherung AG, Kornwestheim[2]	100.00		€	31.12.2022	392,563,107	–
Württembergische Vertriebspartner GmbH, Stuttgart[2]		100.00	€	31.12.2022	74,481	–
Württembergische Verwaltungsgesellschaft mbH, Stuttgart		100.00	€	31.12.2022	36,368	–227
Württfeuer Beteiligungs-GmbH, Stuttgart	100.00		€	31.12.2022	59,927,567	286,439
WürttLeben Alternative Investments GmbH, Stuttgart[2]		100.00	€	31.12.2022	231,025,000	–
WürttVers Alternative Investments GmbH, Stuttgart[2]		100.00	€	31.12.2022	70,025,000	–
Wüstenrot Bausparkasse AG, Kornwestheim	100.00		€	31.12.2022	873,568,570	32,631,542
Wüstenrot Energieberatung GmbH, Kornwestheim		100.00		Founded 2023		
Wüstenrot Grundstücksverwertungs-GmbH, Ludwigsburg	100.00		€	31.12.2022	2,057,584	7,904
Wüstenrot Haus- und Städtebau GmbH, Ludwigsburg	100.00		€	31.12.2022	105,925,177	8,217,551
Wüstenrot Immobilien GmbH, Ludwigsburg	100.00		€	31.12.2022	9,061,718	1,510,370
France						
Württembergische France Immobiliere SARL, Strasbourg		100.00	€	30.9.2023	33,088,712	1,965,131
Württembergische France Strasbourg SARL, Strasbourg		100.00	€	30.9.2023	55,019,732	1,907,972
Ireland						
W&W Asset Management Ireland DAC (formerly W&W Asset Management Dublin DAC), Dublin		100.00	€	31.12.2022	14,683,807	4,316,555
W&W Investment Managers DAC, Dublin		100.00	€	31.12.2022	9,365,338	2,976,734

List of shareholdings (continuation)

Name and domicile of the company	Direct share in capital in %	Indirect share in capital in %[3]	Currency	Reporting date	Equity[1]	Net income after taxes[1]
Austria						
G6 Zeta Errichtungs- und VerwertungsGmbH & Co OG, Vienna		99.90	€	31.12.2022	20,957,338	1,451,203
Kellerwirt Holding GmbH, Brixlegg		100.00	€	31.12.2022	5,570,253	−12,725
Kellerwirt Mountain Health Resort GmbH, Brixlegg		100.00	€	31.12.2022	4,733,222	−469,610
SAMARIUM drei GmbH & Co OG, Vienna		100.00	€	31.12.2022	9,503,739	475,887
Hungary						
Fundamenta-Lakáskassza-Lakástakarékpénztár Zrt., Budapest	11.47		HUF	31.12.2022	72,636,000,000	4,508,000,000
United Kingdom and Northern Ireland						
Partners Group Emerging Markets 2007, L.P., Edinburgh		9.38	US$	31.12.2022	27,861,000	222,000

1 The figures relate to the last annual financial statements available on the reporting date.
2 Profit and loss agreement in place.
3 According to Section 16 (4) AktG, the indirect share comprises shares which belong to a dependent company or to another on behalf of the company or one of these dependent companies.

Individual income statement disclosures

	Gross premiums written		Underwriting result, net of reinsurance (before claims equalisation reserve)		Underwriting result, net of reinsurance (after claims equalisation reserve)	
In € thousand	2023	2022	2023	2022	2023	2022
Fire insurance	130,397	105,892	−7,048	2,338	−1,307	−447
Other property insurance	173,042	140,555	−10,512	−3,849	−14,055	−11,966
Total fire and other property insurance	**303,439**	**246,447**	**−17,560**	**−1,511**	**−15,362**	**−12,413**
Auto insurance	152,545	142,538	−29,911	−13,248	−5,902	−14,839
Liability insurance	59,492	50,643	13,986	12,082	14,922	17,612
Personal accident insurance	24,050	23,623	5,346	5,774	5,346	5,774
Transport and aviation hull insurance	5,815	4,471	15	−262	797	305
Other insurance	36,258	31,890	1,063	969	1,067	1,050
Total property and casualty insurance	**581,599**	**499,612**	**−27,061**	**3,804**	**868**	**−2,511**
Life insurance	–	27	–	50	–	50
Total	**581,599**	**499,639**	**−27,061**	**3,854**	**868**	**−2,461**

Commissions and other compensation paid to insurance agents, personnel expenses

In € thousand	2023	2022
Wages and salaries	45,670	44,223
Social security and employee benefit expenses	4,770	7,543
Post-employment benefit costs	8,366	8,178
Total	**58,806**	**59,944**

W&W AG has no mobile sales force of its own. As a result, the table required by RechVersV only contains personnel expenses and not commissions or other compensation paid to insurance agents.

Wüstenrot & Württembergische AG Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company, and the combined management report of the company includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Kornwestheim, 1 March 2024

Jürgen A. Junker

Alexander Mayer

Jürgen Steffan

Jens Wieland

Wüstenrot & Württembergische AG Auditor’s report

Independent auditor’s report

To Wüstenrot & Württembergische AG, Kornwestheim

Report on the Audit of the Annual Financial Statements and of the Combined Management Report

Audit opinions

We have audited the annual financial statements of Wüstenrot & Württembergische AG, Kornwestheim, comprising the balance sheet as of 31 December 2023, the income statement for the financial year from 1 January to 31 December 2023, and the notes to the annual financial statements, including the presentation of the accounting policies. We have also audited the combined management report of Wüstenrot & Württembergische AG for the financial year from 1 January to 31 December 2023. In compliance with German law, we did not audit the content of the corporate governance declaration in accordance with Section 341a HGB in conjunction with Section 289f HGB contained in the corporate governance declaration section of the combined management report or the eight image pages under the title “A commitment to values”. We did not audit any information given by the W&W Group outside this Annual Report, referred to in the declaration on corporate governance or the combined management report.

In our opinion, based on the findings of our audit,

- the attached annual financial statements comply in all material respects with the requirements of German commercial law applicable to insurance companies, and they give a true and fair view of the company’s net assets and financial position as of 31 December 2023, and of its results of operations for the financial year from 1 January 2023 to 31 December 2023, in accordance with the German principles of proper accounting, and
- the attached combined management report as a whole presents a true and accurate view of the company’s position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development. As stated above, our audit opinion on the combined management report does not cover the content of the corporate governance declaration, the eight image pages under the title “A commitment to values” or any information provided outside this annual report, referred to in this report.

Pursuant to Section 322 (3) sentence 1 HGB, we state that our audit has not led to any reservations with regard to the compliance of the annual financial statements or the combined management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the combined management report in accordance with Section 317 HGB, the EU Audit Regulation (No 537/2014; hereinafter “EU-AR”) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors – IDW). Our responsibility according to these regulations and standards is described in further detail in the “Responsibility of the auditor for the audit of the annual financial statements and the combined management report” section of our auditor’s report. We are independent of the company in compliance with the provisions of European law, German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. In addition, we declare pursuant to Article 10, Paragraph 2 Letter f) EU-AR that we have provided no prohibited non-audit services referred to in Article 5, Paragraph 1 EU-AR. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the annual financial statements and the combined management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are such matters that, in our professional judgement, were the most significant in our audit of the annual financial statements for the financial year from 1 January 2023 to 31 December 2023. These matters were considered in connection with our audit of the annual financial statements as a whole and the formulation of our audit opinion; we do not provide a separate audit opinion on these matters.

In the following, we describe the audit matters that we consider to be key:

Measurement of shares in affiliated companies

Reasons for designation as a key audit matter

The shares in affiliated companies are not listed on the stock exchange, which means that fair values cannot be derived from active markets on the reporting date. The fair values of these investments are determined using recognised standard valuation methods, particularly the German income approach and the net asset value method. In the German income approach, the primary input data consists of measurement parameters that cannot be observed on the market (particularly planning assumptions regarding expected income and expenses such as premiums, net interest income, and claims and administrative expenses) and, to a lesser extent, measurement parameters obtained from the market (particularly key determinants of the capitalisation interest rate). There is scope for discretion in the selection of procedures and the determination of measurement parameters and assumptions.

This is a particularly important audit matter due to the scope for discretion in selecting the measurement procedures and the assumptions to be made regarding the material measurement parameters and assumptions in the model-based measurement process and the resulting write-downs and reversals of write-downs, if any, as well as the associated risk of a material misstatement in the annual financial statements.

Audit approach

We gained an understanding of the planning and measurement processes.

We methodically and arithmetically reconstructed the measurement models used for a selection of shares in affiliated companies.

Where the fair value was determined on the basis of the German income approach, we focused on the most significant planning assumptions, among other things, when analysing the plans. In doing so, we also reconstructed the reasons for differences between the previous year's planning and the current year's planning and their expected one-off or lasting effects. For the planning analyses, we relied on the current business development and on publicly available information.

Furthermore, we reconciled the plans submitted to us with the plans approved by the legal representatives of the responsible company. In a retrospective comparison, we also compared the plans from the previous year with the actual development of business and analysed the deviations.

We reconstructed the capitalisation interest rates used for discounting as well as their calculation using the capital asset pricing model. This involved the risk-free rate and market risk premium as well as the beta factors, country-specific risk premiums and growth discounts that had to be determined individually. We reproduced the calculation method presented to us and examined the parameters used on the basis of market data and available information on comparable companies, taking into account adjustments specific to the business model.

In addition, we employed our own specialists who have special expertise in business valuations for a selection of shares in affiliated companies.

For shares in affiliated companies whose fair value was determined using an international or, in individual cases, the German net asset value method, we methodically and mathematically reconstructed the value determinations for a selection.

Our audit procedures did not lead to any objections to the measurement of the shares in affiliated companies.

Reference to related information
The disclosures on the measurement of the shares in affiliated companies are included in the notes in sections "accounting policies", "shares in affiliated companies", "participating interests" and "fair value measurements".

Determination of impairment expected to be permanent on fixed-income debt securities

Reasons for designation as a key audit matter
Fixed-income debt securities held as fixed assets must be written down to their lower fair value if impairment is expected to be permanent. The Executive Board of the company has discretion in assessing whether and to what extent impairment on these investments can be considered permanent and the resulting determination of fair value. If there are reasons to believe that recognised impairment is no longer permanent, the impairment must be reversed in line with the upper cost limit.

As of the reporting date, there is a considerable amount of hidden liabilities relating to fixed-income debt securities held as fixed assets. In light of this, there is a risk that impairment expected to be permanent and its discontinuation are not identified or that the discretion that exists is not exercised properly and, as a result, necessary write-downs to lower fair value or necessary write-ups are not recognised or are recognised in an incorrect amount. For this reason, we consider the determination of fair value of fixed-income debt securities held as fixed assets to be a key audit matter.

Audit approach
In conjunction with our audit, we examined the process for determining impairment expected to be permanent and the extent of the impairment on fixed-income debt securities. In this context, we assessed the nature of the procedures established as to whether their methods are suitable for determining impairment expected to be permanent and its extent and whether they are systematically applied. We examined the adequacy and effectiveness of the controls implemented.

Furthermore, on the basis of the assessments and analyses prepared by management, we assessed whether the management's determination of fair value and the associated assessment of the permanence and extent of impairment and of its discontinuation is accurate.

In the case of fixed-income debt securities held as fixed assets, we analysed whether defaults or material deteriorations in issuers' credit quality have occurred or ceased to apply regarding these investments and whether appropriate write-downs and write-ups were performed on this basis.

Where the company classified existing hidden liabilities as only temporary, we reviewed the company's liquidity planning to assess the intention and ability to hold these investments and obtained explanations from employees entrusted with this matter.

Our audit procedures did not give rise to any objections to the determination of impairment expected to be permanent on fixed-income debt securities held as fixed assets.

Reference to related information
The disclosures on the determination of impairment expected to be permanent on fixed-income debt securities can be found in the section entitled "Accounting policies" in the notes to the financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration on the German Corporate Governance Code pursuant to Section 161 AktG, which forms part of the declaration on corporate governance. The legal representatives are responsible for the other information in all other respects. The other information comprises the corporate governance declaration, the eight image pages under the title “A commitment to values” and the report on gender equality and equal pay in accordance with the German Transparency in Wage Structures Act. Furthermore, the other information comprises the combined non-financial report of the W&W Group, a version of which we obtained prior to issuing this auditor’s report. Also, the other information includes other components intended for the annual report, a version of which we obtained prior to issuing this auditor’s report, namely:

- the letter to shareholders,
- presentation of Management Board and Supervisory Board,
- key figures, financial calendar, glossary,
- the responsibility statement,
- the report of the Supervisory Board.

Our audit opinions regarding the annual financial statements and the combined management report do not extend to the other information, which is why we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit, we have a responsibility to read the other information and to evaluate whether it

- exhibits material discrepancies with the annual financial statements, the combined management report or the knowledge we have obtained during our audit, or
- otherwise seems significantly incorrect.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the combined management report

The legal representatives are responsible for preparing the annual financial statements, which in all material respects comply with the requirements of German commercial law applicable to insurance companies, and for the annual financial statements giving a true and fair view of the net assets, financial position and results of operations of the company in accordance with the German principles of proper accounting. Furthermore, the legal representatives are responsible for the internal controls that, in accordance with the German principles of proper accounting, they deemed necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. the manipulation of financial reporting or financial losses) or error.

When preparing the annual financial statements, the legal representatives are responsible for assessing the company’s status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless prevented by actual or legal circumstances.

Moreover, the legal representatives are responsible for preparing the combined management report, which as a whole provides an accurate view of the company’s position and is consistent with the annual financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a combined management report in compliance with the applicable German legal regulations and to allow sufficient, suitable evidence to be provided for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the company’s accounting process for the preparation of the annual financial statements and the combined management report.

Responsibility of the auditor for the audit of the annual financial statements and the combined management report

Our objective is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an accurate view of the company's position and is in all material respects consistent with the annual financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the annual financial statements and the combined management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with Section 317 HGB, the EU-AR and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always uncover a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and assess the risks of material misstatements in the annual financial statements and the combined management report due to fraud or errors, we plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our audit opinion. The risk that material misstatements as a result of fraud are not detected is greater than the risk that material misstatements due to error are not detected, because fraud can include collusion, falsification, intentional omissions, misrepresentation or the invalidation of internal controls;
- we gain an understanding of the internal control system relevant for the audit of the annual financial statements and of the arrangements and measures relevant for the audit of the combined management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these systems of the company;
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures;
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the company's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the annual financial statements and in the combined management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean that the company is no longer a going concern;
- we evaluate the overall presentation, the structure and the content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events such that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company in accordance with the German principles of proper accounting;
- we evaluate the consistency of the combined management report with the annual financial statements, its legality and the view it gives of the position of the company;
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

We issue a statement to the monitors to the effect that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be assumed to affect our independence and the safeguards put in place to protect against this.

From among the matters that we have discussed with the monitors, we determine which matters were most significant in the audit of the annual financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the auditor's report, unless laws or other legal provisions preclude their public disclosure.

Other statutory and legal requirements

Report on the audit of the electronic renderings of the annual financial statements and the combined management report prepared for the purpose of disclosure in accordance with Section 317 (3b) HGB

Audit opinion

Pursuant to Section 317 (3a) HGB, we performed a reasonable assurance engagement to determine whether the renderings of the annual financial statements and the combined management report (hereinafter also referred to as the "ESEF documents") prepared for the purposes of disclosure and contained in the file WW_AG_KLB+JA_ESEF-2023-12-31.zip comply in all material respects with the electronic reporting format ("ESEF format") requirements of Section 328 (1) HGB. In accordance with German legal requirements, this audit only covers the conversion of the information in the annual financial statements and the combined management report into the ESEF format and therefore covers neither the information contained in these renderings nor any other information contained in the aforementioned file.

In our opinion, the renderings of the annual financial statements and the combined management report that are included in the aforementioned file and that are prepared for the purposes of disclosure comply with the requirements of Section 328 (1) HGB concerning the electronic reporting format in all material respects. Other than this audit opinion and our audit opinions on the accompanying annual financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2023 included in the foregoing "Report on the audit of the annual financial statements and the combined management report", we do not express any audit opinion on the information contained in these renderings or on any other information contained in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the renderings of the annual financial statements and the combined management report that are included in the aforementioned attached file in conformity with Section 317 (3a) HGB and in observance of the standard promulgated by the IDW (Institute of Public Auditors in Germany) "Audit of electronic renderings of financial statements and management reports prepared for the purposes of disclosure pursuant to Section 317 (3a) HGB" (IDW PS 410 (June 2022)). Our responsibility in this context is described in further detail in the "Auditor responsibility for auditing the ESEF documents" section. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic renderings of the annual financial statements and the combined management report in accordance with Section 328 (1) sentence 4 no. 1 HGB.

Furthermore, the legal representatives of the company are responsible for the internal controls that they deem necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Section 328 (1) HGB.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Responsibility of the auditor for the audit of the ESEF documents

Our objective is to obtain reasonable assurance as to whether the ESEF documentation is free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB. We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB, plan and implement audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion;
- we gain an understanding of the internal controls relevant for the audit of the ESEF documents in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these controls;
- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815, in the version in effect on the reporting date, regarding the technical specification for that file;
- we assess whether the ESEF documents enable a substantially identical XHTML rendering of the audited annual financial statements and the audited combined management report.

Other disclosures pursuant to Article 10 EU-AR

We were elected as the auditor of the annual financial statements by the Annual General Meeting on 23 May 2023. We were engaged by the Chairperson of the Risk and Audit Committee of the Supervisory Board on 12 June 2023. We have served as the statutory auditor of Wüstenrot & Württembergische AG without interruption since the 2020 financial year.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Risk and Audit Committee according to Article 11 EU-AR (audit report).

In addition to auditing the annual financial statements and consolidated financial statements, we have performed the following services for the audited entity or entities controlled by the audited entity:

- review of the half-year financial report;
- performance of voluntary audits of annual financial statements of controlled companies;
- performance of the audit of the non-financial report to obtain limited assurance; and
- permitted non-audit services in the form of consulting services (essentially in connection with regulatory issues and in the field of sustainability reporting).

Other matters – use of the auditor's report

Our auditor's report should always be read in conjunction with the audited annual financial statements and the audited combined management report as well as the audited ESEF documents. The annual financial statements and combined management report converted to the ESEF format, including the versions to be entered in the business register, are merely electronic renderings of the audited annual financial statements and the audited combined management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the electronic audited ESEF documents.

Responsible auditor

The auditor responsible for the audit is Martin Gehringer.

Stuttgart, 20 March 2024

EY GmbH & Co KG
Wirtschaftsprüfungsgesellschaft

Gehringer
German Public Auditor

Bose
German Public Auditor

Wüstenrot & Württembergische AG Report of the Supervisory Board

The Supervisory Board performed the duties incumbent upon it under the law, the Articles of Association and the bylaws in the 2023 financial year. It supervised the management, was directly involved in all matters of fundamental importance to the company, and advised the Executive Board on all issues of significance for the company.

Overview

In the reporting year, the Supervisory Board held four ordinary and two extraordinary meetings and passed two resolutions by way of written circular vote. One meeting was held in an extended format as a strategy retreat. Three meetings were held in person, two in hybrid format.

At all meetings, the Executive Board reported to the Supervisory Board about the position of the company and the Group. In doing so, the Executive Board particularly told the Supervisory Board about business and earnings performance and the developments in the main divisions. In this context, the Executive Board also discussed with the Supervisory Board divergences between actual business performance and original planning. The Supervisory Board also carefully considered the risk and solvency situation, including the W&W Group's risk-bearing capacity. Detailed risk reports were prepared and submitted to the Supervisory Board for information and discussion. After preparation by the Risk and Audit Committee, the Supervisory Board closely examined the annual and consolidated financial statements, including the respective audit reports, as well as the half-year financial report.

Reporting and discussions also focused on the impact of high inflation and interest rates on macroeconomic developments and the W&W Group, the business, risk, IT and sustainability strategies, planning for the 2024 financial year, and medium-term planning. In addition, the Supervisory Board dealt in detail with strategic issues, such as the status of the implementation of projects in the "W&W Besser!" strategy programme.

The Supervisory Board received regular, timely and comprehensive reports from the Executive Board, both in writing and verbally, on all strategy, planning, business development and risk issues relevant to the company and the group. The Supervisory Board received the Executive Board reports, presentations and meeting documents in enough time to prepare for the meetings. In addition, there was an ongoing exchange between the Chairmen of the Executive Board and Supervisory Board as well as immediate information on all significant developments and decisions as they occurred.

A joint continuing education measure relating to sustainability was implemented in the 2023 financial year on the basis of a development plan adopted for the Supervisory Board.

All measures requiring approval under the law and the company's regulations were submitted to the Supervisory Board. There were no reportable conflicts of interest in 2023.

Key topics for the full Supervisory Board

At its meeting on 29 March 2023, the Supervisory Board heard a detailed report on the final business figures for 2022, the individual segments' business and earnings performance in 2023 so far, and the impact of the persistently high inflation on the W&W Group. In light of events, the Executive Board informed the Supervisory Board about the potential effects of the US regional banking crisis and the crisis at Credit Suisse on the W&W Group. In particular, the Supervisory Board dealt with the status of the implementation of the "W&W Besser!" strategy programme. The Supervisory Board heard a report on significant projects in connection with this. Furthermore, the Executive Board informed the Supervisory Board about the key HR figures for the W&W Group and the management of equity investments. The Supervisory Board also discussed and approved the consolidated and annual financial statements including the combined management report and the Executive Board's proposal for the appropriation of net retained profits for the 2022 financial year. The auditor confirmed the issuance of an unqualified audit opinion for the consolidated and annual financial statements including the combined management report. The Supervisory Board then discussed and reviewed the separate combined non-financial group report on the basis of an advance review by the Risk and Audit Committee. The auditor issued the non-financial group report an unqualified audit opinion in its audit to obtain limited assurance. In addition, the Supervisory Board approved the remuneration report, taking into account the audit findings of the auditor engaged to carry out the formal audit pursuant to Section 162 (3) AktG, the corporate governance declaration and the report of the Supervisory Board. The committee chairpersons then informed the Supervisory Board about the work of the committees. The Supervisory Board also received and discussed the annual report by the Compliance Officer and Internal Audit. The Executive Board delivered its report on the development of the risk and solvency situation in the 2022 fiscal year. In this context, it provided details about the liquidity situation and the risk-bearing capacity of the financial conglomerate, the Solvency II group and Wüstenrot & Württembergische AG. The Executive Board likewise provided information about an adjustment of the risk strategy and the framework for ad hoc risk reporting. In addition, the Supervisory Board approved the agenda and proposed resolutions for Wüstenrot & Württembergische AG's 2023 Annual General Meeting. At the recommendation of the Risk and Audit Committee, the Supervisory Board also resolved to propose to the Annual General Meeting that EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Stuttgart, be elected as auditor for the consolidated and annual financial statements for the 2023 financial year, for the review of the 2023 half-year financial report and for the audit of the Solvency II balance sheet at individual and group level. Furthermore, the Supervisory Board discussed the Executive Board's target achievement for the 2022 financial year and performed the regular review of the fixed remuneration for Executive Board members. Finally, the Supervisory Board heard a report from the Executive Board about the W&W Group's reinsurance programme for 2023.

At the meeting on 22 May 2023, the Executive Board reported on business performance in the first quarter of 2023, particularly discussing with the Supervisory Board the relevant development in the Life Insurance segment in light of the rise in interest rates. In addition, the Executive Board presented the preliminary earnings performance under IFRS 17 in the first quarter of 2023 to the Supervisory Board, with which it discussed the effects of the initial application of IFRS 17 on the W&W Group. The Supervisory Board also examined the current status of an IT infrastructure project in the Insurance division and discussed the effects and consequences for the Group's IT structure. Furthermore, the Supervisory Board heard a report on the W&W Group's key HR, risk and solvency indicators. In addition, it took note of and discussed the results of the self-assessment of its work (efficiency review) carried out prior to the meeting. The efficiency review was carried out using an internally prepared questionnaire. The Supervisory Board also considered a potential strategic equity investment of the W&W Group.

At its meeting on 18 September 2023, the Supervisory Board – following prior review by the Risk and Audit Committee – discussed the half-year results and the business performance of the W&W Group together with the Executive Board. In addition, the Supervisory Board heard a report on an internal migration project for a life insurance portfolio. The Executive Board also provided information on the key HR figures and gave an overview of the results of the employee survey in the W&W Group. Furthermore, the Executive Board delivered its report on the risk and solvency situation as well as the management of equity investments. In this context, the Supervisory Board was informed about an ongoing M&A project. The Chair of the Risk and Audit Committee also reported on the key topics and discussions from the committee meeting. After detailed discussion, the Supervisory Board passed a resolution that shareholder and employee representatives would be considered separately when determining the representation of women on the Supervisory Board. Finally, the Supervisory Board approved the meeting dates for 2024.

At the subsequent strategy retreat on 18–19 September 2023, the Supervisory Board dealt in detail with the topic of "Immunisation of the W&W Group". In this context, the Executive Board presented a concept for how the Group can be positioned resiliently and successfully in the market in the long term in the face of macroeconomic and political uncertainties while maintaining its substance and earning power. The strategic focus of the W&W Group was discussed against this backdrop. The Supervisory Board invited representatives from the segments to the retreat and discussed their strategies with them in detail.

At an extraordinary meeting on 26 October 2023, the Executive Board informed the Supervisory Board of the release of an ad hoc disclosure due to the reduction of the IFRS earnings forecast for the 2023 and 2024 financial years.

At the meeting on 13 December 2023, the Executive Board provided information on the current business performance, the results for the third quarter of 2023 and the position of the W&W Group. The Supervisory Board also discussed the current status of the "W&W Besser!" strategy programme and, in close connection with this, the W&W Group's IT roadmap. In addition, the Supervisory Board heard a report on the preparations for the annual and consolidated financial statements for the 2023 financial year. The Executive Board also presented the W&W Group's key HR, risk and solvency indicators and delivered its report on the management of equity investments. The committee chairpersons informed the Supervisory Board about the key topics and discussions from the respective committee meetings. The Supervisory Board also discussed the business and risk strategy, including the other sub-strategies. Furthermore, the Executive Board provided the Supervisory Board with an overview of current audit topics. The Supervisory Board also discussed and approved the operational planning for 2024 and the further medium-term planning. In addition, the Supervisory Board carefully assessed the profile of skills and expertise for the Supervisory Board as a whole and the development plan based on it as well as the general conditions affecting the composition of the Supervisory Board. The members of the Supervisory Board conducted another self-assessment in 2023 to rate their strengths in relevant areas. This, in turn, informs the development plan that the Supervisory Board prepares every year in which it determines areas in which the entire Board or individual Supervisory Board members want to develop further. The Supervisory Board adopted the development plan for 2024. Furthermore, the Supervisory Board discussed the declaration of conformity with the German Corporate Governance Code. Following prior review by the Personnel Committee, the Supervisory Board also worked on remuneration matters and took note of the Executive Board's report on the design of the remuneration system for employees. With the Executive Board not present, the Supervisory Board reviewed and assessed the professional qualifications and reliability of each Executive Board and Supervisory Board member in accordance with the self-imposed "Fit and proper guideline for executive directors and members of the Supervisory Board". The Supervisory Board discussed the European Central Bank's assumption of the supervision of Wüstenrot Bausparkasse AG.

Efficient committee work

In order to perform its duties efficiently, the Supervisory Board has formed four committees that can prepare the deliberations and resolutions of the full Supervisory Board or pass resolutions themselves: the Risk and Audit Committee, the Nomination Committee, the Personnel Committee and the Conciliation Committee. The "declaration on corporate governance" contains more detailed information on the composition and operation of the Supervisory Board. Topics relevant to the applicable committee were discussed in detail at the committee meetings. The committee chairpersons reported to the Supervisory Board on the work done by the committees at the next meeting.

The **Risk and Audit Committee** held a total of three ordinary meetings in the 2023 financial year, one of which to discuss the half-year financial report. Two meetings were held in person; one meeting was held virtually via video conference. In addition to the topics delegated to it by the law and the bylaws of the Supervisory Board, the Risk and Audit Committee focused on key risk and solvency indicators, particularly in the context of high inflation and the rise in interest rates. Another significant topic for the committee was the implementation of the new financial reporting standard IFRS 17 and its effects on the W&W Group's earnings performance. The committee specified the main audit areas for the 2023 financial year. At the meetings, the auditor regularly reported on the findings of the audit of the main audit areas and discussed these findings with the committee members. The Risk and Audit Committee also addressed the Wirecard issue at the individual meetings. In addition, it dealt extensively with the appropriateness and effectiveness of the internal audit function, the internal control system, the risk management system, the compliance management system and the quality of the audit of the financial statements in accordance with Section 107 (3) sentence 2 of the German Stock Corporation Act. To this end, the Head of Internal Audit, the independent risk controlling function and the Compliance Officer each reported to the Risk and Audit Committee in person at its meetings.

Organisationally, it was determined that the approval process and its premisses have proven themselves compliant with the guideline for the provision of non-audit services by the auditor. The internal investment guideline was reviewed and confirmed.

The Risk and Audit Committee also monitored the auditor with regard to permitted non-audit services and the auditor's independence. The committee reviewed the non-financial group report at its meeting on 18 March 2024, at which the auditor also reported to the committee verbally and in writing on the methodology and main findings of its audit. The audit report was received by each member of the committee.

The Chair of the Risk and Audit Committee and the Chief Financial Officer were in close contact outside of the meetings as well. In addition, the Chair of the Risk and Audit Committee regularly discussed the progress of the audit with the auditor and reported thereon to the committee. The Risk and Audit Committee also met with the auditor without the Executive Board.

The **Personnel Committee** came together at two ordinary meetings in 2023, both of which were held as hybrid events. At its meetings, the committee dealt extensively with remuneration matters, particularly the 2022 remuneration report required by stock corporation law, the review of compliance with the remuneration policy and the associated review of the remuneration systems in accordance with insurance supervision law. In addition, the Personnel Committee discussed the Executive Board's target achievement for 2022 and performed the regular review of the fixed remuneration for Executive Board members.

The **Nomination Committee** held an hybrid ordinary meeting in 2023. The committee performed the regular review of the professional qualifications and personal reliability of the members of the Supervisory Board and Executive Board. It also reviewed the “Fit and proper guideline for executive directors and members of the Supervisory Board”. With regard to the upcoming elections to the Supervisory Board at the Annual General Meeting in 2024, the shareholder representatives on the Nomination Committee dealt with the succession planning for the shareholder representatives on the Supervisory Board.

Meetings of the **Conciliation Committee**, which is required to be formed by the German Codetermination Act, were not necessary in the 2023 financial year.

Individualised disclosure of meeting attendance

The following table discloses the meeting attendance of individual Supervisory Board members:

Individualised disclosure of meeting attendance

	Supervisory Board meetings		Risk and Audit Committee		Personnel Committee		Nomination Committee	
	Number	Attendance as %	Number	Attendance as %	Number	Attendance as %	Number	Attendance as %
(Number of meetings/attendance)								
Dr Michael Gutjahr (Chair)	5/5	100			2/2	100	1/1	100
Dr Frank Ellenbürger	5/5	100	3/3	100			1/1	100
Prof. Dr Nadine Gatzert	5/5	100	3/3	100				
Dr Reiner Hagemann	5/5	100			2/2	100		
Corinna Linner	4/5	80					1/1	100
Dr Wolfgang Salzberger	5/5	100	3/3	100				
Jutta Stöcker	5/5	100	3/3	100				
Edith Weymayr	5/5	100						
Frank Weber (Deputy Chair)	5/5	100			2/2	100	1/1	100
Jutta Eberle	5/5	100						
Jochen Höpken	5/5	100					1/1	100
Ute Kinzinger	5/5	100	3/3	100				
Bernd Mader	5/5	100	3/3	100				
Andreas Rothbauer	5/5	100	3/3	100				
Christoph Seeger	5/5	100			2/2	100	1/1	100
Susanne Ulshöfer	5/5	100	3/3	100				
		99		**100**		**100**		**100**

Declaration of conformity with the German Corporate Governance Code

The Supervisory Board also worked on central corporate governance issues. Together with the Executive Board, it adopted an updated declaration of conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act in December 2023. The declaration of conformity has been made permanently available on the company's website. The auditor found no facts during the audit that would have shown the declaration of conformity to be incorrect. The "declaration on corporate governance" contains further information on the declaration of conformity and corporate governance in the W&W Group.

Audit of the annual financial statements and consolidated financial statements

The Supervisory Board thoroughly examined the annual financial statements and the consolidated financial statements for the 2023 financial year as well as the combined management report for Wüstenrot & Württembergische AG and the group as of 31 December 2023 and the proposal of the Executive Board for the appropriation of net retained profits. For the first time, the annual and consolidated financial statements were prepared on the basis of the new International Financial Reporting Standard (IFRS) 17. The annual financial statements, the consolidated financial statements and the combined management report comply with the statutory requirements and are consistent with the assessments made by the Executive Board in the reports to be submitted to the Supervisory Board pursuant to Section 90 AktG. The Executive Board's proposal for the appropriation of the net profits comports with a consistent accounting and dividend policy, taking into account the company's liquidity situation, capital requirements and planned investments. The Supervisory Board therefore concurs with the proposal made by the Executive Board.

EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Stuttgart, the auditors appointed by the Supervisory Board, duly audited the annual financial statements and consolidated financial statements prepared by the Executive Board for the 2023 financial year and the combined management report for Wüstenrot & Württembergische AG and the group for the 2023 financial year and issued an unqualified auditor's report.

The auditor reported the main audit findings to the Supervisory Board in writing and verbally. The audit report was received by each member of the Supervisory Board. In addition, the auditor reported at both the Risk and Audit Committee meeting on 18 March 2024 and the Supervisory Board's balance sheet meeting on 26 March 2024. The submitted audit report complies with the legal requirements of Section 321 HGB and was considered by the Supervisory Board as part of its own review of the annual financial statements. There were no circumstances that could call the independence of the auditor into question. The 2023 half-year financial report was reviewed by EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Stuttgart.

Following the preliminary consultation of the Risk and Audit Committee, the Supervisory Board has verified the separate combined non-financial report in its meeting on 26 March 2024. To this, the Supervisory Board was reported by the auditor in written and verbally about the method and essential results in the meeting. Each member of the Supervisory Board received the auditor's report. The result of the auditor's audit of the separate combined non-financial report corresponds with the result of the audit of the Supervisory Board. The Supervisory Board raised no objections to the separate combined non-financial report.

Following the final result of the audit of the annual financial statements, the consolidated financial statements and the combined management report as well as the Executive Board's proposal for the appropriation of net retained profits, the Supervisory Board raised no objections and approved the annual financial statements and the consolidated financial statements prepared by the Executive Board at its meeting of 26 March 2024. The annual financial statements are thus deemed adopted in accordance with Section 172 sentence 1 AktG.

The Supervisory Board also discussed the Solvency II balance sheet for Wüstenrot & Württembergische AG and the W&W Group as of 31 December 2022 as well as the auditor's report on this.

This past year, 2023, placed high demands on management and staff. The Supervisory Board would like to express its sincere thanks and appreciation to the Executive Board and the employees of all Group companies for their work and tireless commitment.

Composition of the Supervisory Board and Executive Board

There were no personnel changes on the Supervisory Board during the 2023 financial year.

The Supervisory Board of Wüstenrot & Württembergische AG comprises 16 members, as set out in the Articles of Association. On 23 May 2023, the Annual General Meeting of Wüstenrot & Württembergische AG resolved upon an amendment of the Articles of Association to reduce the Supervisory Board from 16 to 12 members for the period following the Annual General Meeting that votes on formal approval of the members' actions for the 2023 financial year. The company is required by law to have a quota of at least 30% women on its Supervisory Board. The Supervisory Board consists of nine men and seven women. That means women make up 44% of the overall body. The shareholder representatives achieve full gender parity at 50%. The "declaration on corporate governance" contains more detailed information on the composition of the Supervisory Board.

There were no changes in the composition of the Executive Board during the 2023 financial year.

Kornwestheim, 26 March 2024

The Supervisory Board

Dr Michael Gutjahr
Chairman

Non-Financial Report

Non-Financial Report
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Wüstenrot & Württembergische AG Combined Non-Financial Report

Fundamentals

This combined separate non-financial report was prepared in accordance with the provisions of Sections 289c et seq. and 315c of the German Commercial Code (HGB). It comprises the non-financial report of the parent company, Wüstenrot & Württembergische AG (W&W AG), and the non-financial group report of the W&W Group.

Wüstenrot & Württembergische AG is required to prepare a non-financial statement and a non-financial group statement pursuant to Section 341a (1a) in conjunction with Section 267 (3) HGB, Section 289b (1) No. 1 HGB and Section 315b (1) No. 1 HGB. The company has elected to prepare a separate non-financial report pursuant to Section 289b (3) sentence 1 HGB and a separate non-financial group report in accordance with Section 315b (3) sentence 1 and to aggregate those two reports pursuant to Section 315b (3) sentence 2 HGB in conjunction with Section 298 (2) HGB. As a result of their inclusion in the separate non-financial group report, Wüstenrot Bausparkasse AG, Württembergische Versicherung AG and Württembergische Lebensversicherung AG, as subsidiaries of Wüstenrot & Württembergische AG, are exempt from the obligation to prepare separate non-financial statements or separate non-financial group statements pursuant to Section 340a (1a) sentence 3 and Section 341a (1a) sentence 3 HGB in conjunction with Section 289b (2) sentence 2 HGB and Section 315b (2) sentence 2 HGB.

The combined, separate non-financial report for the W&W Group fulfils the requirements of *German Accounting Standard No. 20 (GAS 20) Group Management Report* with regard to the provisions for a non-financial group statement.

In accordance with the amendments to GAS 20 by the *German Accounting Amendment Standard No. 12 (DRÄS 12)* valid from 11 February 2022, the disclosures pursuant to Article 8 of Regulation (EU) 2020/852 of the European parliament and of the council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (EU Taxonomy Regulation) are also included in this combined separate non-financial report. These disclosures show how and to what extent the activities of the W&W Group are linked to economic activities that are to be categorised as environmentally sustainable economic activities.

The disclosures pursuant to Article 8 of the EU Taxonomy Regulation are made in accordance with the provisions of Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation.

For the W&W Group, the disclosures pursuant to the aforementioned Delegated Regulation are made in accordance with the provisions for insurance and reinsurance undertakings using the reporting forms in Annex X of the Delegated Regulation. The disclosures also use the standard templates for the disclosure required under Article 8 (6) and (7) of the Delegated Regulation (EU) Annex XII. The transitional provisions for financial undertakings pursuant to Article 10 (7) of the Delegated Regulation are also taken into account.

The combined, separate non-financial report was audited by EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft in accordance with the ISAE 3000 (Revised) auditing standard.

In the 2023 financial year, the combined, separate non-financial report is integrated into the annual report of Wüstenrot & Württembergische AG. The annual report is available on the W&W AG website at https://www.ww-ag.com/en/investor-relations/reports.

Description of the business model

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

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

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

In the Insurance division, the W&W Group offers its customers a wide range of life and health insurance products as well as property/casualty insurance products. The key undertakings in this division are Württembergische Versicherung AG, Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG.

Wüstenrot & Württembergische AG is the Group’s strategic listed management holding company. It coordinates all activities, sets standards and manages capital. As an individual entity, its operations are almost exclusively restricted to reinsuring the insurance policies written by the Group. It also renders services for the Group as a whole.

By building the new W&W campus in Kornwestheim, W&W AG, as builder-owner, is investing in the future of the corporate group. The first section of the building was commissioned in late 2017 and the second section in early 2023. Following its completion and entry into service, the six-hectare site offers around 4,000 modern workstations plus flexible work areas for more than 2,000 people. The relocation phase for employees of the W&W Group took several months and was successfully completed by mid-2023. The W&W campus now provides a shared, forward-looking site for the W&W Group that can accommodate over 6,000 employees.

The Management Board is the central steering body of the W&W Group. Among other things, it deals with Group management and setting and further developing business strategy. In addition to the members of the Executive Board of W&W AG, the Management Board was composed of the division heads Bernd Hertweck (Housing), Zeliha Hanning (Property and Casualty Insurance) and Jacques Wasserfall (Life and Health Insurance) as at 31 December 2023. Operational and company-specific issues of the individual entities are handled at the divisional level.

Wüstenrot Stiftung

The Wüstenrot Stiftung foundation holds an indirect interest in W&W AG through its ownership of Wüstenrot Holding AG and WS Holding AG. As one of the largest independent foundations in Germany, it is non-political, non-denominational and committed to democratic values.

Product mix

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

Wüstenrot Bausparkasse AG offers a wide range of financing and home loan and savings products for short-term building, purchase or modernisation projects as well as for long-term planning.

Württembergische Versicherung AG services a broad product portfolio covering virtually all business lines of property and casualty insurance.

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

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

Sales channel mix

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

In addition, we collaborate closely with numerous partners from the banking and insurance sector, and they have made a significant contribution to our business success.

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

Further information

Further information on the business model of the W&W Group can be found in the combined management report of Wüstenrot & Württembergische AG for the 2023 financial year in subsection "Business model" of section "Group fundamentals".

Concepts and due diligence processes

Sustainability strategy

Responsible action and social commitment have a long tradition in the W&W Group and are an integral part of its strategic orientation. It is based on an understanding of long-term, stability-focused corporate governance that in turn has its roots in the foundation ideals of W&W AG's main shareholder. Comprehensive advice and long-term, reliable support for customers and sales partners are the cornerstones of the W&W Group's activities. The group-wide sustainability strategy is revised annually under the leadership of the Group Development unit in order to further advance the issue of sustainability. This revision focuses not only on the meaningfulness and relevance of the goals but also on increasing the measurability of the sustainability goals.

Similar to the IT and risk strategy, the sustainability strategy has been integrated into the W&W Group's strategy process since 2022. This involves defining qualitative and quantitative sustainability KPIs and measuring them in a plan vs. actual comparison. The Housing and Insurance divisions also have their own business strategies and include corresponding sustainability aspects that are consistent with the W&W Group's sustainability strategy.

The sustainability strategy is based on ESG criteria. ESG stands for Environmental, Social and Governance. The W&W Group's current sustainability strategy comprises the following six fields of action: Customers & Products, Investments & Refinancing, Own Operations, Employees, Society and Organisation. Targets and measures are defined in all fields of action in a revolving process. Each detailed planning period covers three years.

The Customers & Products field of action comprises the following two divisions of the W&W Group: Housing and Insurance. The W&W Group makes climate-friendly living accessible to its customers and is constantly developing its range of sustainable product modules and product versions. Through its financing offers and investment products, it enables its customers to act in the interest of the environment, for example by modernising and improving the energy efficiency of a property with the "Wohndarlehen Klima" financing products or the "Genius" unit-linked pension product. Within the W&W Group, efforts are being made to offer taxonomy-aligned product alternatives and components. The W&W Group already offers products that meet the requirements of the EU Taxonomy Regulation. Joining the Principles for Responsible Investment (PRI) and the Principles for Sustainable Insurance (PSI) in 2020 underlines the sustainable orientation of the W&W Group's investment and insurance business. The sustainability-related goals already implemented in the Customers & Products field of action with regard to the product range and customer satisfaction are described in detail in the section "Customers and products".

Aiming to transition towards climate-neutral investments, the W&W Group is taking an active approach to steadily reducing harmful CO_2 emissions in its investment portfolios. The section "Sustainable investing" explains in detail the sustainable aspects of the investment strategy from the Investments & Refinancing field of action.

Special attention is paid to protecting the climate and conserving resources. Since 2021, the W&W Group has been carbon-neutral in the operation of its own buildings and vehicle fleet through carbon offsets and has set itself the goal of constantly reducing its consumption of resources. The section "Environmental issues" goes into more detail on the strategic goals set and the progress of the measures taken in the Own Operations field of action.

The Employees field of action focuses on promoting the attractiveness of the W&W Group as an employer and increasing employee satisfaction. With the move to the new campus in Kornwestheim, the Group is charting a new course in terms of innovative work opportunities combined with a wide range of employer benefits. Diversity also continues to play an important role in the W&W Group. The section "Employee interests" deals with these focus topics in more detail.

Social issues cover the Employees field of action as well as the Society field of action. As a sponsor in the local community, the Group supports charitable projects through donations and sponsorships, particularly in sports, education, culture and the arts. These measures are covered in the section "Social issues".

The governance criterion in ESG is implemented in the Organisation field of action, which focuses on the W&W Group's organisational guidelines for sustainable action. Further information can be found in the sections "Compliance" and "Stakeholder involvement".

Stakeholder involvement

The issue of sustainability is firmly rooted in the organisational structure of the W&W Group. To emphasise its strategic importance, responsibility and strategic accountability have been assigned to the Group Development unit, which is overseen by the CEO (chief executive officer) of W&W AG, since April 2020. Internal and external communications are carried out in close coordination with the Communications department. The relevant functional units are responsible for addressing and implementing specific sustainability issues, such as sustainable product development. A group-wide project in the Group Accounting department ensures compliance with the most important sustainability regulations.

All members of the W&W Group's Executive Board are responsible for sustainability, with overarching responsibility for the strategic focus in sustainability being assigned to the CEO function. The CFO (chief financial officer) is responsible for reporting and sustainable investments, while the CIO (chief information officer) is responsible for sustainable operations. The spokesperson for human resources is in charge of employer attractiveness and employee satisfaction. The CRO (chief risk officer) is responsible for integrating sustainability aspects, in particular the associated risks, into the risk management system.

The sustainability officer is responsible for coordinating the W&W Group's strategic sustainability activities and serves as the central internal and external point of contact for sustainability issues. Sustainability coordinators are responsible for coordinating division-specific sustainability issues in the Housing and Insurance divisions.

To enable cross-divisional coordination, a sustainability board consisting of Executive Board members and managers was established as an internal body in 2020. The sustainability board is organised by the Group Development unit. The board members are made up of representatives from the six fields of action defined in the sustainability strategy, including those responsible for group-wide topics relating to compliance, regulatory matters, investments and risk management in addition to the Housing and Insurance division. There are also interfaces with other Group departments such as Communications and Internal Audit. In particular, the sustainability board discusses regulatory requirements and societal trends and developments, and it reviews the strategic orientation with respect to current developments and trends in society and the industry. The sustainability board also monitors strategic conformity of existing and planned targets and measures in the divisions.

A dedicated sustainability board comprised of people from all fields of action was set up to manage and implement sustainability activities. Additionally, a human rights committee was established in 2023 to ensure human rights due diligence in the supply chain along with a green bond committee intended to coordinate green refinancing activities.

Responsible corporate governance practices are constantly being developed and expanded. This includes signing off and regularly reporting on the PRI and PSI. It also entails proactively incorporating sustainability goals, metrics and measures into the organisational structure as part of the sustainability strategy.

Employees are made aware of sustainability issues on a regular basis in order to inculcate long-term awareness of the issue in the organisation. This is achieved through regular communications and campaigns like Energy-Saving Days, Health Days and Sustainability Days. In a short film entitled “Sustainability in the W&W Group”, employees present examples of sustainable behaviour from their area of responsibility. People interested in more detailed information can read a digital brochure explaining the W&W Group’s sustainability strategy in a simplified form. The strategy’s six fields of action are illustrated with examples to make them easier to understand. The film and brochure are both available on the W&W AG website at www.ww-ag.com/en/about-us/sustainability.

Implementation of future sustainability reporting

There are various European regulatory initiatives on transparency and disclosure of sustainability information. The initial requirements resulting from them have been consolidated in the Group Accounting department and also implemented in sustainability projects at the W&W Group. The initial implementations and disclosures are already completed and are updated regularly.

For the 2023 financial year, the W&W Group will report for the first time on how and to what extent its activities are linked to economic activities that are to be classified as environmentally sustainable economic activities (taxonomy alignment). For further information on compliance with the requirements of Regulation (EU) 2020/852 (EU Taxonomy Regulation), please refer to section “Taxonomy-aligned economic activities”.

At the same time, binding European standards for sustainability reporting (ESRS: European Sustainability Reporting Standards), which are currently being developed for the W&W Group and all affected subsidiaries in a group project, will have to be followed in reporting from the 2024 financial year onwards. The project includes determining Scope 3 greenhouse gas emissions in the W&W Group’s upstream and downstream value chain.

Materiality analysis in relation to sustainability aspects

A materiality analysis was carried out for the 2023 financial year. The analysis was based on the W&W Group’s current internally established sustainability strategy and regulatory requirements.

In accordance with the CSR Directive Implementation Act (CSR-RUG) and the German Commercial Code (Section 289c (3) HGB), we define material aspects as those that are necessary for an understanding of the W&W Group's business performance, business results, position and the impact of its business activities on employees, the environment and society, on respect for human rights, and on combating corruption and bribery.

Due to their significance for the business activities of the W&W Group, not only were the reportable sustainability aspects of

- employee matters: employee satisfaction, diversity and equal opportunity,
- environmental matters,
- social matters,
- respect for human rights,
- compliance: data protection, anti-corruption and anti-bribery matters

defined in the materiality analysis, the following material sustainability aspects were also defined and enshrined in the W&W Group's sustainability strategy:

- organisation: corporate governance, raising awareness and embedding sustainability,
- customer and product: sustainability aspects in the product portfolio and
- sustainable investing and refinancing.

The materiality analysis defines the framework for our reporting. The level of detail of the reporting is assessed in consultation with the functional units.

Material risks and their management

Incorporating sustainability risks in risk management

Sustainability risks may materialise from internal and external risk drivers or triggering events in the areas of the climate, the environment, social affairs, politics, corporate governance and compliance, which, in the individual risk areas, may have a negative impact on the net assets, financial position or financial performance of the W&W Group.

Sustainability risks include external risks that affect the W&W Group and its risk factors (outside-in) as well as internal risks from sustainability factors that are caused by the W&W Group and can have a negative impact on the environment (inside-out). The climate and environment areas cover physical risks (arising both from individual extreme weather events and their consequences, and from long-term changes in climatic and environmental conditions) and transition risks (arising from the transition to a low-carbon economy), as well as interdependencies between the two categories of risk.

Accordingly, sustainability risks are to be addressed in the organisation and actions of the W&W Group and the associated individual companies in such a way as to avoid manifestations that pose a threat to their existence. Sustainability risks are to be treated in a forward-looking manner. In this regard, the risk strategy of the W&W Group also specifies the framework with which sustainability risks are integrated into risk management.

The W&W Group's risk management system addresses sustainability risks along the established risk management process. This particularly includes the risk strategy framework, risk identification and assessment within the risk inventory, risk taking and monitoring within the defined strategic framework, and risk reporting. Sustainability risks are thus also an element of the monitoring of the risk profile by the Group Board Risk.

Sustainability risks are identified and assessed as part of the risk inventory process. This involves reviewing the scope of the relevant ESG drivers and assessing the relevance of sustainability aspects for the individual risk areas and risk types.

In the ESG categories, ESG events from the following areas are assessed with regard to the inside-out and outside-in perspective of the W&W Group:

- Environment category: climate change, natural disasters, man-made disasters, resource scarcity
- Social category: political environment, social environment, global human rights, business environment
- Governance category: corporate governance, compliance

The impact of the individual ESG events on the existing risk types is assessed on the basis of their urgency and their impact intensity on the respective risk type in order to identify the ESG events that are material for the W&W Group. Urgency is determined by the time horizon applicable to the event, combined with the probability of occurrence within that time horizon. The time horizon analysis distinguishes between short term (5 years), medium term (15 years) and long term (30 years and more). The impact intensity describes the extent to which the risk would affect the respective risk type if it were to materialise.

The ESG drivers that are considered material are those that have a high impact intensity and urgency according to the ESG heat map and can therefore contribute as a factor to the materiality of individual risk types.

Of particular importance in this regard are those ESG events that affect the risk areas of investments (mainly transitory risks) and underwriting risks (mainly physical risks). Violations of our sustainability strategy can also lead to reputation risks.

Adequate consideration must be given to sustainability aspects, particularly in strategic asset allocation as an investment framework. This includes, among other things, the constant addition of sustainable instruments to the investment portfolio and the constant reduction of the portfolio's CO_2 emissions in order to achieve the long-term goal of climate neutrality within the portfolio.

Physical risks from extreme weather events and natural disasters are limited in the area of underwriting risks through underwriting policies and reinsurance agreements, among other things. In addition, physical risks within our internal work processes can lead to failures in infrastructure or system availability or an increased workload in operations, for example. The established management tools in the individual operational risk types are used to manage the risks arising from sustainability aspects.

To limit reputation risks that arise from sustainability aspects, among other risk types, the W&W Group's sustainability strategy specifies measures for addressing sustainability in the individual action areas.

Sustainability risks are taken into account in the economic risk-bearing capacity model. Their share of the total risk capital requirement is low. The assessment of sustainability risks is complemented by the consideration of climate change scenarios that reflect the impact of transition risks and physical risks. Different plausible scenarios derived from scientific evidence are used and an appropriate length of observation period is selected.

Early warning indicators are used to monitor risks, including, but not limited to, sustainability-related early warning indicators. These include technical key figures, compliance with sustainability-related investment restrictions and the objectives of the sustainability strategy.

Sustainability risks are taken into account in risk reporting.

For further information on the risk management system, please see the subsection "Risk report" in the section "Opportunity and risk report" in the combined management report of Wüstenrot & Württembergische AG for the 2023 financial year.

Risk assessment

Against the backdrop of the CSR-RUG, the risks for the 2023 financial year were assessed with regard to the material topics defined in the materiality analysis.

During the risk assessment for the 2023 financial year, the W&W Group did not identify any risks within the meaning of CSR-RUG that are very likely to have a serious negative impact on the most important non-financial aspects.

At the same time, a materiality analysis of the possible financial impact on the W&W Group is currently being carried out as part of a Group project on the implementation of the CSRD.

Customers and products

Customer satisfaction

Goals

We strive to achieve a high level of customer satisfaction and loyalty across all divisions in order to achieve a high rate of customer referrals.

The W&W Group has been surveying customer satisfaction in an annual poll since 2008. The interviews are conducted by an independent market research institute that has an extensive benchmark database for the home loan/savings and insurance market. This allows the survey results to be interpreted and compared with competitors. A key performance indicator is the net promoter score (NPS). This widely used metric is based on the willingness to recommend the company and its advisors. The NPS value can range from -100 to +100. The NPS level varies between different sectors. The study also determines satisfaction with customer service.

The goal in the Housing and Insurance divisions is to achieve a continuous improvement in the NPS of the advisors in the tied agent organisation ("TAO advisor NPS") and in the company's NPS. Wüstenrot Bausparkasse AG strives to permanently rank among the top three home loan and savings banks in terms of TAO advisor NPS. Wüstenrot Bausparkasse AG strives to permanently rank among the top five insurance companies in terms of TAO advisor NPS. Adam Riese is aiming for a consistently high rating with eKomi, a third-party service for companies that specialises in aggregating, managing and publishing seller and product reviews.

Measures and progress

Several measures are being taken to realise these key objectives. They are presented below for each division.

The customer portal and the FinanzGuide app were merged across divisions in autumn 2022. The customer portal is a standardised app and web version for carrying out financial transactions. Retail customers can access many functions and topics such as online contract information and contract management, digital mail delivery, self-services and financial analytics in a single interface. All applications are designed to be user-friendly and easy to operate. The customer's own advisor is visible in the application and can be contacted if the customer needs support. In 2023, the focus was on expanding the customer portal for corporate customers. Corporate customers can now also access their contracts online.

The customer portal is designed to help boost customer satisfaction. The targeted increase in the use of the portal should also help to reduce the use of paper. In January 2023, we launched the "Paperless" initiative in the Insurance division to pool and coordinate all measures and ideas for reducing paper. Our goal is to eliminate or significantly reduce the creation and mailing of paper documents.

Housing division

Aiming to achieve a high level of customer satisfaction, Wüstenrot Bausparkasse AG supports its customers online and on site in the fulfilment of their housing wishes. Wüstenrot Bausparkasse AG has positioned itself as a housing partner with "Wohnwelt" at www.wuestenrot.de starting in the information-gathering phase. Visitors can come to the site for information, interactive decision-making aids, calculators and one-stop property and service packages. The design and service range for website visitors is constantly being refined. Regular onsite surveys are used to track the satisfaction of website visitors.

We also focused on rigorously expanding the tied-agent sales organisation into a hybrid sales team in 2023. We further expanded the digital visibility of our advisors. 68% of all advisors (as of 12/2023) use the service provider Omnea to improve their visibility on Google. This led to a substantial 50 per cent increase in Google ratings to more than 16,000 in total (as of 12/2023). The average quality of these ratings is 4.9 out of 5 stars.

Customers should be advised as they wish, whether it is at local Wüstenrot service centres, customers' homes or online. This is why the use of the FinTrust digital advisory platform is continuously being expanded.

In addition to the established specialist functions, the Wüstenrot and Württembergische brands have been successfully brought together at the customer interface in tandem partnerships since 2016. The aim of this model is to aggregate the financial planning expertise of Wüstenrot and Württembergische and thus offer customers the full range of holistic advice and assistance for all W&W Group products. There are currently around 1,015 people working in 824 partnerships in the tandem model across Germany.

Sales training and development focused on enhancing learning efficiency through the increased use of digital teaching methods and formats (e.g. blended learning, video training and hybrid sales training).

In addition, a number of key service improvement and digitalisation initiatives have been launched and largely implemented. The digital application channels for the "Turbo direkt" financing product and for fixed-term and overnight deposits successfully went live.

Insurance division

The digital claims reporting feature, which was introduced in 2021 and allows customers to report their claims online, was further optimised and has been available to brokers and the tied agent organisation since February 2023. This means that it is becoming the central claims handling interface for customers. The sub-processes that follow the claims report are continuously optimised in terms of customer experience and expectations through an established improvement process.

Customer and agent service process turnaround times in health insurance were further improved. A comprehensive private health insurance policy thus can be issued within 24 hours. In addition, in July 2023, we started offering a service to customers allowing them to book an appointment with a specialist, including outside surgery hours, whether they are covered by private comprehensive health insurance or by an insurance plan at the new budget rate.

In life insurance, we improved various digital customer communication processes. For example, customers can now use the customer portal or a QR code to report their data digitally.

Average wait times are announced to customers and agents in a phone queue. If they wish, callers can receive a callback at a time of their choosing. A key driver of customer satisfaction is the final resolution of customers' requests the first time they contact the company. For customer calls, this was possible for an average of just under 80 per cent of all requests in 2023. A pilot project was carried out in the reporting year that should lead to further improvements in voice-based request recognition. The goal is to use the knowledge gained from the project to connect customers directly with those employees who can handle their request immediately and comprehensively.

Monthly customer satisfaction surveys are conducted in various functional units in order to determine the potential for improvement within the division and to obtain continuous customer feedback on completed customer journeys. A customer journey spans a customer's path from the initial contact to the contractual relationship: application, contract amendment, benefit, claim, termination, phone contact. The functional units in which customer satisfaction surveys are conducted include Customer and Agent Services, Total Claims, Life Insurance Retail Customers, Health and in some cases Corporate Customers Commercial and Life Insurance Corporate Customers. The surveys ask about NPS, overall satisfaction, service level and satisfaction with handling time and ease of request fulfilment. The results from the various KPIs are analysed and displayed in an interactive dashboard (Service Operation Cockpit Online).

Furthermore, service coaches have been established in life and health insurance in application and contract processing to support their coworkers as opinion leaders in all customer-facing service issues and also interview customers directly and personally on the phone.

At Adam Riese, customer feedback is continuously collected and analysed to identify improvements that can be made to maintain and increase customer satisfaction over the long term. This includes the expansion of direct customer feedback, shortening of processing times for customer enquiries, faster claims settlement thanks to digital claims reporting, definition of service levels and improvements to the user experience in the customer portal and in the application process.

To further improve customer intimacy, investments were also made in expanding the organisation and building up local agencies in 2023. This included the introduction of a new agency concept entitled “Agency of the Future”. These agencies present a modern exterior and interior design with the option of hybrid customer advisory services. A newly created organisational unit in the back office is responsible for the current pilot, planned expansion and further development.

We continued to make targeted investments in further training in 2023 to ensure that our general agents continue to provide high-quality advice. All agents can book individual training courses as face-to-face or online classes free of charge through the academy for tied agents. There are also numerous opportunities for self-directed learning. To provide customers with appropriate advice on sustainability, regular training programmes are conducted with the sales team and additional qualified information material is made available.

Complaints Management

The W&W Group operates a standardised concerns and complaints management system for the Housing and Insurance divisions as part of its risk strategy. This is critical to maintaining customer satisfaction and preventing customer losses and reputation risks.

We employ various measures to achieve these core objectives. They includes reducing barriers to complaints, increasing customer satisfaction and having a highly digitalised complaints recording and handling system that is regularly maintained and updated. The causes of dissatisfaction are identified with the help of a root cause analysis. The results promote continuous quality and process improvement. Anyone wishing to report a concern or complaint can contact us using the usual communication channels. There are defined and controlled service levels for responding to these messages. Our working methods are based on proven principles, processes and regulations.

Key non-financial indicators

Housing division

Wüstenrot Bausparkasse AG’s company NPS of +12 (previous year: +13) is just below the market level of +14. With regard to the TAO advisor NPS, Wüstenrot was unable to continue the upward trend of recent years and fell back slightly to +26 (previous year: +29). Wüstenrot remains in first place compared to its competitors.

Insurance division

In the KUBUS 2023 study, Württembergische achieved the previous year’s level of +25 NPS points in the company NPS (previous year: +25). However, due to advances made by the competition, Württembergische fell from 7th place in the previous year to 11th place among all 21 insurance companies analysed. Württembergische achieved a score of +33 (previous year: +40) in the TAO advisor NPS. Ranked 4th (previous year: 1st), Württembergische is still among the top 5 insurance companies. In the service index, Württembergische achieved a score of 720 in 2023, putting it in 5th place (previous year: 745, 2nd place). In terms of overall satisfaction, Württembergische achieved a score of 2.03 (previous year: 1.99) on a scale ranging from 1.0 (completely satisfied) to 5.0 (dissatisfied).

Adam Riese uses the ratings from the independent online rating service provider “eKomi” as a performance indicator. Adam Riese has kept the score at 4.7 (out of 5 stars) since March 2021 and increased it to 4.8 in August 2023. Adam Riese holds the “eKomi Gold Seal”, awarded by eKomi for ratings between 4.8 and 5.

Sustainability in products

Goals

Our strategic focus within the Customers and Products field of action is on developing green product alternatives and components. We have been offering our customers different sustainability-focused product variants since 2022. They are continuously being refined and enhanced. They are complemented by transparent customer communication and a wide and expanding range of sustainability services.

The execution and progress of these measures at each division is described below.

Measures and progress

Housing division

The Housing division focuses on helping people buy their own homes and helping homeowners make energy upgrades and renovations.

The main social impact of the W&W Group's products lies in the idea of providing for the future, i.e. putting together financial planning solutions for people and thus offering them personal freedom in the form of insurance, home ownership, risk protection and wealth accumulation. The core purpose of home loan and savings, which has proven its worth for 100 years, is to provide an essential building block for solidly financed home ownership through collective, capital-market-independent saving combined with access to low-interest loans. This provides affordability and security for potential buyers, especially young families with children.

Wüstenrot Bausparkasse supports people with these issues through financing solutions and a wide range of guidance, information, services and calculation tools.

Sustainable home loan and savings plans

Two plans with climate bonuses of up to €300 were offered for home loan savings in 2023. An overview of the measures supported (e.g. thermal insulation or electricity generation and storage systems) is published on the website (www.wuestenrot.de/klimabonus).

Sustainable construction financing

Residential buildings are responsible for much of Germany's total CO_2 emissions. However, they can be reduced by financing climate-friendly new buildings and performing energy-efficient renovations of existing ones.

To address this need, we offer our customers a range of products tailored to them. Our "Wohndarlehen Klima Turbo", "Wohndarlehen Klima Classic" and "Wohndarlehen Klima Flex" home loans support customers undertaking energy-efficient renovations or building or buying energy-efficient properties.

With these types of loans, we offer our customers a discount on the standard terms. The discounts are only provided, however, if there is proof that the funds were used for a climate-friendly project. This proof has to be presented by the customers. It can consist of an energy performance certificate, expert testimonial or custom renovation plan.

The plan for 2023 was that the "Wohndarlehen Klima Turbo" home loan would account for 44% of all extended Turbo home loans. The actual share at the end of 2023 was 52%.

To obtain a complete view of the energy performance of our properties, we have been obtaining and recording energy performance certificates for our customers' financed properties since 2021. This information is used to classify the existing portfolio and new business in accordance with the EU Taxonomy Regulation.

Efforts to obtain energy performance certificates were continued and gradually expanded in the 2023 financial year. They include mailings to existing customers, newsletter articles, and a website where customers can enter their information and have an energy performance certificate generated.

Wüstenrot Bausparkasse informs its customers about legal changes and renovation obligations, e.g. as part of the Building Energy Act, which will introduce various innovations to areas such as the incentives environment in 2024. The current status of the incentives environment can be found at www.wuestenrot.de/klima. Visitors to this website will find information on funding for energy consulting services, tax incentives and, in particular, details on federal funding for efficient buildings (program providers: Kreditanstalt für Wiederaufbau (KfW) and the Federal Office of Economics and Export Control (BAFA)). The loans and grants are integrated into the customer's overall financing to the extent permitted by the funding terms.

All communication channels are used for regular knowledge transfer and marketing activities on sustainable and climate-friendly construction and modernisation as well as possible government incentives. The activities are aimed at both end customers and sales organisations.

They can take special training courses such as a three-step programme to become a certified modernisation consultant. In 2023, 1,025 advisors at Wüstenrot Bausparkasse took further training in energy modernisation and refurbishment and became certified modernisation consultants.

Supporting services and external partner networks will continue to be expanded and adapted to incentive and market conditions. They include calculators such as the modernisation and energy saving calculator as well as the energy consultant search engine, which are available on the website (www.wuestenrot.de/rechner).

Wüstenrot Immobilien GmbH

Wüstenrot Immobilien GmbH (WI) trains its brokers to become "specialist brokers for building modernisation". Our training partner is Sprengnetter Akademie.

Government incentives can be included early on in advisory sessions in cooperation with home loan and savings bank's advisors. Upgrades can be considered at the property acquisition stage if needed. Building energy consultants can also be brought in to develop a renovation plan through the broker network and the home loan and savings bank's advisors. Prospective buyers receive information on required energy upgrades based on property type and year built.

Wüstenrot Haus- und Städtebau GmbH

The establishment of Wüstenrot Energieberatung GmbH as a wholly-owned subsidiary of Wüstenrot Haus- und Städtebau GmbH (WHS) on 4 September 2023 is the first step towards a planned nationwide energy consulting service. The aim of this venture is to work with Wüstenrot Bausparkasse to offer customers a comprehensive range of services for energy-efficient renovations of their properties. It will be based on creating renovation roadmaps and continue to expand with additional products. This enables us to help our customers achieve the most energy-efficient buildings possible and help decarbonise the building stock. We also plan to increase the number of energy advisors and energy advising specialists in 2024.

WHS will continue its membership in the German Sustainable Building Council (DGNB), which it has held since the end of 2021, to underscore its commitment to sustainable building and the promotion of ESG issues in the construction industry. The DGNB is a recognised organisation for sustainability certification in the building sector.

WHS continued and expanded its continuing education program in 2023. It held, and will continue to hold, basic training courses for all WHS employees as well as specialised training courses in energy consulting, modernisation consulting and sustainability reporting. The expert training courses include a DGNB basic course on sustainable building and a consultant training course from the same provider.

Insurance division

The Insurance division focuses on developing sustainable insurance solutions and product components and raising awareness of sustainability in our customer interactions.

Underwriting

The insurance companies of the W&W Group are in the process of progressively incorporating ESG criteria into their underwriting process.

Our policy is not to insure conventional energy suppliers focused on coal or nuclear power generation, companies in the arms industry or companies that violate human rights (forced and child labour). At the same time, plans and rates will be created for sustainable energy generation technologies such as onshore wind turbines, photovoltaic systems and power-to-X systems.

Württembergische Versicherung AG

Württembergische Versicherung AG already offers a wide range of insurance products with sustainable components. Rates are regularly reviewed and adjusted to reflect market conditions. The review also encompasses changes in sustainability considerations and their insurability within the products. The product range includes various lines of property/casualty insurance for corporate and retail customers.

Württembergische Versicherung AG is active in the following areas: First, we are opening up conventional products to green and climate risks such as insurance for electric cars, photovoltaics and natural disasters. We are also developing sustainable product components for conventional risks. This allows us to help our customers invest in the future.

In addition to incorporating green risks and climate risks, Württembergische Versicherung AG has been giving its customers the option of having claims assessed by video call since 2023. This avoids the need for visits by motor vehicle and property assessors, for example.

The individual corporate and retail customer businesses are discussed in more detail below.

Corporate customers

In the corporate customer business, products are already being offered to target groups with sustainable business operations such as bicycle dealers and repair shops and pure-play operators of photovoltaic systems, wind energy turbines and energy management systems. The products for corporate customers also contain sustainable product elements. For example, contents insurance covers the extra costs of energy modernisation and sustainable renovation. In addition, unnamed hazards (e.g. flooding of roof terraces) have also been extended.

Since the introduction of the new plan in June 2022, building insurance now covers the additional costs of preventive measures following flooding or backwater damage. For new buildings, builder's risk insurance still covers up to 10% of the construction cost of installing a photovoltaic or electricity generation system.

In technical insurance, around 43,000 photovoltaic systems (previous year: around 40,000) and around 2,200 wind turbines (unchanged from the previous year) are currently covered by electronics insurance (including loss of earnings insurance in both cases).

Environmental risk insurance is available as well.

Retail customers

Home contents and residential building insurance offers sustainable product elements. For example, after a compensable loss, we cover additional costs for energy-efficient measures and age-appropriate renovations as well as additional costs for newly procured water- or energy-saving household appliances. Since June 2022, PremiumSchutz plans have covered the additional costs of environmentally sustainable renovation, e.g. of furniture and clothing made from sustainable materials without harmful substances, as well as an energy advisory consultation and a building biology consultation following a claim. It also covers wall boxes and charging stations for electric vehicles, small wind turbines and bee colonies on the property.

For photovoltaic systems, customers can take out all-risk insurance with additional loss of earnings cover as part of their residential building insurance with the PhotovoltaikPlus module. There are currently around 22,500 photovoltaic all-risk policies in the portfolio (previous year: around 13,700).

Personal liability insurance also covers risks arising from the operation of renewable heat and power systems in owner-occupied properties. That includes photovoltaic and solar systems, heat pump systems, geothermal systems, small wind turbines and micro cogeneration packages. Personal liability insurance also covers the possession and use of electric bicycles or pedelecs that are not subject to compulsory insurance with pedal assist up to 25 km/h and start assist up to 6 km/h.

Preimum cover for private legal expenses insurance includes legal representation for the acquisition, installation and operation of a photovoltaic system on owner-occupied detached and semi-detached houses for the purpose of selling electricity to the public grid. In the transport sector, the insurance covers electric vehicles that are subject to compulsory insurance and allowed to be operated on public roads (e.g. S-pedelecs or e-scooters). Hiring vehicles via car sharing or other models is also covered.

Auto insurance discounts are available for motorcycles with eco-friendly drive systems.

Customers receive more favourable insurance terms for electric scooters than for non-electric vehicles.

Adam Riese

Adam Riese develops products that offer customers financial security in cooperation with Württembergische Versicherung AG.

The strategic promotion of additional product components and special green policies, which focus on protecting environmentally friendly endeavours and properties such as photovoltaic systems, is implemented at Adam Riese as described below. The residential buildings product (VGV) already covers additional costs for energy-efficient or age-appropriate modernisation in the event of a claim. Electric scooters are covered as well. Special policy options are planned for residential building and contents products with a focus on green risks, such as cover for photovoltaic systems, among other things.

Work will also continue to expand the remaining green product range and develop green product components.

Württembergische Lebensversicherung AG

Württembergische Lebensversicherung AG takes sustainability aspects into account in its investment solutions in particular. In addition to meeting social and environmental criteria, the key principles of our mandatory investment strategy for guarantee assets include maintaining a minimum proportion of sustainable investments and considering negative impacts on sustainability factors when making investment decisions. Please refer to the section “Sustainable investing” for information on the investment strategy.

The above social and environmental characteristics are met by products such as our unit-linked pension plan, Genius. It offers the option of including various guarantees in addition to the fund investment. In these cases, the capital is dynamically allocated across three investment areas (known as pots).

The guarantee assets of Württembergische Lebensversicherung AG are more than just the first investment area or “pot” of the Genius product. They are also the sole or main investment option for the conventional pension products offered by Württembergische Lebensversicherung AG. This means that the KlassikClever and IndexClever products are also sustainable and have qualified as products for the purposes of Article 8 of the Sustainable Finance Disclosure Regulation since 10 March 2021. The IndexClever multi-asset strategy index was also switched to sustainable criteria in 2021 by replacing the equity sub-indices with sustainable climate care indices. The results of all these measures are published on our website www.wuerttembergische.de/nachhaltigkeit and for the most part are transparently disclosed in the pre-contractual documents.

The value protection fund forms the second investment area (“2nd pot”) and plays a key role within the Genius product since it is always included when a guarantee component is incorporated into the insurance contract. That is why the fund was changed to include sustainable features back in 2020. The value protection fund was classified in accordance with Article 8 when the Sustainable Finance Disclosure Regulation came into force on 10 March 2021.

In the third Genius investment area (“3rd pot”), we offer a wide range of freely selectable funds, with an increasing number of funds specialising in sustainability. They cover the full range of other investment preferences, particularly in terms of risk appetite: bond funds, balanced funds, active equity funds and passively managed exchange-traded funds (ETFs). Among other things, Württembergische Lebensversicherung AG has launched the three in-house funds “W&W Nachhaltige Strategie”, “W&W Nachhaltige Strategie Aktien” and “W&W Nachhaltige Strategie Renten” for this purpose. The first two of these W&W funds were also combined in an investment strategy prominently placed in the quoting system, which is intended to make it easier for interested customers to start investing in sustainability-centric funds.

Sustainability aspects are taken into account in the investment process for the aforementioned funds by, among other things, excluding certain assets, following best-in-class approaches or relying on sustainability ratings for individual securities and selecting securities accordingly. Seven new sustainability-related funds – including funds focussing on water resources and climate targets – were added to our Genius fund line in 2023 as part of a regular review of our fund range. As at 31 December 2023, there were 37 of these funds in the active fund range in accordance with Articles 8 and 9 of the Disclosure Regulation (previous year: 34).

In early 2023, a separate entry screen was created in the quoting system for Genius private and basic pension products and direct insurance products. This entry screen provides customers with a quality-tested selection of sustainable funds that take environmental and/or social criteria into account and therefore fulfil at least one IDD (Insurance Distribution Directive) sustainability criterion. A separate product variant called “ProZukunft” (pro future) was created within Genius for this purpose. This way, sustainability-conscious customers can invest in an appropriate range of sustainability-centric funds at the start of a policy and over the entire life of the policy.

We have established sustainability features for all life insurance products. This is particularly true of the guarantee assets, thanks to Group-wide exclusion criteria. Where investment options exist, sustainable investment options can be selected. The selection criteria are regularly reviewed in line with demand and adapted to new circumstances.

Württembergische Krankenversicherung AG

The business model of Württembergische Krankenversicherung AG focuses on strengthening preventive health care and giving our customers the best possible assistance in getting healthy. That is why it is so important to us to support them as a comprehensive health partner. That is why we not only offer support in “staying healthy” (focus on prevention) but also help in “getting healthy” (disease management/service offering).

We particularly focus on preventive care components in health and long-term care insurance in order to help our customers “stay healthy”. Our healthcare offering is constantly being refined accordingly and tailored to the needs of our customers. Balancing the services we provide to our customers is an important part of our expanded service offering. We offer numerous services to help our policyholders “get healthy” and “stay healthy” in the long term.

Financial planning continues to play an important role following the product launches of recent years. We continued to support this idea in the 2023 financial year through new budget rates for occupational health insurance (bKV).

The bKV budget plans encourage employees to “stay healthy” by giving them access to high-quality health insurance with a wide range of services, including preventive health and dental care, without an initial health check.

In addition to being able to choose from a wide range of services, our bKV policyholders can also use new services offered under the budget plan.

For example, we expanded our partnership with CorporateHealth for preventive check-ups, which we have offered since 2022, to include bKV budget plans. We also added a new specialist appointment service and web content on health prevention topics to the service offering in 2023.

We plan to continue along this path in upcoming product innovations over the next few years.

Sustainable investing and refinancing

Sustainable investing

Responsible action and social commitment have a long tradition in the W&W Group and are an integral part of our corporate culture. We want to conduct our business activities in an environmentally compatible, socially responsible and sustainable manner – for current and future generations to whom we feel responsible. As we continue to focus on making investments sustainable, environmental, social and governance (ESG) issues are increasingly being incorporated into analysis and decision-making processes, while the activities are being progressively refined.

W&W companies' investment decisions are based on each company's business strategy and risk strategy. In the Insurance division and at W&W AG, the composition and diversification of the future investment portfolio is determined during strategic asset allocation (SAA). In the Housing division, Wüstenrot Bausparkasse AG invests liquidity surpluses from customer business primarily in securities.

Goals

As an investor, we recognise that we, along with other major capital providers, have a significant influence on the successful structural transition to a more climate-friendly and low-carbon economy and society. We are aware of this significance and therefore take an active approach to reducing harmful CO_2 emissions in our investment portfolios. We aim to be carbon neutral in our investments by 2050. This active approach also seeks to sustainably promote climate-friendly technologies and their wider use.

Measures and progress

Sustainable investment aspects are considered and documented in the annual SAA investment process in the Insurance division and at W&W AG. The investment objectives of each company are defined within a broad framework as part of the SAA process. In addition to very important traditional aspects such as portfolio profitability and security, the market is increasingly focusing on sustainability issues as well. Comprehensive analyses are carried out to optimise the entire investment portfolio based on qualitative (recommendations) and quantitative (portfolio simulations) results.

By having signed the PRI, the W&W Group has underlined the sustainable orientation of its investment business to the outside world. We also take great care to ensure these principles are followed by our selected external managers for equity, bond or real estate funds. In certain circumstances, we also accept appropriate ESG guidelines in lieu of signing the PRI.

We work with an external service provider, ISS ESG, to analyse our investment portfolios (especially for corporates and sovereigns). Environmental, social and governance risks of investments are thus specifically considered wherever they are related to the investment portfolio and its management. This analysis has been used to establish exclusion criteria for our portfolios. The exclusions pertain to

- companies whose activities relate to controversial weapons covered by UN conventions (biological and chemical weapons, incendiary weapons, anti-personnel mines and cluster munitions);
- companies that generate > 1% of their revenue from producing or dealing in arms;
- companies where coal is involved in ≥ 10% of their operations;
- companies that can be shown to have labour law controversies regarding forced labour;

- companies that can be shown to have labour law controversies regarding the employment of children;
- countries that are considered to be authoritarian or not free (classified according to the Freedom House Index). This exclusion applies to the direct portfolio and most of the indirect investments.
- In addition, the SAA does not contemplate any investments in agricultural commodities.

These exclusions are implemented and monitored throughout the Group in the direct portfolio and in those indirect investments (funds) that are controlled by the W&W Group.

In addition to considering exclusionary criteria, we also take an active approach to sustainability. Renewable energy, for example, has long been an integral part of the strategic investment process. In concrete terms, this means that the Group owns, both directly and indirectly, 488 megawatts (MW) of operational and sustainable renewable energy generation capacity as of 30 September 2023. This includes plants in operation (but not projects under construction or development). Annual electricity production is around 672 gigawatt hours (GWh) across the portfolio, based on average wind speed and solar radiation. Assuming an average consumption of 4,250 kilowatt hours (kWh) per year, that is enough power to supply 158,151 households with green electricity each year, resulting in the equivalent of eliminating 261,463 metric tonnes of CO_2 emissions per year. The underlying CO_2 emission factor is estimated at 389 g CO_2/kWh based on the 2020 electricity mix.
(Source: www.ise.fraunhofer.de).

We define renewable energy investments as all investments in direct renewable energy generation capacity (assets) and companies (project developers, utilities, etc.) that derive at least 80% of their revenues from renewable energy value creation. The total market value of renewable energy investments at the reporting date was approximately €545 million, representing approximately 45.5% of the market value of the total infrastructure portfolio.

As the portfolio continues to grow, the focus will be on sustainable investments with a low carbon footprint (i.e. decarbonisation) in order to move the overall infrastructure portfolio towards carbon neutrality in the long term.

High energy efficiency standards for buildings reduce the CO_2 emissions associated with the energy used to run buildings. We consider properties with environmental features to be those certified as sustainable by the relevant institutions as well as properties located in Germany that do not exceed our maximum energy consumption threshold of 75 kWh/m². This includes properties that meet EU Taxonomy Regulation requirements. Please refer to the explanations in the section “Taxonomy-aligned economic activities”. The proportion invested in energy-efficient properties is progressively increasing as new properties are acquired.

Sustainability, in the form of green/sustainable bonds, is also becoming increasingly important in the traditionally largest portion of our investments, fixed-interest securities. We strive to consider this type of investment for new investments and reinvestments in order to do our part to help fund environmentally friendly projects. The W&W Group’s portfolio of green/sustainable bonds had a nominal value of around €1.5 billion (previous year: €1.4 billion) and a market value of around €1.2 billion (previous year: €1.0 billion) at the end of the year. We also monitor new market developments in this area and consider whether to integrate or implement them in our portfolios.

The capital management companies for most of our investment funds have participation and voting policies in place that we fully support. The policies currently reflect our ESG values and are reviewed regularly.

We will continue to steadily reduce the CO_2 content of our investments (mainly equities and corporate bonds) in the coming years. The first step that we have planned in this process is to reduce our relative carbon footprint by 10% between 2023 and 2025.

Sustainable refinancing

Goals

The W&W Group already finances energy-efficient properties and makes a contribution to the energy transition by deliberately investing in renewable energy. In order to better achieve its sustainability goals in its core business, the W&W Group intends to generate the funds required to finance energy-efficient properties and renewable energy projects by issuing green bonds and green German covered bonds. The funds are then used to implement targeted environmental and climate protection projects that support the Paris Agreement and the German government's climate targets, for example.

Measures and progress

The new Green Bond Committee was established during the reporting year and is responsible for executing the objectives and coordinating green refinancing activities.

One of its key tasks is to develop and adopt a framework for the issuance of green bonds. Under this green bond framework, W&W AG and designated subsidiaries (e.g. Wüstenrot Bausparkasse AG, Württembergische Versicherung AG or Württembergische Lebensversicherung AG) can issue green bonds to finance and refinance suitable green investments. On the basis of the framework, the W&W Group can issue various types of green financial instruments, including green German covered bonds in accordance with the German Covered Bond Act (only applies to Wüstenrot Bausparkasse AG), senior unsecured green bonds and subordinated green bonds. The framework also defines the criteria that a security must meet to qualify as a green bond. The ESG rating agency Sustainalytics has confirmed in its second party opinion (SPO) that the green bond framework satisfies the Green Bond Principles.

Another core task is to report on the positive climate impacts such as avoiding greenhouse gas emissions, financing green real estate or investing in renewable energy.

The Green Bond Committee manages the entire green bond process and consists of the Sustainability Officer as well as representatives from W&W's Risk and Finance department and Housing and Insurance divisions. It meets every six months.

In the fourth quarter of 2023, Wüstenrot Bausparkasse AG issued its first green mortgage covered bond with a volume of €500 million and a term of five years. The covered bond will be used to refinance mortgage loans secured by energy-efficient properties that are either among the top 15% of properties in the national market according to the green bond framework or are backed by class A and B energy performance certificates. Property specialist Drees&Sommer confirmed the sustainable use of the properties.

The bond was issued under Wüstenrot Bausparkasse AG's issuance programme of 8 August 2023 with the first supplement dated 4 October 2023 and is rated AAA by rating agency Standard & Poor's.

Employee matters

Employee satisfaction

Goals

Since the W&W Group is a service company, its employees play an important role. The goal of “inspiring employees” remains embedded in the business strategy. Our aim was, and still is, to exceed the high level of satisfaction recorded in the first employee survey five years ago. We achieved that goal in the latest survey in 2023. Employee satisfaction is measured annually using an online survey.

The goal of “inspiring employees” is supported by a diverse mix of measures from all areas of human resource management. The primary goals are to:

- Implement and establish a programme for the future of work
- Increase employer attractiveness and employee satisfaction
- Recruit and retain employees for the long term and protect their health

As the link between business strategy and operational HR activities, the HR strategy takes up and operationalises the strategic thrusts of the W&W Group’s business strategy and sustainability strategy. The following programmes and measures are core elements of our HR activities.

Measures and progress

To enhance its attractiveness as an employer, the W&W Group offers a wide range of benefits and services that are named “Job+”, packaged together and communicated in seven key areas: Family, Mobility, Campus, Extras, Flexibility, Health and Development. Various programmes are offered in “Family” area. They include childcare and, in partnership with pme Family Services, free support, information and advice on caring for family members and life coaching. The “Mobility”, “Campus” and “Extras” areas include the JobRad bike programme and, since 2023, the RegioRad bike programme, the modern work environment on the new W&W campus and additional benefits such as a big opening party in the summer of 2023 and regular after-work events.

The “Flexibility”, “Health” and “Development” areas are described in more detail below. In 2023, the W&W Group continued its successful campaign to increase its attractiveness as an employer. For example, the W&W Group was once again named a “Top Employer” by the Top Employers Institute and awarded the “Corporate Health Award” by the Bonn-based market research institute EuPD Research.

Hybrid work and work-life balance

A new Group works agreement was adopted in 2023 that takes account of previous experience with remote working. The W&W Group has not established a fixed ratio between remote and in-office work. Managers and their teams set up team agreements governing how they will work together in a balanced way, whether in a face-to-face, hybrid or virtual format. This approach aims to further strengthen the personal responsibility of managers and employees.

The purpose of in-office work is to maintain personal contacts, information sharing, networking, innovativeness and creativity. The flexible work schedules enable the W&W Group to improve its sustainability and boost its attractiveness as an employer. Reservation software supports the efficient use of office space by enabling the achievement of the agreed desk-sharing ratio of 7:10. The Hannover and Cologne service areas of Württembergische Versicherung AG have now also introduced desk sharing by modernising their premises, with the other service areas to follow. This enables the multifunctional use of space within the W&W Group.

Health management

The W&W Group pursues a clear strategy to maintain the health of its employees as part of its responsibility toward them. It offers a wide range of services for physical and mental health. All sites are supported by occupational safety specialists and occupational physicians in accordance with legal requirements. This includes inspecting workplaces, carrying out holistic risk assessments and managing workplace inductions. Company canteens offer balanced and healthy meals.

In 2023, health programmes such as health courses, intramural sports, exercise breaks and mobile massages were provided at the on-campus sports facilities. The theme of 2023, “Exercise”, was highlighted in various presentations, screenings and even an exercise competition. Two health days were held to inform employees about the programmes and encourage active participation.

Training

The feedback and development review serves as a forum for managers and employees to exchange views. It allows both parties to reflect on their working relationship in addition to providing feedback on performance and conduct. Future challenges are discussed during the review. In addition, the participants identify training needs and start to make concrete plans for development initiatives.

After moving to the W&W campus in the reporting year, appropriate training and support programmes were conceived and developed to help employees on their way into the work environment of the future. These continuing education programmes are summarised in the new wiki section “Future of work: training and support programmes”. They focus on getting to know the W&W campus, (hybrid) collaboration, concentration and health.

The internal programmes were expanded and updated to include external training opportunities. Employees can choose from a range of formats (information, learning, networking) depending on their individual learning needs.

The following table shows the number of hours of continuing education per capita by level of employment and gender. At 17 hours, the amount of time spent on training was almost the same as last year (18 hours).

Continuing education per year by level of employment and gender

	Women	Men	Total	Women	Men	Total
Average hours per capita			1.1.2023 to 31.12.2023			1.1.2022 to 31.12.2022
Total	**14**	**20**	**17**	**14**	**21**	**18**
Full-time employees	17	21	20	16	22	20
Part-time employees	10	8	10	11	12	11

Key non-financial indicators

The Group-wide employee survey conducted in July yielded excellent results once again in 2023. Employee satisfaction increased three percentage points compared to the previous year and is on a par with the excellent result from 2021. A total of 82 per cent of employees would recommend the W&W Group as an employer to friends and acquaintances.

Diversity and equal opportunity

Goals

The W&W Group reaffirmed its appreciation for all employees by signing the “Diversity Charter” in 2022. The aim is to provide a work environment that embraces and promotes diversity for all age groups regardless of origin, cultural background, sexual identity and orientation. In addition, a number of measures and programmes are in place for the promotion and development of talent at the W&W Group. This is an essential approach to countering the skilled labour shortage and demographic trends.

Measures and progress

Existing activities were continued and expanded in the 2023 financial year to ensure that diversity is and remains an enduring part of the W&W culture. The W&W Group once again took part in “German Diversity Day” in 2023.

For years, the W&W Group has been aiming to achieve equal participation of women in leadership by setting targets for achieving quotas for women in the top two management levels. Accompanying HR tools supporting this effort make it possible to promote women and thus equal opportunity in a targeted and structural manner. For instance, diversity training has been added to management training programmes. In addition, as of 2023, women must account for at least half of the participants in the “Premium Management Programme” for the promotion of young talent.

Proven services such as development counselling and coaching support the achievement of women’s quotas as well as equal opportunities for various other target groups. The women’s network “FiT” (Women in Top Positions), which has a long and established history at the W&W Group, organised various events in 2023.

The W&W Group aims to offer its employees equal access to career development programmes. Managers play an important role in this process as coaches. Existing equal opportunity activities, such as the independent “FairSprechen” point of contact, were actively maintained and expanded.

The following table shows the percentage of women at the various management levels. Compared to the previous year, the percentage of women in management positions increased slightly at all levels, with a total of 29% (previous year: 27%) of managers being female.

Percentage of women in management positions

	Female	Male	Female	Male
in %		31.12.2023		31.12.2022
Total managers	**29**	**71**	**27**	**73**
Executive Board/management	11	89	5	95
Executive level 1	17	83	13	87
Executive level 2	27	73	26	74
Executive level 3	39	61	37	63

Environmental matters

Goals

The W&W Group addresses environmental matters in the Own Operations field of action in its sustainability strategy. This field of action aims to achieve the following goals:

- CO_2-neutral operation of W&W Group buildings and vehicles (by using green energy sources and offsetting the remaining CO_2 emissions)
- Constant reduction of our own consumption

The measures taken to achieve these goals and their progress are described below.

Measures and progress

The W&W Group's strategic goal of achieving climate neutrality through offsetting entails offsetting Scope 1 and Scope 2 CO_2 emissions that are not eliminated or avoided at the main administrative locations in Stuttgart and Ludwigsburg/Kornwestheim. In 2023, all Scope 1 and Scope 2 CO_2 emissions that were not eliminated or avoided were fully offset. We use contractual partners to offset our carbon footprint, thereby supporting global carbon offset projects. When selecting its contractual partners, the W&W Group pays particular attention to ensuring that it only invests in offset projects that have been awarded the Gold Standard and enable the achievement of additional Sustainable Development Goals (SDGs from the United Nations 2030 Agenda).

The Scope 1 and Scope 2 CO_2 emissions that were not avoided resulted from the use of district heating, natural gas, fuel oil (heating) and diesel (emergency power) as well as from the W&W Group's vehicle fleet. These emissions amounted to around 3,640 metric tonnes in the 2023 financial year. The fleet emissions (including electricity from the fleet) amounting to 1,920 metric tonnes are offset through DKV (carbon offset: 2,040 metric tonnes). Offsets obtained through atmosfair gGmbH were used to compensate for 594 metric tonnes of emissions from natural gas, 244 metric tonnes from fuel oil, 18 metric tonnes from diesel and 864 metric tonnes from district heating (carbon offset: 1,800 metric tonnes).

The W&W Group pursues the goal of avoiding or minimising its own energy consumption and the resulting CO_2 emissions as much as possible by taking measures to "constantly reduce our own consumption". To this end, we continued with measures from previous years in 2023 and in some cases implemented or adopted new measures, such as the continued purchase of 100% green electricity, the ongoing expansion of the W&W vehicle fleet to include electric vehicles, the installation of a photovoltaic system on office buildings (with commissioning planned for 2024) and the expansion of the existing photovoltaic system by installing new modules on parking garage roofs on campus. Moreover, a further 35 EV charging points have been installed in car parks on campus.

In 2023, the W&W Group's CO_2 emissions amounted to 3,640 metric tonnes, a year-on-year decrease of 1,629 metric tonnes. The increase in fuel oil with a simultaneous decrease in natural gas (heating) is due to the switch from natural gas to fuel oil in the heating system at the Ludwigsburg site during the year. The significant reduction in CO_2 emissions from district heating is due to the complete relocation of the W&W Group to the campus site and the associated abandonment of the buildings previously used in Stuttgart and Ludwigsburg.

We were able to move fully into the W&W Group's campus site, which serves as the new head office, in 2023. The new campus buildings were constructed in accordance with the latest energy-efficient climate standards. They fulfil the strict technical criteria to be classified as taxonomy-aligned and are therefore considered environmentally sustainable according to EU criteria.

It is in this context that the W&W Group had the new campus canteen certified in accordance with the GreenCanteen seal of quality. The canteen was tested and assessed in eight categories with more than 100 individual criteria and received the seal of quality as an award for sustainable food service establishments.

Key non-financial indicators

Climate-relevant emissions

The largest building-related emissions were from the purchase of district heating.

CO_2 emissions[1]

kg	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022
Heating oil (heating)	243,851	15,695
Natural gas (heating)[2]	594,220	1,937,030
Diesel (emergency power)	18,333	28,825
Vehicle fleet use	1,879,442	1,872,094
Scope 1	**2,735,846**	**3,853,644**
Electricity (vehicle fleet)	40,309	2,309
District heating (heating)	864,072	1,413,289
Scope 2	**904,381**	**1,415,598**
Scope 1 + 2	**3,640,227**	**5,269,242**

[1] The following sources were used for the calculation: suppliers, operators, AGFW, Kuchling - Taschenbuch der Physik, UK Government GHG Conversion Factors for Company Reporting 2022.
Some of the data has changed since last year. The main locations in Stuttgart, Ludwigsburg and Kornwestheim cover around 85% of the W&W Group's predominantly utilised space. This is why we only refer to these locations. In the 2023 financial year, the W&W Group utilised 3,304 m^2 in Stuttgart, 2,969 m^2 in Ludwigsburg and 59,768 m^2 in Kornwestheim.
This includes office space, warehouses and archives, project rooms, canteen and data centres as well as sports and meeting rooms. The W&W Group also has other locations, including Karlsruhe and Bad Vilbel, and other branch offices. However, these are leased premises, which means the W&W Group does not have exact figures at its disposal.
[2] The calculation methodology for CO_2 emissions for natural gas was adjusted in 2023. The same emission factor was used for the reporting years of 2022 and 2023.

Total water withdrawal

The water consumption at the main locations in Stuttgart and Ludwigsburg/Kornwestheim increased 54,102 m^3 to 95,756 m^3 compared to the previous year. The additional consumption is due to damage to water pipes.

Total weight of waste

In the 2023 financial year, the total weight of waste disposed of at the Stuttgart and Ludwigsburg/Kornwestheim sites was 448 metric tonnes. This represents a reduction of 166 metric tonnes of waste compared to 2022. The share of waste sent to landfills was 147 metric tonnes in 2023.

Social matters

Goals

The W&W Group is aware of its social responsibility. As a “corporate citizen”, it is committed to social issues and supports charitable projects and initiatives. The W&W Group focuses on the effectiveness of its social commitment in the region and works directly with local advisors.

One component of the W&W Group’s responsible action and social commitment is providing financial support in the form of donations to selected charitable projects and initiatives. The W&W Group aims to keep donations and investments at a constant level. It sponsors projects in education, science and research, society and social issues, sports, business, culture, the arts as well as nature, climate and environmental protection. Another component is the indirect support of the activities of the Wüstenrot Stiftung foundation through regular dividend payments from Wüstenrot Holding AG and WS Holding AG. Both companies are owned by the Wüstenrot Stiftung foundation, which operates exclusively on a non-profit basis. On the one hand, the ownership structure supports the long-term stability of the Group. On the other, a proportion of the company’s profits is ploughed back into the community.

The W&W Group has also set itself the goal of maintaining existing educational partnerships with schools in the region and further expanding partnerships with universities.

Measures and progress

Donations and sponsorships

W&W AG and its subsidiaries support regional associations and events in sports, social affairs and culture.

When selecting the charitable projects supported by the W&W Group, we make a point of finding out about the prospective initiatives and organisations in advance. The decision on who receives the financial support, and how much, is made at the Executive Board level.

In 2022, the W&W Group and the MHP Riesen Ludwigsburg basketball team launched the “W&W Basketball School” collaboration project with the aim of positioning the W&W Group as a socially sustainable player in the future as well. As part of the collaboration, youth coaches from the Porsche Basketball Academy introduce students aged 6 to 13 from schools in the Ludwigsburg region to the fascination of basketball. This way, the Group encourages young people to take part in sports and strengthens its involvement in the region.

The “W&W Basketball School” project as a charitable sponsorship program is a targeted measure to promote athletic and social programmes in the “Society” field of action within the W&W sustainability strategy. It combines donations made by the W&W Group and charitable sponsorships offered by W&W AG, particularly in a regional context.

The W&W Group also supports nationwide organisations on an event-by-event basis. For example, it made a donation in the wake of the earthquake in Turkey and Syria. The Group donated €20,000 to the aid organisation “Aktion Deutschland Hilft e.V.”, whose mission is to pool resources using donations to provide faster and more effective help in disaster situations. In addition to the donation, the W&W Group also supported its employees – those who were personally affected were able to easily take paid time off at short notice and, following a decision on a case-by-case basis, were able to take paid leave to provide urgently needed support to close relatives in Turkey or Syria who were impacted by the disaster. In addition, employees were able to request time off to volunteer with recognised relief organisations if they were involved in emergency relief following the earthquakes.

Wüstenrot Bausparkasse AG focuses primarily on long-term partnerships in youth development and recreational sports with selected clubs in its local community and the broader region. In addition, Wüstenrot Bausparkasse awards the annual “Wüstenrot Ehrenpreis” prize of honour to deserving and outstanding athletes and school sports groups as part of the city of Ludwigsburg’s awards ceremony for athletes. The prize money is intended to financially support and honour talented young people for their athletic achievements.

With a donation campaign organised by its mobile sales force, the Württembergische Insurance Group – consisting of Württembergische Versicherung AG, Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG – also supports associations and initiatives that are committed to social, community and environmental issues. The 2023 fundraising campaign was held under the banner "Pillar of strength for the future of volunteering". The idea behind the campaign is to support non-profit organisations and generate long-term support within society for the company and its mobile sales force.

A total of €99,000 was awarded. The Württembergische Insurance Group donated up to €25,000 to 20 initiatives and associations throughout Germany.

Württembergische's sponsorship strategy, which was adopted in 2021, aims to provide targeted support to regional associations on an ongoing basis over several years. In 2023, Württembergische focused primarily on youth sports in its support of regional clubs. By the end of 2023, the company sponsored 53 sports clubs (previous year: 59).

Adam Riese supports social projects on the online donation platform "betterplace.org" every time an insurance product is purchased. In the 2023 reporting year, support went to Viva con Agua de St. Pauli e.V.'s water project. The funds were disbursed early 2024. The amount of the donation is linked to the company's economic success and is based on the number of direct sales.

Wüstenrot Stiftung

At the heart of the Wüstenrot Stiftung foundation's work is a concern for cultural heritage and the search for ways in which our community can meet the challenges of the future. The foundation takes an interdisciplinary approach to provide practical impetus, create models and bring about positive changes that have a broad ripple effect.

For this reason, the Wüstenrot Stiftung foundation provides operational and financial support in monument preservation, issues regarding the future, town and country, literature, education and culture and the arts. A description of the specific projects can be found on the website of the Wüstenrot Stiftung foundation (www.wuestenrot-stiftung.de, in German only).

University and school partnerships

The W&W Group maintains a large number of educational partnerships with a variety of universities and schools in the region and plans to expand and intensify them further.

W&W continues to partner with the University of Hohenheim, the University of Ulm, the Stuttgart University of Applied Sciences and the Nürtingen-Geislingen University of Applied Sciences. New to the mix is a cooperation with the Knowledge Foundation@Reutlingen University in Kornwestheim. As part of its university activities, the W&W Group again took part in several recruitment fairs in 2023, including at the Universities of Ulm and Hohenheim and the Stuttgart University of Applied Sciences. Reflecting the needs of the specialist departments, the W&W Group also took part in recruitment fairs at the Universities of Tübingen and Heidelberg as well as the Career Day at Reutlingen University. In addition, the W&W Group once again supported students by awarding scholarships. The Baden-Wuerttemberg Cooperative State University Mosbach (DHBW) started offering the "Sustainable Management" degree programme in the winter semester of 2023. The W&W Group – one of the driving forces behind the new course – started off with two students.

In addition to its partnerships with universities, the W&W Group also maintains partnerships with schools so that it can present itself as a training company to students at an early stage. There are also secondary school partnerships with the Friedrich-List-Gymnasium in Asperg, the Erich-Kästner-Realschule in Steinheim and the Erich-Bracher-Schule and Ernst-Sigle-Gymnasium in Kornwestheim.

The W&W Group also took part in several trade fairs and information events, including the DHBW (Baden-Wuerttemberg Cooperative State University) study day, the Ludwigsburg vocational training fair and job application training at Wirtschaftsgymnasium West.

Key non-financial indicators

In 2023, the W&W Group donated a total of €368,521 (previous year: €401,792)[1].

As in the previous year, no donations or contributions were made to political parties in 2023. The W&W Group also receives no financial support from the government.

Respect for human rights

Regarding human rights, the W&W Group combines two issues that have been identified as material with regard to the impact of its business activities: diversity in the workplace (see the chapter on employee matters) and exclusions in human rights in investment and refinancing (see the chapter on sustainable investing and refinancing).

Respect for human rights also includes compliance with the German Act on Corporate Due Diligence Obligations in the Supply Chain (Lieferkettensorgfaltspflichtengesetz, LkSG). The W&W Group was required to apply the law from 1 January 2023. Various measures were designed and implemented to meet the due diligence obligations and then transferred to a line process in 2023. Examples include the regular performance of risk analyses, the implementation of a complaints procedure that makes it possible to submit information on risks under the LkSG or related violations, the implementation of preventive measures (e.g. purchasing strategies, obtaining contractual assurances), a policy statement by senior management on a human rights strategy and the creation of the position of human rights officer.

The abstract risk analysis must be carried out by the responsible human rights coordinators as needed but at least once a year. Any identified irregularities will prompt a specific risk analysis that is used to develop and implement corrective measures if necessary.

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1 The previous year's figure has been restated.

Compliance

Anti-corruption and anti-bribery matters

Goals

W&W Group employees are expected to conduct themselves in accordance with laws and regulations.

The W&W Group is subject to regulatory requirements. One of the most important requirements for insurance companies is the German Insurance Supervision Act (VAG); the equivalent law for Wüstenrot Bausparkasse AG is the German Banking Act (KWG).

There is also a W&W Code of Conduct that is binding on everyone. It sets out the minimum standard for dealings between all members of the company as well as with customers, business partners, shareholders, competitors and the authorities. It covers not only the nuts and bolts of complying with applicable laws and regulations but also ethically impeccable conduct in our day-to-day work. Furthermore, it contains principles for avoiding corruption, bribery and corruptibility as well as clear rules for handling gifts, invitations and other benefits.

Measures and progress

Against this background, both the insurance companies and Wüstenrot Bausparkasse AG as an institution within the meaning of Section 1 (1) of the German Banking Act (KWG) maintain a compliance function that works to ensure conformity with the law and the company's internal policies.

At W&W AG, this is done by a central compliance organisation that works together with other decentralised units. The entirety of all the measures established in the W&W Group to monitor regulatory compliance is called the Compliance Management System (CMS). Its basic elements include the compliance culture, compliance objectives and risks, the compliance organisation, the compliance programme, compliance communication and compliance monitoring and improvement. The CMS is tasked with ensuring the prompt recognition and prevention of risks of significant regulatory breaches and the associated potential financial and reputational damage.

The W&W Group consists primarily of companies operating in the financial services sector. Economic crime, whether committed by external or internal perpetrators, is always going to be a risk due to the W&W Group's business models, capital market interactions and large number of business partners. Possible criminal offences include corruption and bribery as well as money laundering and property offences. The legal requirements for the prevention of white-collar crime (fraud) at the W&W Group are set out in laws such as Section 9 of the German Money Laundering Act (GwG) and Sections 91 (2) and 161 of the German Stock Corporation Act (AktG). Potential risks of fraud are identified, analysed and assessed in annual risk analyses for regulated W&W companies. In addition, regular interdepartmental communications support the ongoing development of anti-fraud management. Suitable fraud prevention measures are implemented or adapted as needed.

In addition to the established controls, it is vital that employees understand the need to prevent and detect corrupt activities. Information on unlawful behaviour can be reported through both internal reporting channels and an external ombudsman. One of the aims of a compliance survey conducted in 2021 among the regulated companies in the W&W Group was to strengthen a culture of transparency and openness. Building on the results of this compliance survey, communication and training measures were refined and intensified in 2023 to further improve the compliance culture.

W&W AG uses established compliance communication channels and methods for internal reporting, including the central Group Compliance Committee and fraud risk analysis reports.

The review of relevant business processes did not identify any significant corruption risks. There were no confirmed cases of corruption in the 2023 financial year. No corruption proceedings were conducted against W&W AG or its subsidiaries. No significant fines or non-monetary penalties were imposed for violations of laws or regulations.

Data protection

Goals

W&W Group companies and their service providers process personal data on a large scale. The data is required for applications, advisory services, customer and policy services, savings and loan processing, and claims and benefits management. Personal data is also processed in relation to staffing and shareholder support.

The objective of data protection management is to protect the confidentiality and integrity of data used in business processes from unauthorised access and disclosure. This is a key factor in the W&W Group's reputation and competitiveness.

Measures and progress

We have a tiered set of rules for how personal data should be handled. It describes, among other things, the rights of customers and necessary organisational measures to ensure compliance with legal requirements. All employees are contractually obligated to comply with data protection regulations and actively contribute to ensuring that personal data is reliably protected from unauthorised access. They are supported in this task by a mandatory online training programme that must be repeated regularly.

The Group's insurance companies have signed up to the "Datenschutzkodex – Code of Conduct" (data protection code of conduct) of the insurance industry. This Code of Conduct for the handling of personal data was drawn up by the German Insurance Association in cooperation with representatives of companies, data protection authorities and consumer protection organisations and is recognised as a binding code of conduct. Confirmations of compliance with the Code have been sent to the appropriate state data protection office.

Companies in the W&W Group that meet the legal requirements have appointed corporate data protection officers. They play a key role in ensuring compliance with the provisions of the German Federal Data Protection Act (BDSG) and the EU General Data Protection Regulation (GDPR). They perform the tasks assigned to them by law and by the company's data protection policy within the scope of their expertise without their work being directed by any kind of supervisor. In performing these duties, they work closely with and liaise with the Audit, Compliance, Legal and Information Security departments.

The Data Protection department reports quarterly to the company management and divisions on past audits, complaints and any organisational deficiencies that still need to be rectified. Any relevant data protection incidents are reported to management as needed. All data protection risks are reported to the risk management function.

The requirements of the General Data Protection Regulation, other relevant laws and supreme court rulings were systematically analysed and any necessary measures implemented (e.g. requests for information in accordance with Article 15 GDPR and data transfer to third countries).

The Data Protection department is available to advise the W&W Group's specialist departments and projects on all data protection issues. Our focus in 2023 was again on supporting the digital transformation of the W&W Group's companies, concentrating on providing advice on the use of cloud services and artificial intelligence.

Specially trained data protection coordinators act as liaisons between the various specialist departments and the data protection management team. However, any employee may also contact Data Protection directly with information, suggestions or complaints. These communications are kept strictly confidential.

Over the course of 2023, the data protection organisation carried out numerous data protection audits in the Group companies to fulfil the data protection officer's monitoring responsibility as defined in Article 39 (1) (b) GDPR. Only minor deficiencies were identified, most of which were remedied in 2023.

Furthermore, we constantly drive compliance with data protection requirements by having the data protection organisation closely involved in the annual information and security risk management control run throughout the Group.

In 2023, as in the previous year, the W&W Group received no complaints relating to a breach of data protection that were deemed to be material.

An internal reporting procedure is used to submit any personal data breaches identified at W&W Group companies to the Data Protection department for risk assessment and processing in accordance with Article 33 GDPR. Where necessary, the data controller was assisted in adequately satisfying the rights of data subjects in accordance with Article 34 GDPR (reporting a personal data breach to the data subject).

Memberships

The W&W Group aims to be transparent in its approach to lobbying activities. The W&W Group's interests are primarily represented through its membership in the following associations:

Wüstenrot Bausparkasse AG

- Verband der Privaten Bausparkassen e.V.
  www.bausparkassen.de/en
- Arbeitsgemeinschaft der Baden-Württembergischen Bausparkassen
  www.arge-online.org
- German Association for Housing, Urban and Spatial Development (DV)
  www.deutscher-verband.org/en/
- Association of German Pfandbrief Banks (vdp) e.V.
  www.pfandbrief.de/site/en/vdp.html
- European Federation of Building Societies
  www.efbs.org/en
- IUHF International Union for Housing Finance
  www.housingfinance.org

Württembergische Versicherung AG

- GDV - German Insurance Association
  www.gdv.de/gdv-en
- PKV - Verband der Privaten Krankenversicherung e.V.
  www.pkv.de

Taxonomy-aligned economic activities

Regulation (EU) 2020/852 of 18 June 2020 (EU Taxonomy Regulation) establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable for the purposes of establishing the degree to which an investment is environmentally sustainable.

Economic activities are considered to be environmentally sustainable if they contribute substantially to one or more of the environmental objectives of the EU Taxonomy Regulation, do not significantly harm any of the environmental objectives and are carried out in compliance with the minimum safeguards. Environmentally sustainable economic activities within the meaning of the EU Taxonomy Regulation are therefore also referred to as “taxonomy-aligned economic activities”.

Economic activities are taxonomy-eligible but not taxonomy-aligned if they are described in the delegated acts of the EU Taxonomy Regulation but do not meet the technical screening criteria for taxonomy alignment set out in these delegated acts. Economic activities that are not listed in the delegated acts to the EU Taxonomy Regulation are not taxonomy-eligible. Consequently, whether an economic activity is taxonomy-eligible is a legislative decision over which the performing company has no control.

Nature and objectives of Taxonomy-aligned economic activities

For the companies of the W&W Group, references to economic activities that are already, or could potentially become, taxonomy-aligned in the future essentially result from the following circumstances. The companies of the W&W Group already carry out economic activities themselves that are or could potentially be taxonomy-aligned in the future, finance these activities or have exposures to these economic activities.

The W&W Group’s capital comprise real estate held by the company itself that is used by the company or by third parties. This form of investment qualifies as the economic activity entitled “Acquisition and ownership of buildings” as defined in the delegated acts to the EU Taxonomy Regulation. Some of these properties owned directly by the Group meet the technical criteria of the EU Taxonomy and are therefore classified as environmentally sustainable, including the buildings on the W&W campus in Kornwestheim.

The W&W Group’s investments in securities and other forms of corporate financing are broadly diversified in terms of the financed economic activities. In the 2023 financial year, we were for the first time able to identify proportions of taxonomy-aligned turnovers and capital expenditures (CapEx) in these investments for non-financial companies required to prepare a non-financial report. Exposures to these companies are therefore partially taxonomy-aligned.

In the lending and borrowing business, the companies of the W&W Group finance the economic activity “Acquisition and ownership of buildings” as well as other economic activities from the range of economic activities “Construction and real estate”, such as “Renovation of existing buildings”. At present, the directly verifiable share of financing for taxonomy-aligned buildings is still low. However, the use of third-party statistical analyses to provide approximate values suggests a significantly higher taxonomy alignment ratio in the financed property portfolio. Please refer to the separate section “Voluntary additional information on KPI related to investments” (KPI: key performance indicator).

In the W&W Group's insurance business, the economic activity “Non-life insurance: underwriting of climate-related perils” is taxonomy-eligible. There was no taxonomy-aligned performance of this economic activity in the reporting period.

Taxonomy-aligned economic activities and their financing were labelled for the first time in the 2023 financial year. From 2024, it will also be possible for the first time to collect taxonomy alignment ratios for exposures to financial entities that are obligated to prepare a non-financial report. We expect to see an increase in directly verifiable exposures in taxonomy-aligned economic activities in the coming years. This is due to the expansion of corporate sustainability reporting requirements and improvements in the availability of sustainability information on investments and financed real estate.

Compliance with the EU Taxonomy Regulation in the financial undertaking's business strategy and weight of the financing of Taxonomy-aligned economic activities in their overall activity

A decision was made to introduce green product lines and components for the companies in the W&W Group. Efforts are being made to offer taxonomy-aligned product alternatives and components within the W&W Group. The W&W Group already offers products that conform to the EU Taxonomy Regulation. In the long term, this will lead to an increase in taxonomy-aligned economic activities and their financing.

On the investments side, we plan to continuously expand the investment portfolio with sustainable investment products and continuously reduce CO_2 emissions on our path toward climate-neutral investments by 2050.

Residential buildings are responsible for much of Germany's total CO_2 emissions. By financing residential property and other housing measures, we can contribute significantly to the energy-efficient modernisation of existing buildings and the construction of climate-friendly new buildings. This means that construction financing plays a central role in the climate transition. We have been offering the "Wohndarlehen Klima Turbo" home loan for climate-friendly modernisation since the 2021 financial year. In 2022, we added other products: the climate bonus in home loan savings and the "Wohndarlehen Klima Flex" and "Wohndarlehen Klima Classic" financing models for buying property. Certificates verifying the energy efficiency of the financed buildings provide important data for determining taxonomy alignment in the W&W Group's construction financing portfolio.

Nuclear and fossil gas related activities

All undertakings – regardless of the sector in which they operate – are obligated to disclose whether they carry out, fund or have exposures to nuclear and fossil gas related activities. The W&W Group does not carry out any activities in these areas itself or fund these activities directly. However, the W&W Group's investments include exposures to companies that are involved in these areas. They are primarily equity or debt instruments of companies in the energy supply sector.

The disclosures on activities in nuclear energy and fossil gas are applied to the *KPI related to investments* in the W&W Group. The amounts reported in the relevant templates therefore represent the percentage share of exposures to these activities in the monetary value of the assets reported for the KPI.

KPIs applied

The KPIs for insurance and reinsurance undertakings pursuant to Annexes IX and X of Delegated Regulation (EU) 2021/2178 are applied to the W&W Group using the relevant templates for the disclosures pursuant to Article 8 of the EU Taxonomy Regulation. The inclusion of the insurance and non-insurance companies of the W&W Group in the templates and key figures is therefore standardised in accordance with the requirements for insurance and reinsurance undertakings. All relevant provisions as at 31 December 2023 were followed during the preparation of the disclosures in accordance with Article 8 of the EU Taxonomy Regulation.

Figures from the previous financial year are not included since the KPIs were calculated for the first time in the 2023 financial year.

KPI related to underwriting activities

Template on the underwriting KPI

The provision of insurance and reinsurance other than life insurance to underwrite climate-related perils is classified as an enabling activity according to the current defined technical screening criteria of the delegated act to the EU Taxonomy Regulation.

Climate-related perils are acute and chronic risks relating to temperature, wind, water or solid mass. They include, without limitation, fires, storms/hurricanes, hail, ice, floods, landslides or subsidence.

Enabling activities contribute substantially to the realisation of an environment objective by directly enabling other activities to make a substantial contribution to one or more of those objectives. The aforementioned insurance services are an enabling activity with regard to the taxonomy environmental objective “Climate change adaptation”.

The insurance services provided during the reporting year were not taxonomy-aligned since the necessary technical screening criteria were not met. The premiums are therefore shown as “-” in row A.1. of the following template.

Premiums in other motor insurance, marine, aviation and transport insurance, fire and other damage to property insurance and assistance lines of business are taxonomy-eligible in the W&W Group in the year under review to the extent that they include the underwriting of climate-related perils.

Premiums in the non-life insurance and reinsurance business are recognised in the W&W Group as technical income within the meaning of IFRS 17. The technical income from the non-life insurance and reinsurance business of the W&W Group, broken down in accordance with the provisions of the delegated act on the EU Taxonomy with regard to disclosure, can be found in the following template for the KPI related to underwriting activities.

Template: The underwriting KPI for non-life insurance and reinsurance undertakings

	Substantial contribution to climate change adaptation	
Economic activities (1)	Absolute premiums, 2023 (2)	Proportion of premiums, 2023 (3)
	in € million	in %
A.1. Non-life insurance and reinsurance underwriting Taxonomy-aligned activities (environmentally sustainable)	–	–
A.1.1. Of which reinsured	–	–
A.1.2. Of which stemming from reinsurance activities	–	–
A.1.2.1. Of which reinsured (retrocession)	–	–
A.2. Non-life insurance and reinsurance underwriting Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)	1,420	55.1
B. Non-life insurance and reinsurance underwriting Taxonomy-non-eligible activities	1,159	44.9
Total (A.1. + A.2. + B.)	2,579	100.0

The technical income (premiums) is almost entirely attributable to the non-life insurance business. The non-life reinsurance business is of minor importance for the W&W Group.

All twelve lines of business defined as non-life insurance obligations in Annex I of Delegated Regulation (EU) 2015/35 (Solvency II) are included in the total of all absolute premiums, regardless of whether they are mentioned in the delegated act on climate targets.

	DNSH (Do No Significant Harm)					
	Climate change mitigation (5)	Water and marine resources (6)	Circular economy (7)	Pollution (8)	Biodiversity and ecosystems (9)	Minimum safeguards (10)
	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-

KPI related to investments

Template on KPI related to investments

As financial undertakings, the companies of the W&W Group take on exposures through their investments in taxonomy-aligned, taxonomy-eligible but not-taxonomy-aligned, and taxonomy-non-eligible economic activities.

In the following template, the key figure is the extent to which the exposures from the W&W Group's investments are related to taxonomy-aligned economic activities (the “KPI related to investments”). The breakdown of the denominator of the KPI also shows the values of the investments that finance taxonomy-eligible but not-taxonomy-aligned economic activities as well as economic activities that are taxonomy-non-eligible. The values are disclosed both on a turnover and CapEx basis in accordance with their measurement basis.

In accordance with the applicable statutory provisions and the requirements of the EU Commission, exposures can only be classified as taxonomy-aligned or taxonomy-eligible in the disclosure if actual information is available for them. Estimates may only be used for additional voluntary information.

Template: The proportion of the insurance or reinsurance undertaking's investments that are directed at funding, or are associated with, Taxonomy-aligned in relation to total investments

31.12.2023

The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities relative to the value of total assets covered by the KPI, with following weights for investments in undertakings per below: Turnover-based: 2.7% Capital expenditures-based: 3.0%	The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities, with following weights for investments in undertakings per below(in € million): Turnover-based: 1,463 Capital expenditures-based: 1,586
The percentage of assets covered by the KPI relative to total investments of insurance or reinsurance undertakings (total AuM). Excluding investments in sovereign entities. Coverage ratio: 95.4%	The monetary value of assets covered by the KPI. Excludinginvestments in sovereign entities (in € million). Coverage: 53,407
Additional, complementary disclosures: breakdown of denominator of the KPI	
The percentage of derivatives relative to total assets covered by the KPI. 0.9%	The value in monetary amounts of derivatives (in € million). 500
The proportion of exposures to financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI: For non-financial undertakings: 9.4% For financial undertakings: 8.5%	Value of exposures to financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU: For non-financial undertakings: 5,021 For financial undertakings: 4,537
The proportion of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI: For non-financial undertakings: 5.5% For financial undertakings: 3.1%	Value of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU (in € million): For non-financial undertakings: 2,946 For financial undertakings: 1,679
The proportion of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI: For non-financial undertakings: 1.4% For financial undertakings: 11.8%	Value of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU (in € million): For non-financial undertakings: 741 For financial undertakings: 6,315
The proportion of exposures to other counterparties and assets over total assets covered by the KPI: 68.0%	Value of exposures to other counterparties and assets (in € million): 36,293
The proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders ~~that are directed at funding, or are associated with, taxonomy-aligned economic activities~~ [1]: 94.3%	Value of insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders~~that are directed at funding, or are associated with, taxonomy-aligned economic activities:~~ (in € million)[1]: 50,347
The value of all the investments that are funding economic activities that are not Taxonomy-eligible relative to the value of total assets covered by the KPI: Turnover-based: 25.7% Capital expenditures-based: 25.9 %	Value of all the investments that are funding economic activities that are not Taxonomy-eligible (in € million): Turnover-based: 13,709 Capital expenditures-based: 13,857

The value of all the investments that are funding Taxonomy-eligible economic activities, but not Taxonomy-aligned relative to the value of total assets covered by the KPI: Turnover-based 52.8% Capital expenditures-based: 52.3%	Value of all the investments that are funding Taxonomy-eligible economic activities, but not Taxonomy-aligned (in € million): Turnover-based: 28,177 Capital expenditures-based: 27,906
Additional, complementary disclosures: breakdown of numerator of the KPI	
The proportion of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI: For non-financial undertakings: Turnover-based: 0.1% Capital expenditures-based: 0.4% For financial undertakings: Turnover-based: 0.0% Capital expenditures-based: 0.0%	Value of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU (in € million): For non-financial undertakings: Turnover-based: 55 Capital expenditures-based: 169 For financial undertakings: Turnover-based: 3 Capital expenditures-based: 12
The proportion of the insurance or reinsurance undertaking’s investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned: Turnover-based: 2.9% Capital expenditures-based: 3.2%	Value of insurance or reinsurance undertaking’s investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned (in € million): Turnover-based: 1,463 Capital expenditures-based: 1,586
The proportion of Taxonomy-aligned exposures to other counterparties in over total assets covered by the KPI: Turnover-based: 2.6% Capital expenditures-based: 2.6%	Value of Taxonomy-aligned exposures to other counterparties over total assets covered by the KPI (in € million): Turnover-based: 1,405 Capital expenditures-based: 1,405

Breakdown of the numerator of the KPI per environmental objective		
Taxonomy-aligned activities – provided “do-not-significant-harm” (DNSH) and social safeguards positive assessment:		
1. Climate change mitigation	Turnover: 2.7% CapEx: 2.8%	Transitional activities: 0.0 % (Turnover); 0.0 % (CapEx) Enabling activities: 0.0% (Turnover); 0.1% (CapEx)
2. Climate change adaptation	Turnover: 0.0% CapEx: 0.0%	Enabling activities: 0.0% (Turnover); 0.0% (CapEx)
3. Sustainable use and protection of water and marine resources	Turnover: -% CapEx: -%	Enabling activities:-% (Turnover); -% (CapEx)
4. The transition to a circular economy	Turnover: -% CapEx: -%	Enabling activities:-% (Turnover); -% (CapEx)
5. Pollution prevention and control	Turnover: -% CapEx: -%	Enabling activities:-% (Turnover); -% (CapEx)
6. Protection and restoration of biodiversity and ecosystems	Turnover: -% CapEx: -%	Enabling activities:-% (Turnover); -% (CapEx)

1 Template adjusted, see explanation in section “Correction of the template on KPI related to investments”

Correction of the template on KPI related to investments

Row 9 of the template is not applicable in the version specified by Delegated Regulation (EU) 2021/2178.

According to row 9, the taxonomy-aligned proportion of the insurance or reinsurance undertaking's investments where the investment risk is not borne by the policyholders must be stated. However, it is only possible to specify a single value although this value would have to be broken down by turnover-based and CapEx-based, as is done in row 14. According to the wording, row 9 is a duplication of row 14. In addition, row 9 refers to the denominator and not the numerator of the KPI. In this respect, it seems necessary not to indicate the taxonomy-aligned proportion in row 9 but the proportion of *all* investments of the insurance or reinsurance undertaking for which the investment risk is not borne by the policyholders in order to inform the reporting addressees of the denominator of the ratios in row 14.

The corrected presentation of row 9 of the template shows the arithmetically applicable value. The text contained in the field was corrected by deletions.

Breakdown of the numerator of the KPI per environmental objective

For a small proportion of the taxonomy-aligned exposures, the actual information available at the reporting date did not allow a breakdown by environmental objective. Therefore, the weighted average value of all investments directed at or related to the financing of taxonomy-aligned economic activities (the numerator of the KPI related to investments) exceeds the sum of the breakdown by environmental objectives, both turnover-based and CapEx-based, by the proportion of these non-disaggregated taxonomy-aligned exposures.

Contextual information in support of the quantitative indicators

For the KPI relating to investments, the investments are recognised in accordance with the regulations for investments within the meaning of the *Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings*. Investments in sovereign entities are excluded in accordance with the legal requirements for the KPI. Exposures to central governments, central banks and international organisations such as bodies of the European Union are completely excluded. Exposures to state, regional and local authorities, including administrative bodies, non-commercial companies and social security funds, are not included in the KPI if the issuers' use of the funds is not known.

As at the reporting date, the W&W Group did not have any intangible assets attributable to the KPI in the numerator or denominator.

Investments include both direct exposures and indirect exposures such as investments in investment funds.

The carrying amount of the relevant assets from the consolidated statement of financial position is recognised as the value (or monetary value or monetary amount) of exposures within the meaning of Delegated Regulation (EU) 2021/2178.

Only directly available information may be used to determine the taxonomy alignment of exposures. In the case of exposures to financial and non-financial companies, this is information that is actually published by companies that are subject to Articles 19a and 29a of Directive 2013/34/EU (non-official: EU Accounting Directive). Articles 19a and 29a of the EU Accounting Directive require companies that fulfil certain criteria to publish a non-financial statement or a consolidated non-financial statement containing information on taxonomy alignment, taxonomy eligibility and taxonomy non-eligibility. The taxonomy-related disclosures on the taxonomy eligibility or taxonomy non-eligibility of exposures to financial and non-financial entities subject to Articles 19a and 29a of Directive 2013/34/EU are determined on the basis of turnover and CapEx. The taxonomy eligibility or taxonomy non-eligibility of the investments made by insurance and reinsurance undertakings – where available – was used as the basis for exposures to insurance and reinsurance undertakings. Information from the external data provider ISS ESG is primarily used to identify the taxonomy-related information and determine whether financial and non-financial undertakings are subject to Articles 19a and 29a of Directive 2013/34/EU. The data is validated and processed using the same internal processes used for the preparation of financial reports.

In the case of buildings owned or financed by loans, the primary contribution toward the environmental objective of climate protection is determined on the basis of energy performance certificates and specific legal requirements for the energy efficiency of the financed buildings.

investments for which no direct information is available are classified in their entirety as not taxonomy-eligible. This also includes exposures from investment funds wherever the asset management companies provide no actual taxonomy-related information related to the funds.

Equity and debt instruments of financial and non-financial companies are recognised as exposures to financial and non-financial undertakings. Exposures to other counterparties and assets include all other investments. A significant proportion of these exposures are construction financing loans granted to households. The financing provided by Wüstenrot Bausparkasse AG is that Group company's main business object and is primarily used to finance old and new buildings as well as modernisation measures for existing properties. The construction financing loans are mainly for properties located in Germany or Luxembourg. Furthermore, the exposures to other counterparties and assets essentially comprise the owner-occupied and investment properties held by companies in the W&W Group, various forms of alternative investments and shares in investment funds.

The denominator of the coverage ratio is calculated from the monetary value of the assets recognised for the KPI and – excluding investments in government institutions – the other assets of the W&W Group that are carried on the statement of financial position and not covered by the KPI related to investments of insurance and reinsurance undertakings in accordance with Delegated Regulation (EU) 2021/2178.

As at the reporting date, the proportion of investments that are geared towards or associated with the financing of taxonomy-aligned economic activities in relation to total investments (KPI related to investments) was 2.7% on a turnover basis and 3.0% on a CapEx basis. The proportion of taxonomy-aligned exposures is largely determined by owner-occupied and investment properties held.

Avoidance of double counting

Double counting in the allocation of exposures to the environmental objectives of the EU Taxonomy is systematically excluded by the methods used to determine the KPI related to investments in the W&W Group.

Owner-occupied and investment properties as well as the financing of properties owned by households are fully allocated to the environmental objective "Climate change mitigation". In the case of exposures to companies, we refer to information published by those companies and thus to their audited information.

Application of transitional provisions

The transitional provisions for financial undertakings pursuant to Article 10 (7) of Delegated Regulation (EU) 2021/2178 are taken into account. However, we have not yet been able to identify exposures in connection with the environmental objectives listed in Article 9 letters c to f of the EU Taxonomy Regulation (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems).

DNSH and minimum safeguards

The taxonomy alignment condition "do no significant harm" (DNSH) is ensured by applying the relevant technical screening criteria of the delegated acts to the EU Taxonomy Regulation for each economic activity.

Minimum safeguards are another requirement for taxonomy alignment. The undertaking that is carrying out an economic activity must ensure alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. Minimum safeguards must be instituted by the company carrying out an economic activity that is being financed or to which the W&W Group is exposed.

In its *Final Report on Minimum Safeguards*, the Platform on Sustainable Finance, an advisory body to the EU Commission on the implementation of the EU Taxonomy, has defined four fields of action, each with two negative characteristics, that can be used for reviewing existing minimum safeguards. The fields of action are:

- Human rights, including labour rights
- Corruption and bribery
- Taxation
- Fair competition

The protection of human rights in the W&W Group's own economic activity "Acquisition and ownership of buildings" is covered by the application of the requirements set out in the German Act on Corporate Due Diligence Obligations in the Supply Chain (LkSG). The analysis of the implementation of the LkSG shows that the companies in the W&W Group also meet the minimum requirements for protecting human rights with regard to the aforementioned economic activities. No other taxonomy-aligned economic activities were carried out by the companies in the W&W Group in the reporting period.

The compliance function – as an essential component of the W&W compliance management system that is embedded in the W&W governance system and forms part of the internal control system – works to combat corruption and bribery throughout the Group. W&W AG uses established compliance communication channels and methods for internal reporting, including the central Group Compliance Committee and fraud risk analysis reports. Relevant business processes are analysed for significant corruption risks. An internal record is kept of whether any confirmed cases of corruption have occurred in the W&W Group in a given financial year and whether any corruption proceedings have been initiated against W&W AG or its subsidiaries. A detailed description of the anti-corruption and anti-bribery activities in the W&W Group can be found in the corresponding subsection of the "Compliance" section in this report.

The tax compliance management system is a separate sub-area of compliance. Its purpose is the complete and timely fulfilment of the tax obligations of the W&W Group companies. A Group-wide tax guideline is designed to ensure the fulfilment of tax obligations and is based on the W&W Group's existing compliance standard in the implementation of these obligations. All tax matters are documented internally.

Compliance with competition and antitrust regulations is monitored throughout the Group by the Group Legal department at W&W AG. This unit uses a variety of measures to monitor participation in industry associations, among other things. It also promotes awareness of the importance of complying with competition laws and documents any incidents.

There have been no legally binding convictions of W&W Group companies or their responsible employees in corruption, bribery, taxation or fair competition.

Templates for nuclear and fossil gas related activities

The exposures of the W&W Group to nuclear and fossil gas related activities can be found in the following templates specified in Annex XII of Delegated Regulation (EU) 2021/2178. The templates are presented based on turnover and CapEx (capital expenditure) in accordance with the KPI related to investments. The W&W Group's exposures to nuclear and fossil gas related activities are determined on the basis of the disclosures made pursuant to Article 8 of the EU Taxonomy Regulation by the companies in which investments have been made and which actually carry out the activities themselves or have in turn entered into exposures in these activities or have financed them in some other way.

The only information used in the templates was information on taxonomy-aligned economic activities for which issuers provided a breakdown by environmental objective. The totals in Templates 2 and 3 for the environmental objectives “climate change mitigation” (CCM) and “climate change adaptation” (CCA) therefore equal the amounts for these environmental objectives in the breakdown of the numerator in the template for the KPI related to investments.

The total amount and proportion of taxonomy-eligible but not-taxonomy-aligned economic activities in the denominator of the applicable KPI in Template 4 (turnover-based and CapEx-based) only includes exposures whose required breakdowns by economic activity have been disclosed by the issuer. Therefore, the amounts and percentages differ from the information in row 11 (the value of all the investments that are funding economic activities that are taxonomy-eligible but not taxonomy-aligned) in the template for the KPI related to investments.

In Template 1, “YES” is also provided for an economic activity in nuclear and fossil gas if the amount of the exposures is below the rounding threshold for the disclosures in Templates 2 to 5. Amounts below the rounding threshold are shown as “0”.

Templates for nuclear and fossil gas related activities (turnover-based)

Template 1 Nuclear and fossil gas related activities

		31.12.2023
Row	**Nuclear energy related activities**	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	YES
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	YES
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	YES

Template 2 Taxonomy-aligned economic activities (denominator)

31.12.2023

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		in € million	in %	in € million	in %	in € million	in %
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	1	0.0	1	0.0	–	–
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.0	0	0.0	–	–
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**1,444**	**2.7**	**1,444**	**2.7**	**0**	**0.0**
8.	**Total applicable KPI**	**1,445**	**2.7**	**1,445**	**2.7**	**0**	**0.0**

Template 3 Taxonomy-aligned economic activities (numerator)

31.12.2023

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	Economic activities	in € million	in %	in € million	in %	in € million	in %
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	–	–	–	–	–	–
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	–	–	–	–	–	–
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	1	0.1	1	0.1	–	–
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0	0.0	0	0.0	–	–
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	–	–	–	–	–	–
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	–	–	–	–	–	–
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	**1,444**	**99.9**	**1,444**	**99.9**	**0**	**0.0**
8.	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	**1,445**	**100.0**	**1,445**	**100.0**	**0**	**0.0**

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities

31.12.2023

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		in € million	in %	in € million	in %	in € million	in %
1.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
2.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
3.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.0	0	0.0	–	–
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	11	0.0	11	0.0	–	–
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	23	0.0	23	0.0	–	–
6.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.0	0	0.0	–	–
7.	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**27,655**	**51.8**	**27,655**	**51.8**	**0**	**0.0**
8.	**Total amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI**	**27,689**	**51.8**	**27,689**	**51.8**	**0**	**0.0**

Template 5 Taxonomy non-eligible economic activities

Row	Economic activities	31.12.2023 in € million	31.12.2023 in %
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.0
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	3	0.0
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.0
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–
7.	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**13,706**	**25.7**
8.	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	**13,709**	**25.7**

Templates for nuclear and fossil gas related activities (CapEx-based)

Template 1 Nuclear and fossil gas related activities

Row		31.12.2023
	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	YES
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	YES
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Template 2 Taxonomy-aligned economic activities (denominator)

31.12.2023

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		in € million	in %	in € million	in %	in € million	in %
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.0	0	0.0	–	–
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	3	0.0	3	0.0	–	–
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.0	0	0.0	–	–
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.0	0	0.0	–	–
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**1,518**	**2.8**	**1,518**	**2.8**	**0**	**0.0**
8.	**Total applicable KPI**	**1,521**	**2.8**	**1,521**	**2.8**	**0**	**0.0**

Template 3 Taxonomy-aligned economic activities (numerator)

31.12.2023

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	Economic activities	in € million	in %	in € million	in %	in € million	in %
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	–	–	–	–	–	–
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0	0.0	0	0.0	–	–
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	3	0.2	3	0.2	–	–
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0	0.0	0	0.0	–	–
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0	0.0	0	0.0	–	–
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	–	–	–	–	–	–
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	**1,518**	**99.8**	**1,518**	**99.8**	**0**	**0.0**
8.	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	**1,521**	**100.0**	**1,521**	**100.0**	**0**	**0.0**

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities

		31.12.2023					
		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	Economic activities	in € million	in %	in € million	in %	in € million	in %
1.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
2.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
3.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.0	0	0.0	–	–
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	6	0.0	6	0.0	–	–
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	14	0.0	14	0.0	–	–
6.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–	–	–	–	–
7.	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**27,808**	**52.1**	**27,680**	**51.9**	**128**	**0.2**
8.	**Total amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI**	**27,828**	**52.1**	**27,700**	**51.9**	**128**	**0.2**

Template 5 Taxonomy non-eligible economic activities

Row	Economic activities	31.12.2023 in € million	31.12.2023 in %
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	2	0.0
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	2	0.0
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.0
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.0
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	–	–
7.	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**13,853**	**25.9**
8.	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	**13,857**	**25.9**

Voluntary additional information on KPI related to investments

Only actual information may be used to determine KPI related to investments. In the case of loans to finance buildings, this includes providing the energy performance certificate for the relevant property. The use of third-party data, which can approximate the energy efficiency of buildings in a financing portfolio using statistical methods based on building information such as year of construction and location, is not permitted under the current interpretation of the legal requirements.

If statistically meaningful building information were to be used, the volume of financing for taxonomy-aligned properties would increase by around €1.5 billion. The KPI related to investments for the W&W Group would amount to 5.5% (turnover-based) and 5.7% (CapEx-based).

Wüstenrot & Württembergische AG Auditor's report

Auditor's report

Independent auditor's report on a limited assurance engagement

To Wüstenrot & Württembergische AG, Kornwestheim

We have conducted a limited assurance engagement on the non-financial report of Wüstenrot & Württembergische AG, Kornwestheim (hereinafter the "Company"), which is combined with the non-financial report of the Group, for the period from 1 January 2023 to 31 December 2023 (hereinafter the "Non-Financial Report").

Other references to disclosures outside the Non-Financial Report were not subject to our assurance engagement.

Responsibility of the legal representatives

The legal representatives of the company are responsible for the preparation of the Non-Financial Report in accordance with Section 315c in conjunction with Section 289c to Section 289e HGB and Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter referred to as the "EU Taxonomy Regulation") and the related delegated legal acts as well as with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the related delegated acts as presented in the "Taxonomy-aligned economic activities" section of the Non-Financial Report.

This responsibility of the company's legal representatives includes the selection and application of appropriate methods to prepare the Non-Financial Report and the use of assumptions and estimates for individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls as they have considered necessary to enable the preparation of a Non-Financial Report that is free from material misstatement, whether due to fraud (manipulation of non-financial reporting) or error.

The EU Taxonomy Regulation and the related delegated acts contain formulations and terms that are still subject to considerable interpretation uncertainty and for which clarifications have not yet been published in every case. The legal representatives have therefore set out their interpretation of the EU Taxonomy Regulation and the related delegated acts in the section "Taxonomy-aligned economic activities" of the Non-Financial Report. They are responsible for the reasonableness of this interpretation. Due to the inherent risk that undefined legal terms can be interpreted differently, the legal conformity of the interpretation is fraught with uncertainty.

Independence and quality assurance of the auditing firm

We have complied with the German professional rules on independence and other requirements of professional conduct.

Our audit firm applies the national statutory regulations and professional pronouncements – in particular the Professional Code of Conduct for German Public Auditors and Chartered Accountants (BS WP/vBP) and the IDW Quality Management Standard issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Auditing Practice (IDW QMS 1 (09.2022) issued by the IDW and accordingly maintains a comprehensive quality assurance system that includes documented regulations and measures relating to compliance with professional conduct requirements, professional standards and authoritative statutory and other legal requirements.

Responsibility of the auditor

Our responsibility is to express a limited assurance opinion on the Non-Financial Report based on our assurance engagement.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. Those standards require that we plan and perform the assurance engagement such that we can assess with limited assurance whether any matters have come to our attention that cause us to believe that the Non-Financial Report of the Company has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Section 289c to Section 289e HGB and the EU Taxonomy Regulation and the related delegated acts as well as the interpretation of the legal representatives presented in the section “Taxonomy-aligned economic activities” of the Non-Financial Report. Other references to disclosures outside the Non-Financial Report were not subject to our assurance engagement.

In a limited assurance engagement, the assurance procedures are less extensive than in a reasonable assurance engagement, resulting in a significantly lower level of assurance. The selection of assurance procedures is at the auditor’s discretion.

As part of our assurance engagement, we performed, among others, the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group’s sustainability organisation and the involvement of stakeholders
- Conduct interviews with employees regarding the selection of topics for the Non-Financial Report, the assessment of impacts and risks, and the company’s and Group’s approach to topics identified as being material
- Interview employees responsible for the collection and consolidation of data and the preparation of the Non-Financial Report asking them to assess the reporting system, the methods of data collection and preparation as well as the internal controls insofar as they are relevant for reviewing the disclosures in the Non-Financial Report
- Identify likely risks of material misstatement in the Non-Financial Report
- Inspect relevant documentation of the systems and processes for the collection, aggregation and validation of relevant data during the reporting period
- Perform analytical assessments of disclosures in the Non-Financial Report at the company and Group levels
- Conduct surveys, perform selective sampling and obtain evidence regarding the collection and reporting of selected disclosures in the Non-Financial Report
- Evaluate the process for identifying Taxonomy-eligible and Taxonomy-aligned economic activities and related disclosures in the Non-Financial Report
- Evaluate the presentation of the disclosures in the Non-Financial Report

The legal representatives must interpret undefined legal terms when determining the information in accordance with Article 8 of the EU Taxonomy Regulation. Due to the inherent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation and thus our assurance engagement are fraught with uncertainty.

Audit opinion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Non-Financial Report of the Company for the period from 1 January 2023 to 31 December 2023 has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Section 289c to Section 289e HGB and the EU Taxonomy Regulation and the related delegated acts as well as the interpretation of the legal representatives presented in the section “Taxonomy-aligned economic activities” of the Non-Financial Report.

We do not express an opinion on the other references to disclosures outside the Non-Financial Report.

Restriction on the use of the auditor’s report

We draw attention to the fact that the assurance engagement was conducted for the purposes of the Company and that the auditor’s report is intended solely for the information of the Company on the results of the assurance engagement. Consequently, it may not be suitable for any purpose other than the aforementioned one. The auditor’s report is thus not intended for third parties to make (investment) decisions based on it. We are solely responsible to the Company. However, we accept no responsibility towards third parties. Our assurance opinion has not been modified in this respect.

Engagement terms and liability

The attached “ Allgemeine Auftragsbedingungen für Wirtschaftsprüferinnen, Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften” (General Engagement Terms for German Public Auditors and Public Audit Firms) in the version issued by the Institute of Public Auditors in Germany (IDW) dated 1 January 2024 (ey-idw-aab-en-2024.pdf) apply to this engagement, also in relation to third parties.

We also refer to the liability provisions in section 9 and the exclusion of liability in relation to third parties. We do not accept any responsibility, liability or other obligation to any third party unless we have entered into a written agreement with the third party to the contrary or such a liability disclaimer would be ineffective.

We expressly state that we will not update this report to reflect events or circumstances occurring after it is issued, except where we are required to do so by law. Anyone who takes note of the results of our activities summarised in the above auditor’s report must decide for themselves whether and in what form they consider these results to be useful and appropriate for their purposes, and whether they wish to extend, verify or update them by carrying out their own investigations.

Stuttgart, 20 March 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Martin Gehringer
Auditor

Adrian Bose
Auditor

Glossary

Actuarial interest rate

Interest rate that the life insurance company typically uses to calculate premiums and that is guaranteed for the entire term. If a higher amount of interest is earned, customers receive most of this as participation contracts.

Affiliated companies

This term refers to the parent company (Group parent company) and all subsidiaries. Subsidiaries are companies over which the parent company can exercise a controlling influence on business policy. This is the case, for example, where the Group parent company directly or indirectly holds the majority of voting rights or has the right to appoint or remove the majority of the members of the Supervisory Board, or where there are contractual rights of control.

Asset liability management

Asset liability management describes the coordination of the maturity structure of assets and liabilities, as well as control of the associated market and liquidity risks.

Associated company

An associated company is a company over which the Group as owner has a decisive influence. It is neither a subsidiary nor a joint venture. Decisive influence typically exists where the Group maintains an ownership of 20-50%.

Black-Scholes model

Measurement model for ascertaining the fair value of options, which takes into consideration the strike price, the maturity of the option, the current price of the underlying, the risk-free interest rate and the volatility of the underlying.

Building block approach (BBA)

The building block approach (BBA), also known as the general measurement model (GMM), refers to the general measurement approach under IFRS 17. The carrying amount of a group of insurance contracts consists of the present value of expected future cash flows taking an explicit risk adjustment for non-financial risk and the contractual service margin into account.

Building savings contract volume

This is defined when the contract is concluded and normally determines the volume of the home loan savings resources available for allocation.

Cancellation (lapse rate)

Contracts that are terminated or made non-contributory by the policyholder before an insured event occurs. The lapse rate is the proportion of cancellations based on the average insurance portfolio.

Capital investments

Pursuant to the statutory provisions, the assigned amounts must be invested in such a way as to achieve the greatest possible security and profitability while maintaining the insurance company‘s liquidity at all times. This is done by ensuring an appropriate mix and spread with respect to investment types. By capital investments, we mean:

- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income
- Senior fixed-income securities at amortised cost
- Subordinated securities and receivables at amortised cost
- First-rate receivables from institutional investors at amortised cost
- Other loans and advances to credit institutions at amortised cost
- Financial assets accounted for under the equity method
- Investment property
- Non-current assets classified as held for sale, if included in one of the above categories

Capital investments for the account and risk of life insurance policyholders

These mainly include capital investments in unit-linked life insurance and additional capital investments designed to cover liabilities under contracts where the benefit is index-linked. Policyholders are entitled to the income earned from these capital investments, but they also have to bear any losses themselves.

Combined ratio

Actuarial profitability indicator used by property/casualty insurance companies, ratio of technical expenses to technical income.

Compliance

Compliance refers to all measures that are taken to ensure the legally and ethically correct behaviour of companies, governing bodies and employees. Compliance is designed to protect the company against misconduct, which can lead to pecuniary losses, damage to image and the failure to meet corporate objectives. It is also designed to protect the interests of employees, customers and business partners.

Contingent liabilities

Unrecognised liabilities that are unlikely to occur, for example contingent liabilities arising from guaranty obligations.

Contract boundaries

When measuring a group of insurance contracts, all future cash flows within the boundaries of each contract must be taken into account. A contract boundary is reached when the entity no longer has to offer insurance protection and the policyholder has no claim to the continuation of the contract, i.e. there are no longer any substantive rights or obligations under the contract.

Contractual service margin (CSM)

The CSM is the unrealised expected future profit from the insurance contracts. In accordance with the core principle of IFRS 17, the company does not earn this until the services are provided over the coverage period.

Corporate Governance Code

The German Corporate Governance Code contains nationally and internationally recognised standards of good and responsible corporate governance. Apart from conditions that have to be observed by companies as applicable statutory law, the Code also contains recommendations and suggestions. Companies can deviate from recommendations, but they are obligated to disclose this annually. Suggestions can be deviated from without disclosure.

Coverage period

The coverage period is the period in which the company provides insurance contract services and for which premiums were paid within the boundaries of the contract.

Credit provision ratio

The credit provision ratio means the ratio of the individual and portfolio impairment provisions to the associated credit volume.

Deferred taxes

Deferred taxes must be created for temporary differences resulting from the different valuation methods applied to assets and liabilities in the tax and IFRS balance sheets, where the tax effects arise in future periods.

Derivative financial instruments

Derivative financial instruments are forward transactions structured as a fixed or option transaction whose value depends on one or more underlying variables. Important examples of derivative financial instruments are options, futures, forwards and swaps.

Direct credit

The part of the surplus earned by the insurance company that is credited directly to customers during the financial year.

Earnings per share

Earnings per share are calculated by dividing the consolidated net profit attributable to the common shareholders of the parent company by the weighted average number of common shares outstanding during the reporting period.

Effective interest rate method

Pursuant to IFRS 9, the effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability. It is also used to allocate interest receivable or interest payable over the relevant period. Using the effective interest rate, for example, a discount is spread over the maturity of the financial instrument and reduced to zero.

Equalisation reserve

Reserve to be created in accordance with officially established, actuarial-based methods in order to compensate for fluctuations in claims development in various years. In years with a relatively low/relatively high number of claims, additions/withdrawals are made.

Equity method

Units or shares in associated companies and joint ventures are recognised in accordance with this method. In doing so, the valuation corresponds to the Group‘s share of equity of these companies.

Expenses for insurance business

These costs include claim adjustment, contract administration and acquisition costs. Service commissions as part of administrative costs and, for direct participating business, asset management costs are considered separately here. On the other hand, provisions for outstanding insurance claims include exclusively provisions for claim adjustment costs. As a simplification, it is assumed that acquisition costs are incurred with the first premium.

Fair value

The amount at which an asset is exchanged between knowledgeable, willing and unrelated business partners. The fair value is the current market value, insofar as there is an active market. If an active market does not exist, fair value is determined using recognised valuation methods.

Financial assets at amortised cost

Financial assets that are assigned to the business model "Hold to collect" and pass the SPPI test are recognised at amortised cost. Costs at the time of acquisition correspond to fair value. In subsequent measurement, the carrying amount is amortised through profit or loss by depreciating transaction costs, premiums and discounts at a constant effective interest rate.

Financial assets at fair value through other comprehensive income

Financial assets that are assigned to the business model "Hold to collect and sell" and pass the SPPI test are initially recognised at fair value. In the case of subsequent measurement, changes in fair value are recognised through other comprehensive income. In the case of a disposal of the debt instrument, the changes in fair value that had previously been recognised in equity are recycled through profit or loss.

Financial assets at fair value through profit or loss

Recognised here are financial assets that are assigned to the business model "Other/trading" or are assigned to the business models "Hold to collect" or "Hold to collect and sell" and do not pass the SPPI test. Changes in fair value are recognised in the income statement. Initial recognition and subsequent measurement take place at fair value.

Financial conglomerate

A financial conglomerate provides financial services (banking and insurance services). A financial conglomerate is defined as a group of companies consisting of a parent company, its subsidiaries and the companies in which the parent company or a subsidiary hold an interest. The group must contain at least one entity in the banking and securities services sector and one entity in the insurance sector, one of which must be subject to the supervision of the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority).

Financial liabilities

These are recognised at amortised cost. Costs at the time of acquisition correspond to fair value. In subsequent measurement, the carrying amount is amortised through profit or loss by depreciating transaction costs, premiums and discounts at a constant effective interest rate.

Financial liabilities at fair value through profit or loss

Recognised here are the negative market values of derivative financial instruments that are not accounted for as a hedging instrument in connection with hedge accounting. Changes in fair value are recognised in the income statement.

Futures

Standardised forward transactions under which a commodity available on a cash, capital, precious-metal or foreign exchange market is to be delivered or purchased at the exchange price at a particular time in the future.

Genuine securities repurchase transaction (repo)

A genuine securities repurchase transaction (repo) is a contract in which the buyer assumes the obligation to retransfer the securities acquired under a repurchase agreement at a predetermined time or at a time determined by the seller.

German covered bonds

German covered bonds are
- covered bonds based on acquired mortgages (German covered mortgage bonds)
- covered bonds based on acquired loans and advances due from governmental agencies (public German covered bonds)
- covered bonds based on acquired ship mortgages (German covered ship mortgage bonds)

Gross new business

For home loan and savings banks, gross new business describes new business as the sum of all building savings contracts applied for and accepted during a certain period of time.

Gross/net

In underwriting, gross/net means the respective position or ratio before or after deducting reinsurance.

Guarantee assets

Separate assets to be set aside by insurance companies in order to guarantee the claims of policyholders.

Guarantee needs

Guarantee needs have to do with the interest rate obligation under insurance contracts measured by taking into account a current market interest rate, less the provision for future policy benefits. Valuation reserves for fixed-income securities are to be taken into account with regard to the participation of policyholders in valuation reserves only to the extent that they exceed guarantee needs. Net profit may be distributed only to the extent that it exceeds the guarantee needs.

Hedge accounting

Hedge accounting is an accounting procedure for depicting how the value of a hedge (e.g. an interest rate swap) and the value of an underlying (e.g. a loan) trend in opposite directions. The object of hedging is to minimise the impact on the income statement that results from the measurement of derivatives and recognition of the results in profit or loss.

Hedging

Coverage against price risks through an adequate counter-position, particularly through derivative financial instruments. There are two basic models, depending on the risk to be secured: fair value hedges are used to secure assets or liabilities against risks of changes in value, and cash flow hedges mitigate the risk of fluctuations in future cash flows.

IFRS 17

The W&W Group has applied the new accounting provisions of IFRS 17 Insurance Contracts retrospectively since 1 January 2023. The comparative figures are restated from the transition date of 1 January 2022. The application of the new accounting provisions did not have any material impact on net assets, financial position or financial performance.

IFRS/IAS

The abbreviation IFRS stands for International Financial Reporting Standards and describes the international principles of financial reporting. Since 2002, the designation IFRS applies to the overall concept of the standards enacted by the International Accounting Standards Board (IASB). Standards already enacted continue to be called International Accounting Standards (IAS).

Investment components

Under IFRS 17, investment components are the amounts that an insurance contract requires the entity to repay to a policyholder even if an insured event does not occur.

IRBA (Internal Ratings Based Approach)

Banks, banking groups and financial holding groups may rely on their own internal estimates of risk components when determining minimum capital requirements and in providing backing for risk-weighted assets for counterparty risks. The approval of BaFin is required in order to use IRBA.

ISDA (International Swaps and Derivatives Association)

The ISDA is an international trading organisation of participants on the derivatives market. The main purpose of the association is to research and mitigate risks in derivatives trading and in risk management in general. The association has published an ISDA Master Agreement, which is used for the standardised settlement of derivative transactions.

Issuer rating

An issuer rating (for banks and insurance companies) represents the current opinion of a rating agency about a debtor‘s general financial ability to meet its financial obligations. This opinion relates in particular to a debtor’s ability and willingness to settle its financial liabilities in full and on time.

Liability for incurred claims (LIC)

LIC is a component of technical liabilities under IFRS 17 and represents the fulfilment cash flows for expected cost and claims payments for claims that have already occurred over the settlement period.

Liability for remaining coverage (LRC)

LRC is a component of technical liabilities under IFRS 17 and comprises the fulfilment cash flows for remaining coverage and the adjusted contractual service margin.

Loan under a building savings contract

After allocation of a building savings contract, there is a claim to a loan under a building savings contract, which is granted for housing financing activities. The amount of the loan under a building savings contract is typically determined by the difference between the building savings contract volume and the building savings contract balance. Special features of this loan are a fixed low interest rate for the entire term, the ability to subordinate collateral and the right to make unscheduled payments at any time.

Loss component

Under IFRS 17, a loss component represents the expected future loss on insurance contracts separate from the contractual service margin. A loss component is recognised in the balance sheet as a component of the technical liability and reduced in stages over the coverage period. The change in a loss component is expensed directly.

Loss ratio

Percentage ratio of loss expenses to premiums attributable to the financial year, i.e. those that are “earned“.

Mixed funds

Investment funds that invest both in equities and in fixed-income securities.

Monte Carlo simulation

Simulation of random numbers.

Net new business

For home loan and savings banks, net new business describes the sum of all building-savings contracts paid in during a certain period of time.

New business (annual portfolio contributions)

Annual portfolio contributions in property/casualty business that are added to the total portfolio over the course of the year on account of new contracts or contract amendments with a new business character (new contract or contract change to a different contract group).

New construction financing business

New advance and bridge loan business measured on the basis of accepted loans and accepted “Wohndarlehen Classic” new financing business.

New construction financing business (including brokering for third parties)

Total of net new construction financing business (including brokering for third parties). The net new business includes contracts that have been signed by debtor (customer) and lender.

New premium

This contains annual premiums from new life insurance business, including one-off premiums.

Non-controlling interests in equity

Interests in own funds of consolidated subsidiaries that, in the Group‘s view, are held by outside third parties.

Non-technical account

The result from those types of income and expenses that are not allocated to direct insurance business.

Options

Forward contracts where the buyer is entitled but not obligated to purchase (call option) or sell (put option) the subject of the option within a certain period at a price agreed to in advance. The seller of the option (writer) is obligated to provide or accept the subject of the option and receives a fee for granting the option.

OTC (over the counter) derivatives

Derivative financial instruments that are not standardised and not traded on a stock exchange but instead are individually negotiated between two contractual partners.

Paid in

A newly concluded building savings contract is deemed paid in after payment in full of the conclusion fee.

Premium allocation approach (PAA)

Under IFRS 17, PPA is a simplified measurement approach that can alternatively be applied to short-term insurance contracts with a coverage period of not more than one year. As a convenience, the provision for future policy benefits is presented using the provision for unearned premiums.

Premiums, written/earned

The premium is the price for the benefit to be provided by the insurer. It can be paid either continually or as a oneoff premium. Written premiums are premium revenues received for the respective financial year. Earned premiums are the amounts attributable to the financial year.

Primary insurance

Primary insurance is established through a direct contractual relationship between the insurance company and the policyholder and is described as direct insurance business.

Provision for future policy benefits

The insurance company creates a provision for future policy benefits in order to be able to guarantee the promised insurance cover at any time.

Provision for outstanding insurance claims

This is a provision for expenses arising from claims that occurred in the respective financial year but have not yet been able to be settled. It also includes provisions for claims that occurred before the reporting date but have not yet been reported.

Provision for unearned premiums

These premium revenues are allocated to income from future financial years. They are calculated individually and to the day for each insurance contract.

Public funds

Investment funds whose units can be purchased by anyone. Purchase and sale are possible when stock exchanges are open.

Quoted prices

Quoted prices are characterised by the fact that they are readily and regularly available. Quotes are made via a stock exchange, a broker, an industry group, a pricing service or a supervisory authority. Prices must be accessible to the public. Prices quoted on a stock exchange, as well as pricing on OTC markets, are publicly available if the prices are available to the public, for example via Reuters or Bloomberg.

Reinsurance

An insurance company insures part of its risk with another insurance company (the reinsurer).

Reserve for financial assets at fair value through other comprehensive income

In this reserve market value changes to assets belonging to the category "Financial assets available for sale" are recognised directly in equity in the reserve for financial assets available for sale. It is a component of equity.

Result attributable to non-controlling interests

Shares in consolidated net profit that, in the Group's view, are attributable to outside third parties.

Retained earnings

Recognised as retained earnings in individual HGB financial statements are only those amounts that were accrued from net income in the financial year or in previous financial years. They strengthen the company's financial matter.

Retrocession

Assumption of the risks of reinsurance companies by other reinsurers.

Risk adjustment for non-financial risks

Under IFRS 17, the risk adjustment for non-financial risks represents the compensation requested for bearing the uncertainty of the timing and amount of the technical cash flows when fulfilling insurance contracts.

Risk provision

The arrangements in IFRS 9 concerning risk provision are applied to financial assets at amortised cost or at fair value through other comprehensive income, as well as to loan commitments and issued finance guarantees. In the case of assets at amortised cost, the risk provision is recognised directly in the risk provision position associated with the respective balance sheet item. In the case of assets at fair value through other comprehensive in-come, the risk provision is recognised in the income statement by adjusting the reserve for financial assets at fair value through other comprehensive income, which is recognised in equity. The risk provision for off-balance-sheet business is recognised as an expense under "Other provisions". This risk provision is essentially calculated the same way as that for financial assets.

Solvency II group

A Solvency II group involves a group of insurance undertakings. The participations of the parent undertaking are pooled in an insurance group. The supervisory authority thus has the ability to examine the financial situation from the standpoint of the group.

Solvency ratio

Term from the insurance industry. The solvency ratio indicates the relationship between an insurance company's own funds and the value of its capital investments as weighted according to investment risk. The higher the ratio, the more risks the insurance company may assume pursuant to European investment regulations.

Special funds

Investment funds that are open only to a limited group of investors. These are usually institutional investors, such as insurance companies, pension funds, foundations, etc.

SPPI (solely payments of principal and interest)

If a financial asset is assigned to the business model "Hold to collect" or "Hold to collect and sell", it must be assessed on the basis of contractual agreements whether the cash flows contain only principal and interest payments, known as basic loan features (SPPI test).

Statement of compliance

Section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) requires the executive board and the supervisory board of a listed company to issue an annual declaration that they have complied with the recommendations of the German Corporate Governance Code and to state which recommendations of the Code were not applied.

Stress test

The stress test simulates the effects that future negative developments on the capital markets – such as a drop in share prices accompanied by a rise in interest rates – can have on the coverage of guaranteed benefits and the solvency of the company.

Structured entity

With a structured entity, voting and comparable rights are not the definitive factors in determining who controls the company. Voting rights merely cover administrative duties, whereas material activities are performed pursuant to contractual arrangements.

Technical result

Under IFRS 17, a technical result is calculated in accordance with new principles and consists of technical income and technical expenses. The technical result incorporates changes relating to current services. These comprise, for instance, changes in the contractual service margin (CSM) through profit or loss and changes to the risk adjustment for non-financial risks. It also includes changes relating to past services in the form of the adjustment of the obligation for incurred claims.

Valuation reserves

Difference between the fair value and the carrying amount of certain asset classes. In HGB financial statements, this includes capital investments. In IFRS financial statements, this includes, for example, financial instruments that are not recognised at fair value. The same applies to investment property carried at amortised cost.

Value at risk (VaR)

The VaR is a measure of risk that indicates what value the loss of a certain risk position will not exceed with a stipulated probability of default (confidence level) during a stipulated time interval.

Variable fee approach (VFA)

Under IFRS 17, VFA is a measurement approach that is a modification of the general measurement model applied to insurance contracts with direct participation features.

Volatility

The standard deviation, translated to one year, of the logarithmic growth of a risk factor.

Württembergische

The term "Württembergische" includes Württembergische Lebensversicherung AG, Württembergische Versicherung AG and die Württembergische Krankenversicherung AG.

WürttLeben Group

Mainly formed by the two companies Württembergische Lebensversicherung AG and Allgemeine Rentenanstalt Pensionskasse AG. It also comprises other smaller consolidated companies and several consolidated investment funds.

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