

Wüstenrot & Württembergische AG

Proposed Tier 2 Issuance Debt Investor Presentation

August / September 2021

Executive summary: Investing in one of the most efficient and experienced providers of financial planning solutions in Germany

W&W Group today

Stable and well balanced business model providing customers housing & insurance solutions
More than 6.7 million customers, many with multiple contracts
Active almost exclusively in the domestic German market

Future prospects

New digital brands introduced to unlock digital transformation potential
Broad customer coverage and multiple distribution channels provide growth opportunities
Cost structure optimization and efficiency improvement to further support profitability

Profitability and efficiency

Sustainable profits at a competitive productivity and cost level
Solid financial results despite challenging environment
Historically consistent profitability underpins the resilience of our business

Strong financial position

W&W Group has a Financial Strength Rating of A- from S&P
Robust Solvency II capitalization: W&W Group 239%, W&W AG (solo) 399% (H1 2021)
Strong financial flexibility thanks to very low financial leverage of 6%

Proposed transaction

Inaugural dated EUR [250-300]mn subordinated Tier 2 offering
Optimize Group's capital structure by meeting both regulatory and S&P criteria
20NC10 format with mandatory and optional coupon deferral

Agenda

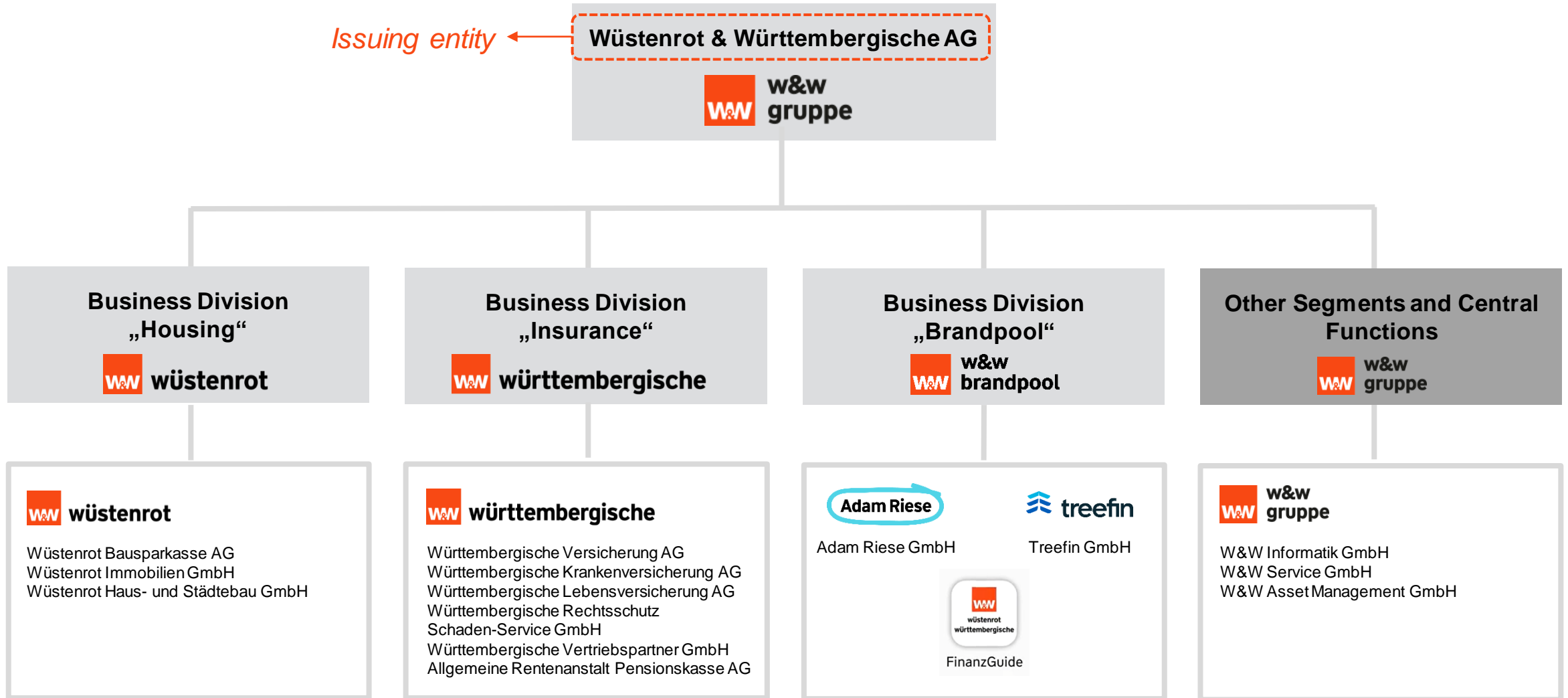
W&W overview and strategy

Results update

Capital position and rating

Proposed transaction

Group structure and issuing entity



W&W overview – Leading banking and insurance group in Germany

2

“Bausparen”

12

Life Insurance

9

Property and
Casualty Insurance

~6.7 mn

Customers

>6,000

Sales agents

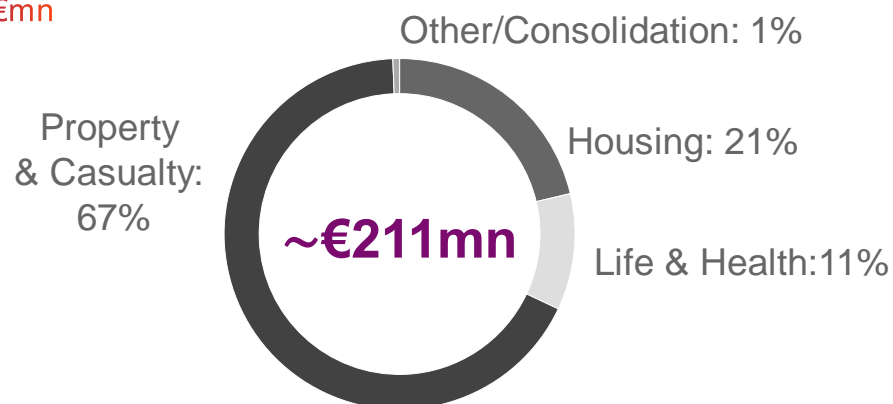
~6,400

Employees

Diversified banking & insurance business with strong earnings and solid balance sheet

Group IFRS net profit (FY 2020)

in €mn



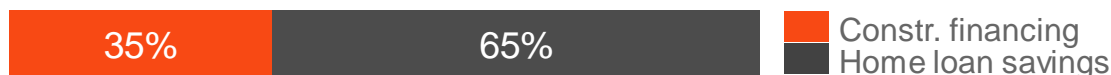
Focus on domestic business

W&W Group operates almost exclusively in Germany¹

Split of insurance GWP (FY2020)



Split of housing business (FY2020)



Consolidated balance sheet (IFRS)

	31 Dec 2020 in €bn	30 Jun 2021 in €bn
Total assets	76.5	75.1
Capital investments	51.3	49.3
Building loans	22.8	23.3
Technical provisions	39.4	38.8
Equity	5.1	4.9

Regulatory capital of group key entities²

	31 Dec 2020 (in %)	30 Jun 2021 (in %)
W&W Group	233	239
W&W AG (solo)	405	399
Württembergische Vers. AG (P&C)	201	191
Württembergische LV AG (Life)	422	519
Wüstenrot Bausparkasse AG	15.8	18.6

Excellent client base with growth potential

~6.7 mn
Customers



Multiple contracts per customer



High client retention (low churn rate)


















Solvent customer base



Increasing digital affinity

Dedicated to financial planning – The mission of the W&W Group

Business divisions	Housing	Life & Health Insurance	Property & Casualty Insurance	brandpool
Brands				  
Product groups	 "Bausparen"	 Life & retirement	 Car & mobility	 Digital insurance brand of W&W
	 Construction financing	 Health & care	 Liability & law	 Digital financial assistant
	 Home & living		 Accident etc.	

Our strong sales force is broadly positioned to capture further growth

Own sales channels

~ 3,000 tied agents
Württembergische

~ 3,000 tied agents Wüstenrot

Direct channels



Partnerships and cooperations

Banks



Insurance companies



Financial sales networks



Brokers

10,000
brokers

Others



Strategic initiative 'W&W Besser!': Stage 2 launched to improve net profit

Strategic KPIs

- Long-term group net profit (IFRS) of €220-250mn*
- Annual result of W&W AG (HGB) \geq €100mn
- Growth rate above market average
- Improve productivity by \varnothing 5% p.a
- Employee satisfaction index \geq 75%
- > 6.5 million customers

Strategic initiative 'W&W Besser!' - Current focus on Stage 2



Service

"Inspiring customers and employees"

Growth

"Doubling market growth in profitable lines!"



Sales

"Tapping new customer groups and providing even better service to existing customers!"

Cost

"Lower costs to at least the market level"



W&W Group's sustainability goals in a nutshell

Implementation of "green" product features and components in all business areas

Increased consideration of social and environmental considerations into the investment strategy, ongoing reduction of the capital investments' carbon emissions

Reduction of printing and consumption, goal of making the own operations emission-free

Increasing employer attractiveness and employee satisfaction through the "Future of Work" package and the Diversity Charter (flexible work and diversity)

We will continue to be a strong sponsor of cultural, sporting, social and regional offerings as well as expanding educational partnerships

Organizational implementation of sustainability¹ through a Sustainability Board as well as a sustainability officer

Signatory of: May 13, 2020



August 4, 2020



PSI
Principles
for Sustainable
Insurance

W&W Group is implementing these goals as part of a new sustainability strategy in 2021

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Overview of the first half of 2021: Record results thanks to positive capital market development

W&W enjoys strong growth in its core segments of Housing and Insurance.

Record consolidated net income of EUR 196.2 million due to high measurement result and low loss ratio.

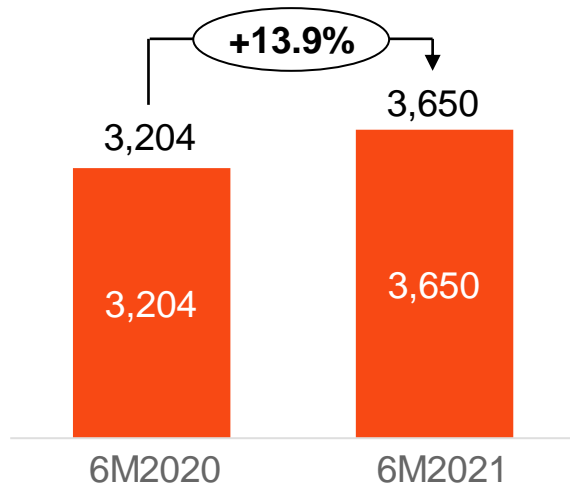
Reinsurance programme extensively limits the negative impact of high natural disaster claims in June and will do so in the future.

W&W Besser!: Continuous progress in the strategic initiatives in all divisions.

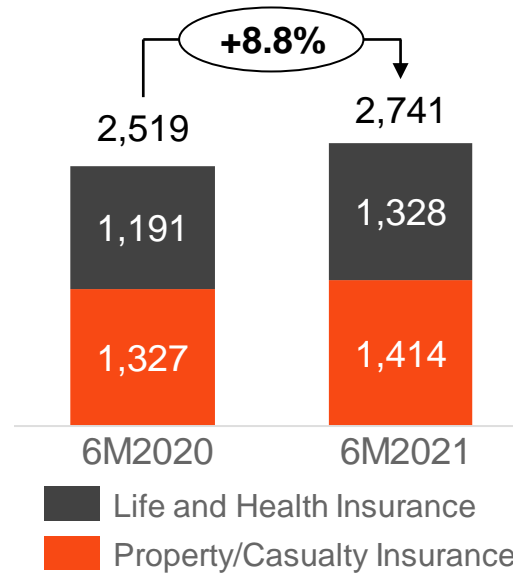
Consolidated net income forecast confirmed at EUR 280 to 330 million in 2021 despite claims due to storm damage in the summer months.

Strong growth in W&W's core business

Construction financing in EUR millions



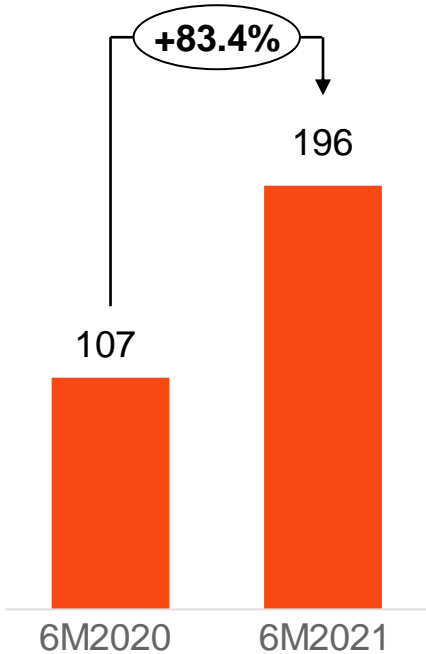
Gross written premiums in EUR millions



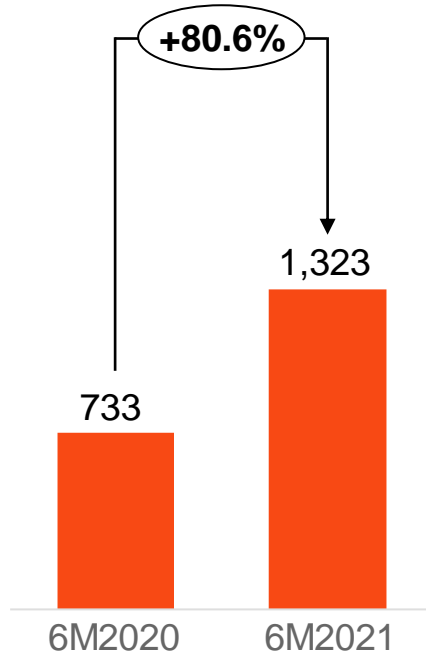
- **Substantial growth in construction financing and gross premiums of the insurance companies** (Property/Casualty Insurance and Life and Health Insurance)

Record results thanks to capital market recovery and stable costs

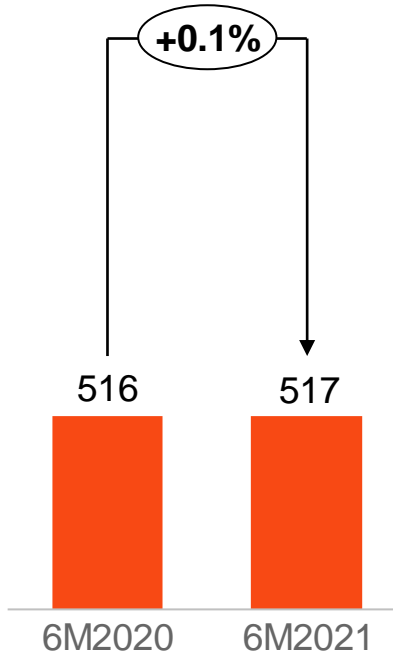
Net Income in EUR millions



Net financial result in EUR millions



General administrative expenses in EUR millions



- Substantial rise in consolidated net income due to **recovery** on the capital markets and favourable claims development
- Net financial result: Measurement result improves thanks to **positive stock market development** in particular
- **Systematic cost management** and lower travel and consulting costs offset the higher personnel expenses due to salary increases under collective bargaining agreements.

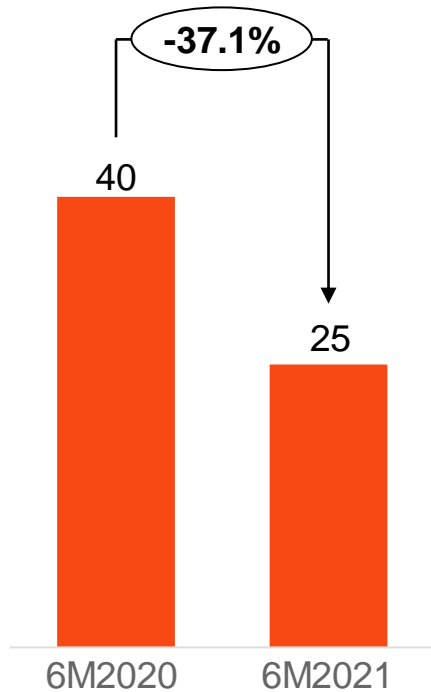
Segment overview – Strong results in Property/Casualty Insurance in particular

Reportable segments (in EUR millions)	6M 2021	6M 2020	Change
Housing segment	24.9	39.6	-14.7
Life and Health Insurance segment	28.3	10.7	17.6
Property/Casualty Insurance segment	133.4	62.4	71.0
All other segments/consolidation	9.6	-5.7	15.3
Consolidated net income	196.2	107.0	89.2
<i>Net income before taxes</i>	282.6	163.6	119.0
<i>Taxes</i>	-86.4	-56.6	-29.8

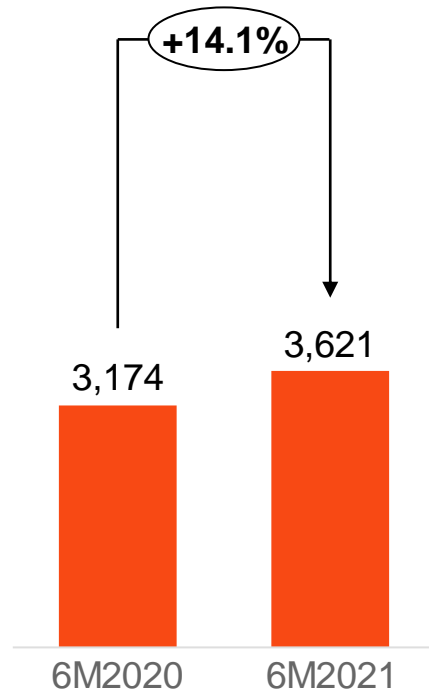
- Consolidated net income at record level
- This was mainly driven by positive claims development in Property/Casualty Insurance despite the natural disaster claims in June.
- Positive capital market development resulting in measurement gains

Housing segment: Operating result at prior-year level

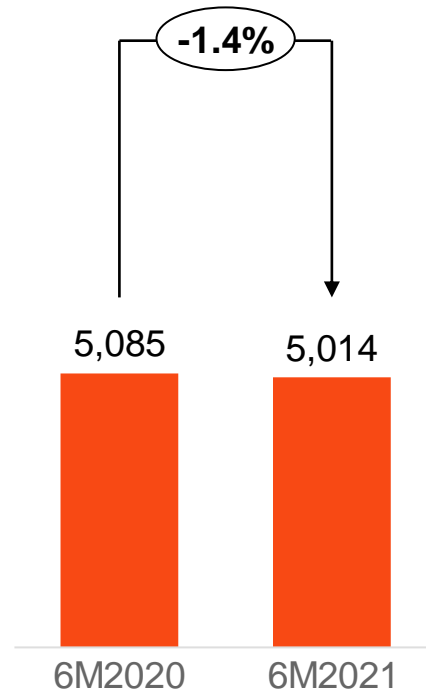
Segment net income in EUR millions



Construction financing in EUR millions



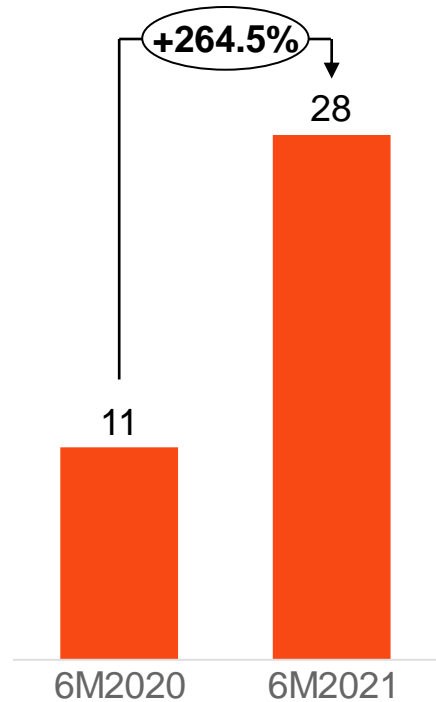
New home loan savings business (net) in EUR millions



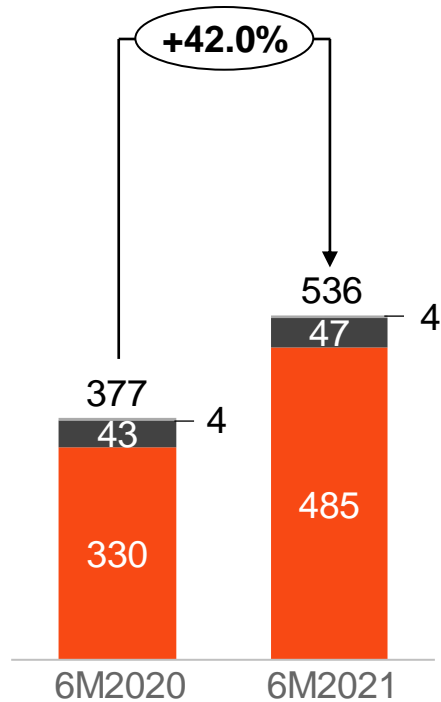
- Net income in the Housing segment declined in H1 2021 in particular because the prior-year figure included non-recurring income from the first-time consolidation of Aachener Bausparkasse AG.
- The net financial result rose slightly to EUR 193.2 (previous year: 190.2) million.
- General administrative expenses amounted to EUR 168.2 (previous year: 162.9) million. Materials costs increased largely as a result of higher contributions to the bank levy and deposit guarantee.
- Net new home loan savings business was down slightly on the previous year but outperformed the market as a whole.

Life and Health Insurance segment: Encouraging development in new life insurance business in particular

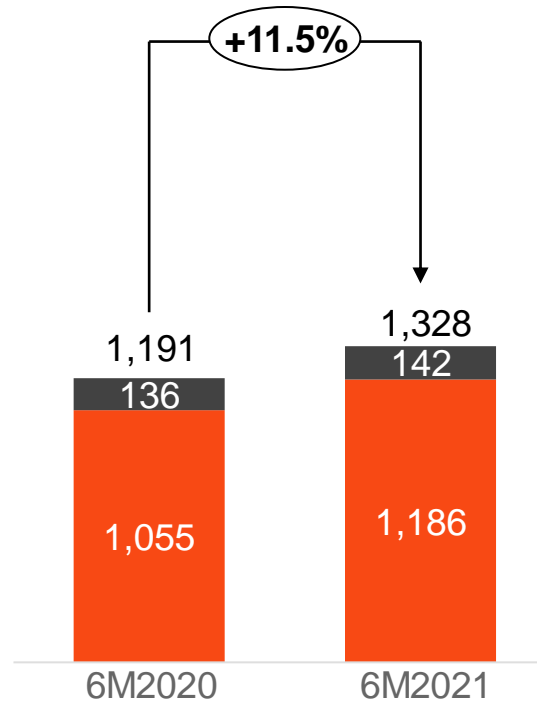
Segment net income
in EUR millions



New business premiums
in EUR millions



Gross written premiums
in EUR millions



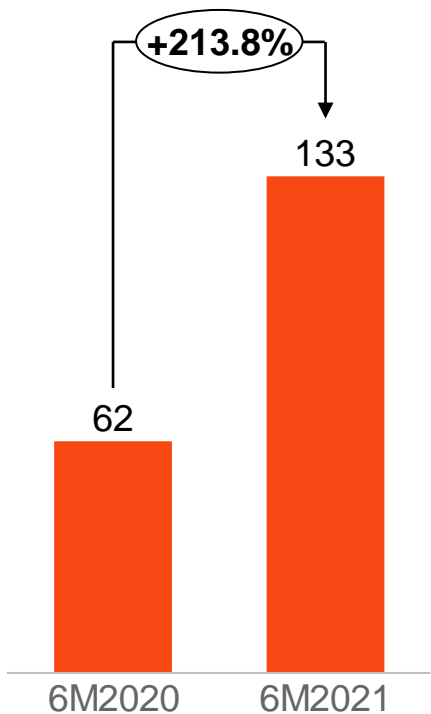
Health insurance
 Regular premiums, life
 Single premiums, life

Health
 Life

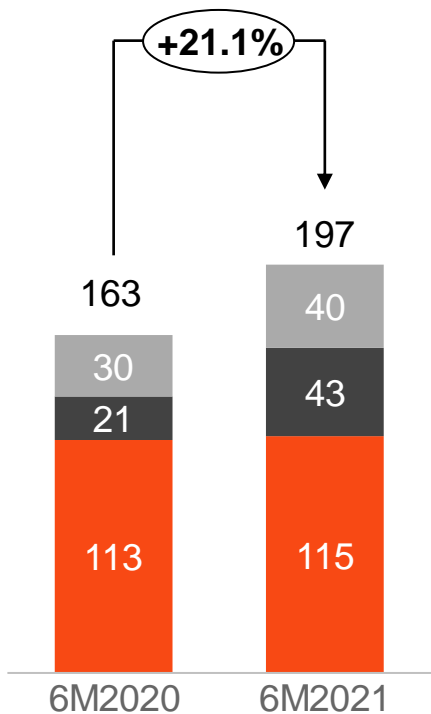
- The net financial result rose significantly to EUR 1,052.2 (previous year: 510.5) million; this was attributable in particular to the sharp rise in the measurement result thanks to measurement gains on alternative investments and equities as well as the positive development of ULIP* capital investments.
- Insurance benefits amounted to EUR 2,165.5 (previous year: 1,520.9) million. Among other things, this increase was due to higher additions to the provision for ULIP*.
- Lower materials costs more than offset higher personnel expenses.
- Increase in gross premiums written is largely attributable to higher level of single premiums.

Property/Casualty Insurance segment: Consistently strong growth and record net income

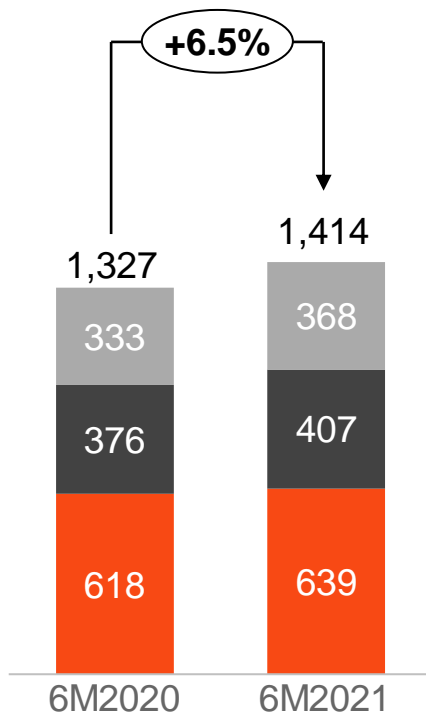
Segment net income
in EUR millions



New business
in EUR millions



Gross written premiums
in EUR millions



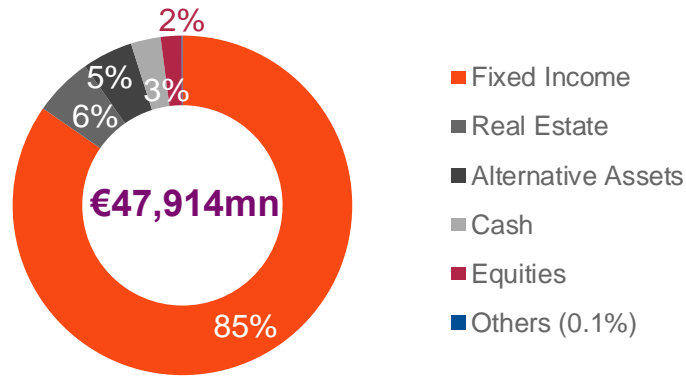
Corporate customers
 Retail customers
 Motor

- The net financial result amounted to EUR 61.4 (previous year: 3.0) million; Here, too, the main driver was the higher measurement result.
- Although the storms in June led to substantial expenses due to mid-eight-digit natural disaster claims (net), the impact on earnings was limited by the reinsurance programme. The loss ratio (net) was reduced to a low 58.1% (previous year: 60.4%) thanks to our extremely strong portfolio. The cost ratio (net) declined to 24.3% (previous year: 24.9%). The combined ratio (net) amounted to 82.4% (previous year: 85.3%).
- Growth in gross premiums written in all business segments

A conservative high quality investment portfolio¹

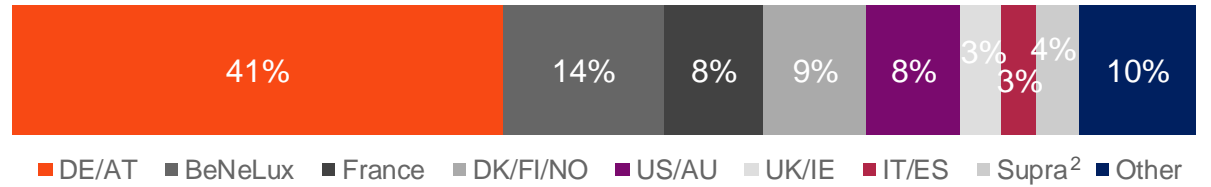
Investment portfolio

Breakdown by asset class



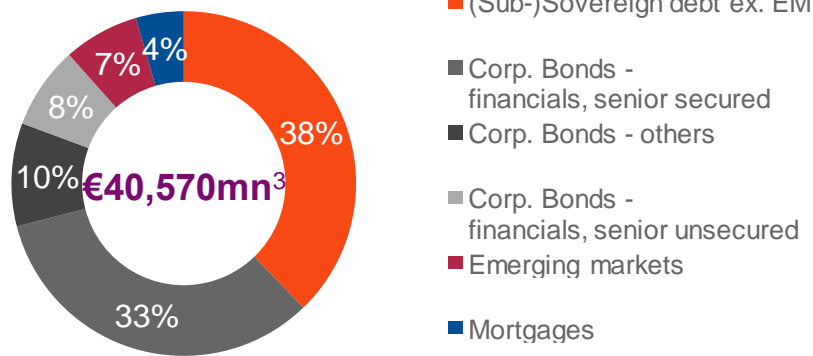
Investment portfolio

Breakdown by geography



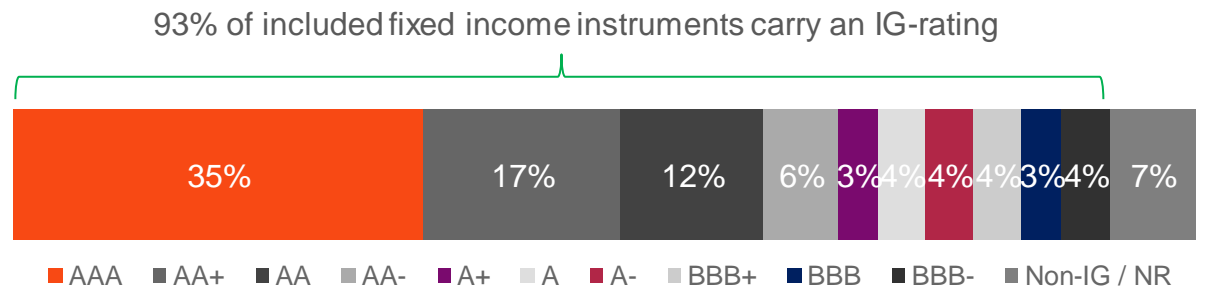
Fixed income portfolio

Breakdown by instrument category



Fixed income portfolio

Breakdown by rating



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W&W overview and strategy

Results update

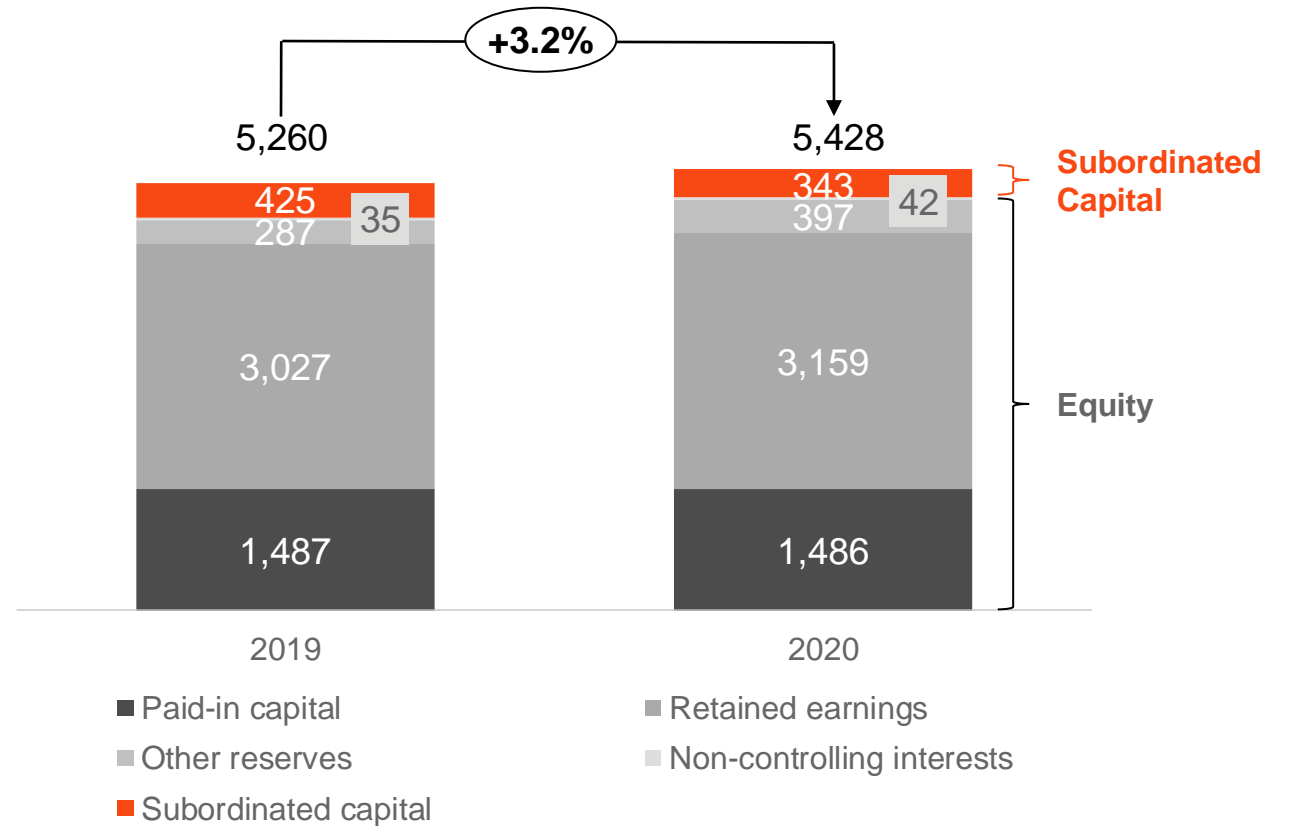
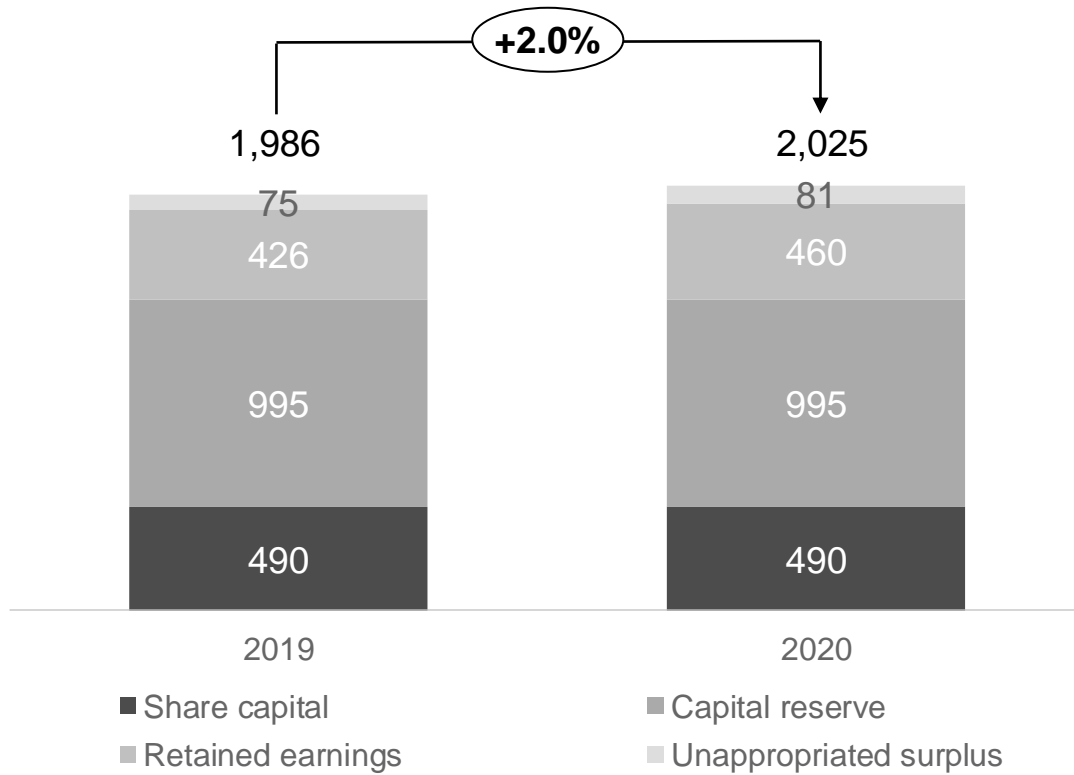
Capital position and rating

Proposed transaction

IFRS and German GAAP equity position and capital structure

W&W AG (solo) German GAAP Equity
in €mn

W&W Group IFRS Equity & Subordinated Debt
In €mn

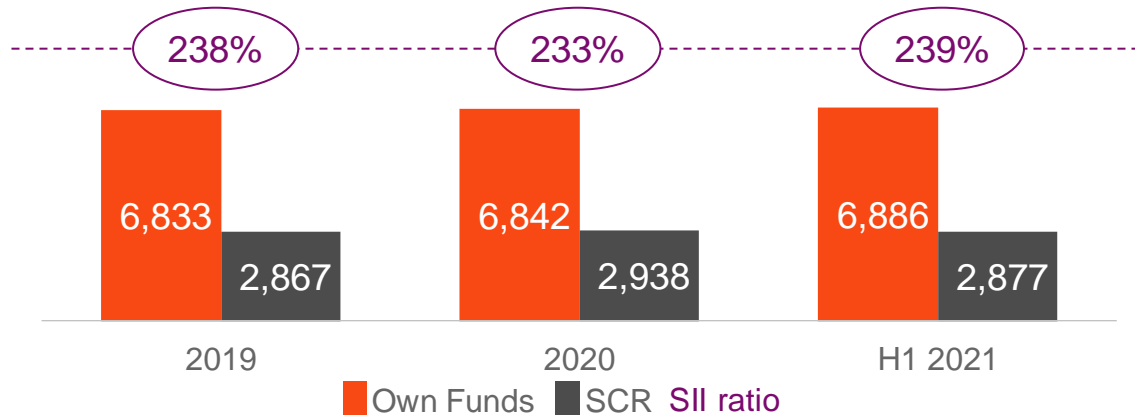


Low Group leverage of 6%¹

Solvency II position and sensitivities

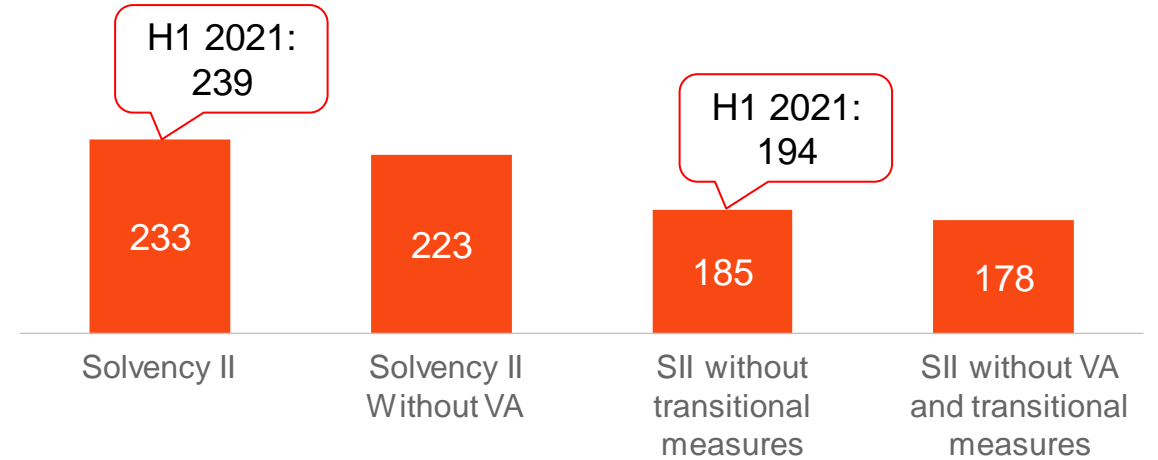
W&W Group Solvency II position

in €mn



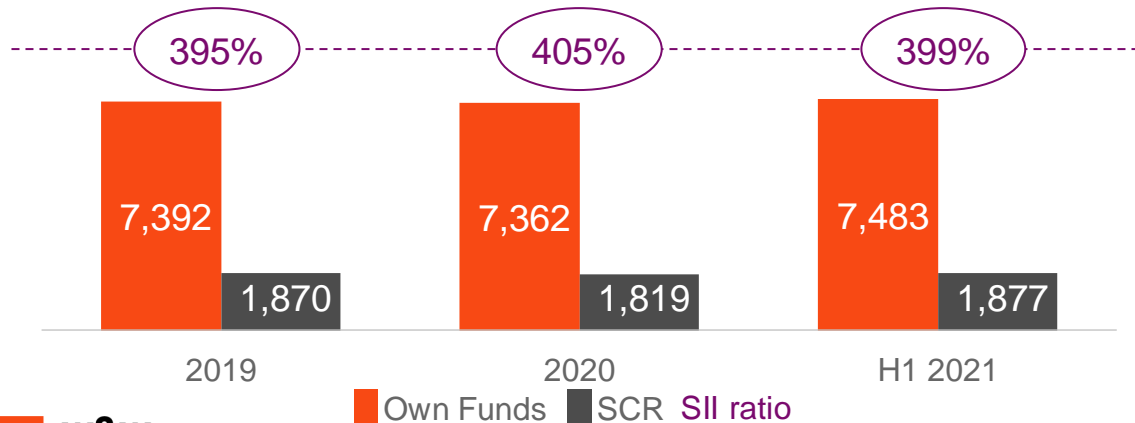
Impact of VA and Transitional Measures

Group SII Ratio (%; as at 31 Dec 2020)



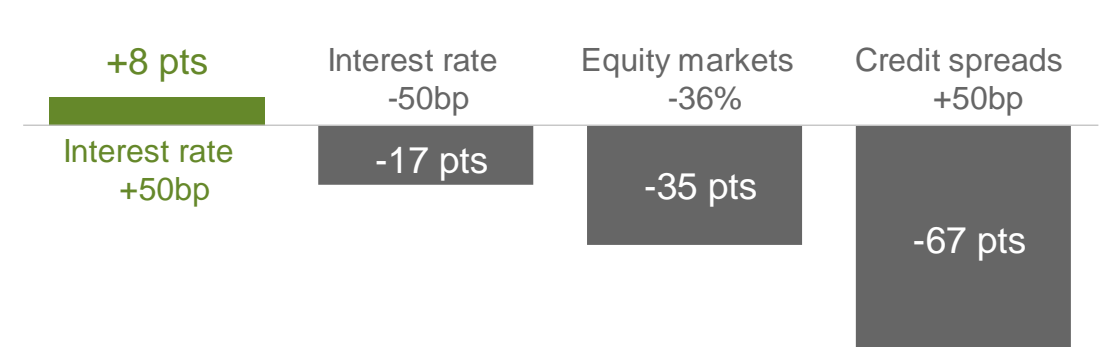
W&W AG (solo) Solvency II position

in €mn



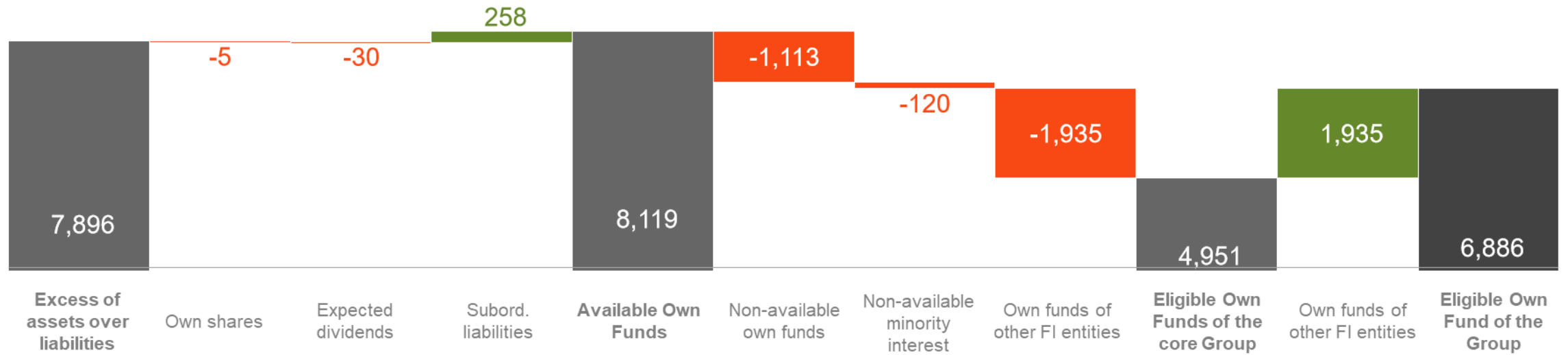
W&W Group Solvency II selected sensitivities

In percentage points, based on SII ratio of 233% (as at 31 Dec 2020)

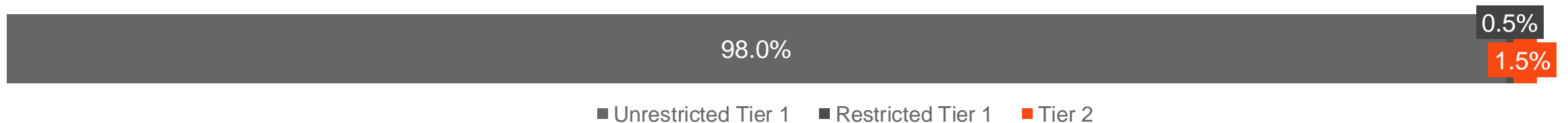


Solvency II own funds composition

W&W Group own funds reconciliation in €mn (H1 2021)

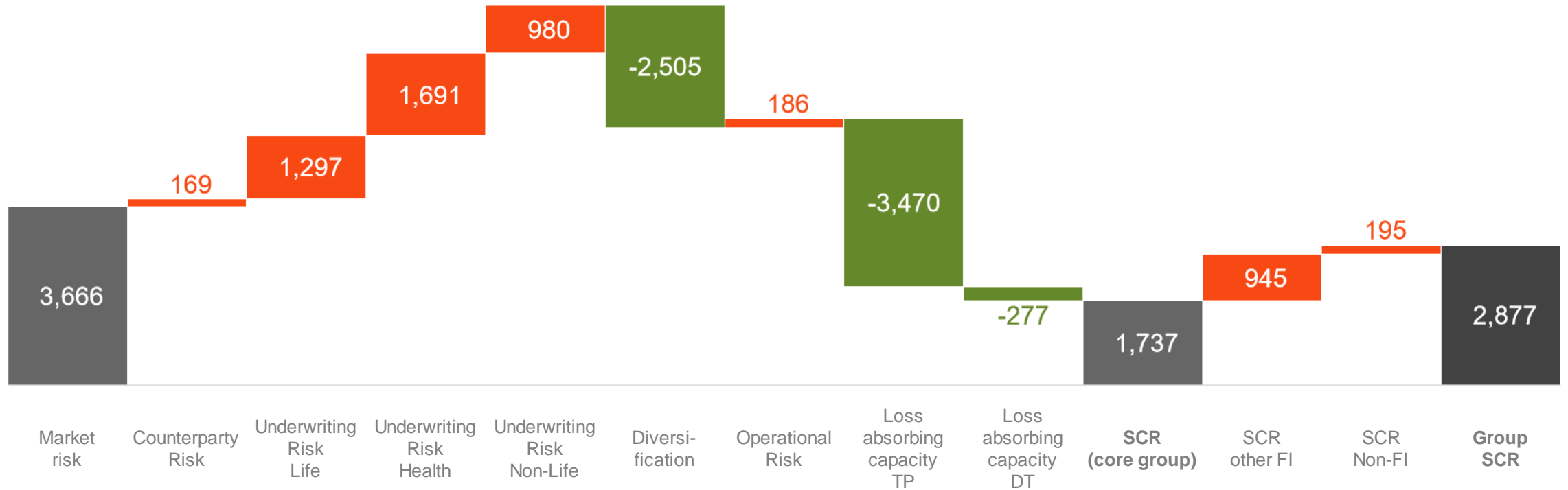


W&W Group eligible own funds tiering In % (H1 2021)



W&W Group SCR breakdown

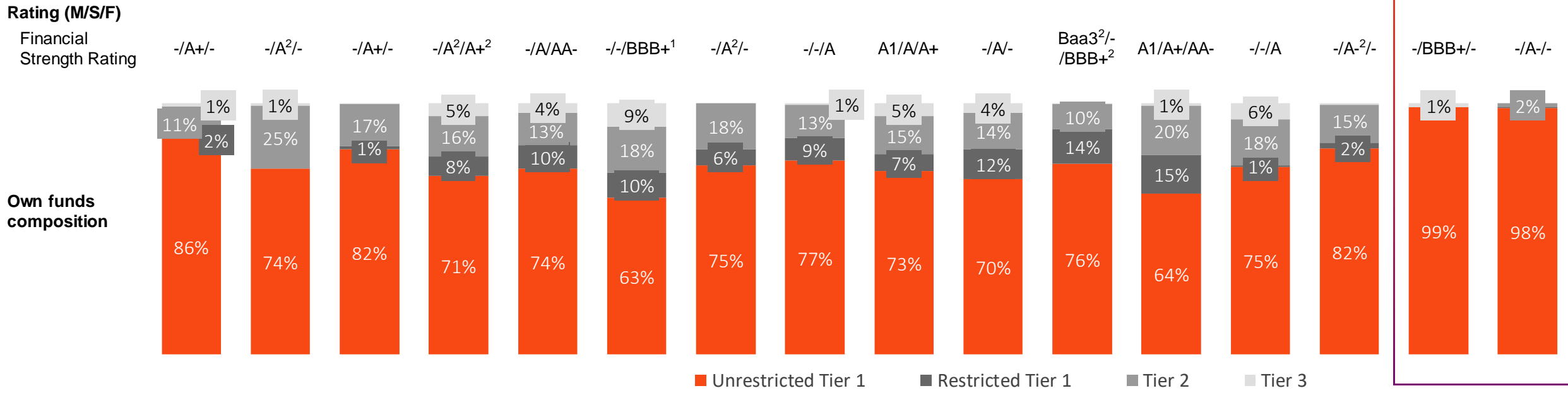
W&W Group SCR breakdown
in €mn (H1 2021)



Comparison of credit metrics: W&W and selected European insurers



	talanx	UNIQA	VIG	achmea	NN	ATHORA Netherlands	a.s.r.	Groupama	CNP	AG2R LA MONDIALE	Unipol GRUPPO	ageas	ethias	storebrand	W&W AG	W&W Group
Solvency II ratio																
incl. TM	260%	-	238%	-	210%	-	-	244%	-	180%	-	199%	-	178%	-	233%
excl. TM	206%	170%	195%	208%	205%	161%	199%	152%	208%	136%	216%	190%	187%	166%	405%	185%
Solvency II leverage³	24%	34%	18%	24%	29%	28%	26%	22%	27%	30%	46%	37%	19%	18%	0%	4%



Notes: TM – Transitional measures; 1) Issuer Default Rating; 2) FSR of main operating entities; 3) Solvency II leverage = (Senior debt + Subordinated debt) / (Available own funds + Senior debt). Subordinated debt and own funds based on Solvency II value. Source: Companies financial statements and SFCRs as of FY2020

Rating: Strong Business & Risk Profile and Exceptional Liquidity

W&W Group Financial Strength Rating

A-
(Outlook stable)

Expected Issue Rating

BBB-

W&W Group Entity

Long-Term Issuer Credit Rating

Wüstenrot & Württembergische AG ¹	BBB+ stable
Württembergische Versicherung AG	A- stable
Württembergische Lebensversicherung AG	A- stable
Wüstenrot Bausparkasse AG	A- stable

S&P View²

Business Risk Profile: **Strong**
Financial Risk Profile: **Strong**
Liquidity: **Exceptional**

S&P comments from latest rating affirmation³:

- “...unique bancassurance structure and dual-brand strategy based on its strong and diverse tied-agent network”
- “...W&W benefits from its diversified product base and earnings...”
- “...favorable strategic-risk-management capabilities”
- “...W&W's sound consolidated capital and earnings position is supported by the group's robust earnings, conservative investment strategy, and prudent dividend payments.”

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Proposed transaction overview

Key terms of the proposed transaction	
Issuer	Wüstenrot & Württembergische AG (W&W AG)
Instrument rating	BBB- (expected)
Format	20NC10 with 6-months par call
Status	Subordinated
Size	EUR [250-300]mn
Coupon structure	Fixed for first 10y, thereafter variable (incl. 100bps step-up)
Coupon deferral	Yes, optional and mandatory
Early redemption	Yes, Issuer's optional call and special redemption rights
Listing	Luxembourg Stock Exchange (Euro MTF)

Transaction rationale

- Take advantage of current supportive market conditions to optimize the Group's capital structure

Use of proceeds

- Proceeds of the transaction will be used for general corporate purposes

Proposed transaction – Indicative terms

Issuer	Wüstenrot & Württembergische AG
Size / Format	EUR [250-300]mn / 20NC10
Expected Issue Rating	BBB- (S&P)
Ranking	The Notes constitute unsecured obligations of the Issuer, ranking <i>pari passu</i> among themselves, subordinated to the Issuer's Senior Ranking Debt
Scheduled maturity	[●] September 2041 (subject to Conditions to Redemption)
Early Redemption at the Option of the Issuer	At par on each business day falling in a period from (and including) [●] March 2031 to (but excluding) the First Reset Date, on the First Reset Date, and on each Floating Interest Payment Date thereafter (subject to Conditions to Redemption)
Interest Rate	[●]% p.a. payable annually in arrear until [●] September 2031 (the First Reset Date); thereafter floating, at prevailing 3-month EURIBOR (or relevant replacement rate) + Margin (incl. 100bps step-up), payable quarterly in arrear
Optional Interest Deferral	Cash cumulative non-compounding interest deferral at Issuer's option subject to a 6-month lookback
Compulsory Interest Deferral	Cash cumulative non-compounding interest deferral upon a Compulsory Deferral Event (in case of an Insolvency Event, a Competent Supervisory Authority prohibiting the payment, or Solvency Capital Event has occurred and the conditions were not met for the exceptional permission of the payment of the relevant interest)
Arrears of Interest	Payable at any time if the Conditions to Settlement are fulfilled; mandatory payment on the next Compulsory Settlement Date
Special redemption events	At par upon a Tax Event, a Regulatory Event, a Rating Agency Event, an Accounting Event, or a Clean-Up Event (≥80%) (in each case subject to Conditions to Redemption)
Conditions to Redemption	(i) no Insolvency Event has occurred and is continuing on such date and the payment would not result in, or accelerate, the occurrence of an Insolvency Event; (ii) no Relevant Consolidated Subsidiary Insolvency Event has occurred and is continuing on such date, unless the Competent Supervisory Authority has not objected to the redemption; (iii) no Solvency Capital Event has occurred and is continuing on such date and the redemption of the Notes would not result in a Solvency Capital Event, unless the redemption is exceptionally permitted; (iv) Competent Supervisory Authority has given its consent to the redemption; (v) before [●] September 2026, the capital is replaced by basic own-fund items of at least the same quality (except in case of a Tax Event or a Regulatory Event, subject to certain additional requirements)
Denomination	EUR 100,000
Applicable Law	German law
Documentation	Preliminary Prospectus dated 30 August 2021
Form / Listing / Clearing	Reg S Bearer / Luxembourg Stock Exchange (Euro MTF) / Clearstream and Euroclear
Target Market	Manufacturer target market (EU and UK MIFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No PRIIPS or UK PRIIPs key information document (KID) has been prepared as the Notes shall not be offered, sold or otherwise made available to retail clients in the EEA, the UK or elsewhere

APPENDIX

Where we come from – 200 years of experience in financial topics



1828 Württembergische Privat-Feuerversicherungsgesellschaft was established, the oldest private property insurance in southern Germany

1921 Wüstenrot (Gemeinschaft der Freunde) was founded, Germany's first home loan and savings bank

1999 Merger of Wüstenrot und Württembergische

2005 Acquisition of Karlsruher Versicherungsgruppe

2010 Acquisition of Allianz Dresdner Bauspar AG

2017 Introducing new digital brand "Adam Riese"

2018 online platform Wüstenrot Wohnwelt started

1833 Allgemeine Rentenanstalt, the first pension insurance in Germany was established



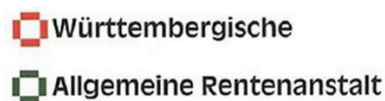
1991 Württembergische Feuerversicherung and Allgemeine Rentenanstalt merged into Württembergische Versicherung AG

2001 Acquisition of Leonberger Bausparkasse AG

2009 Acquisition of Vereinsbank Victoria Bauspar AG

2017 Participation in treefin GmbH; creating "W&W FinanzGuide-App"

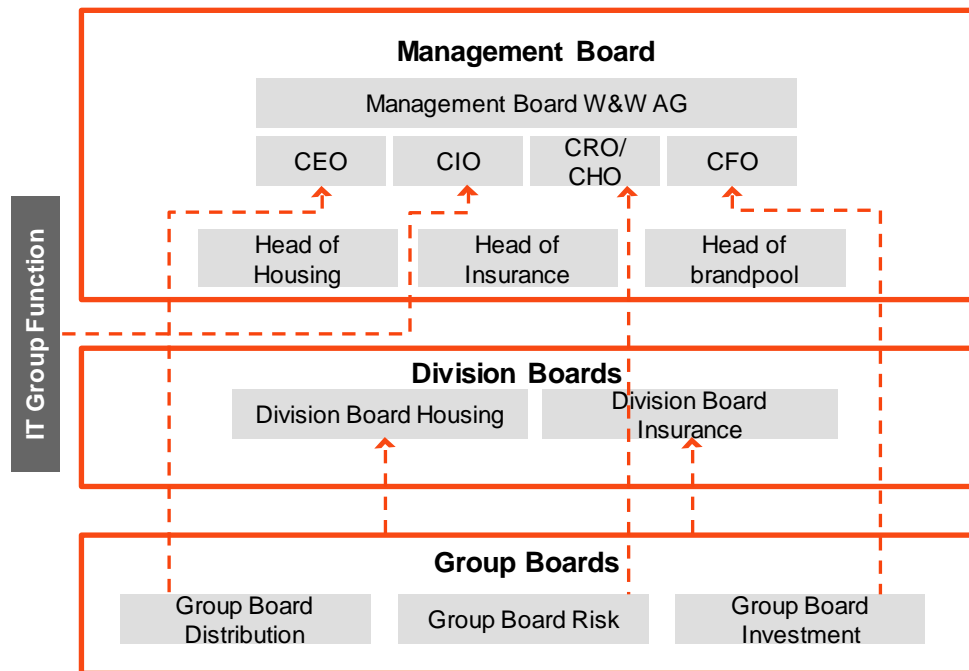
2018 Acquisition of Aachener Bausparkasse AG



Governance and risk management

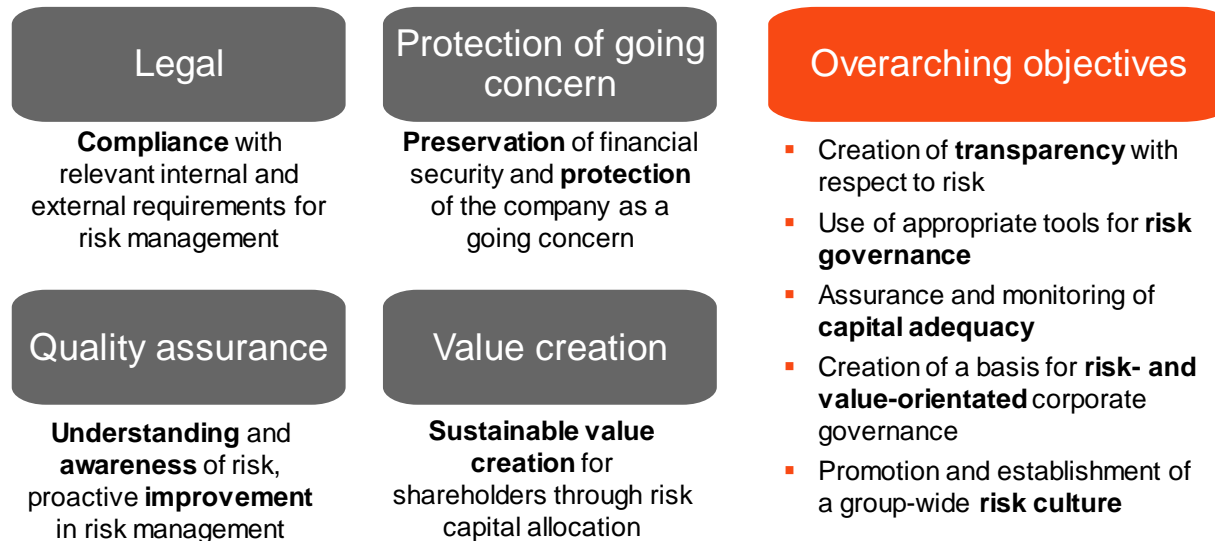
Governance structure

- Corporate governance aimed at **supporting long-term value creation** through **responsible management and control**
- Seeking **affirmation and continuous strengthening of our stakeholders' trust**
- Central governance bodies:** Management Board, Division Boards, Group Boards



--- Reporting line

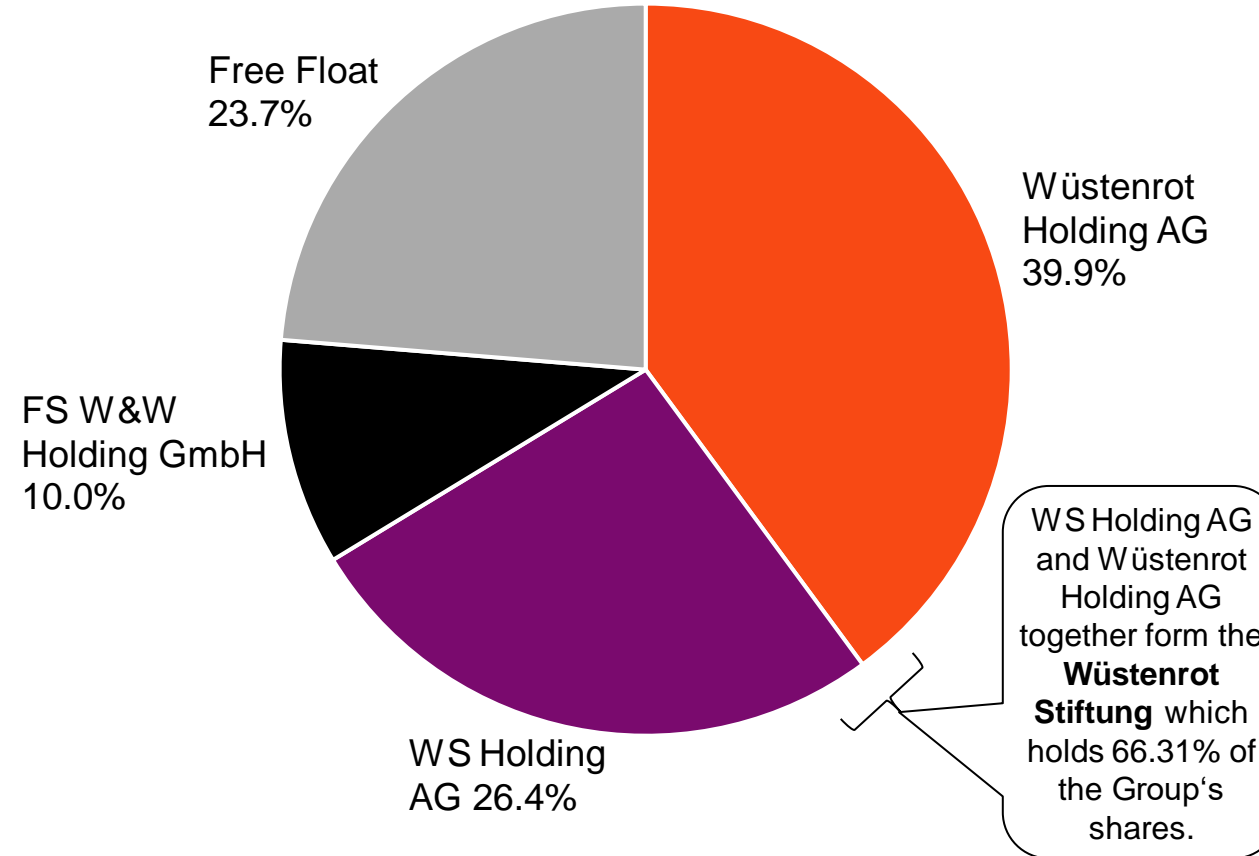
Core functions and objectives of risk management



Overview of the risk management framework

Integrated risk strategy at W&W	Strategic level
Group risk policy	Organisational level
Technical specifications	Process level
Work instructions	

W&W AG: A stable shareholder structure



Key figures show stability and resilience of W&W Group's business

Key figures last 5 years In EUR mn	2016	2017	2018	2019	2020
Gross written premiums	3,988.8	3,873.4	4,065.4	4,319.7	4,491.0
Construction financing	5,388.5	5,517.5	6,280.2	6,347.7	6,748.8
P&C combined ratio (gross)	90.1%	90.7%	89.5%	89.4%	90.6%
Consolidated net income	235.3	258.0	215.2	249.1	210.8
Total assets (EUR bn)	72.3	72.0	72.0	75.2	76.5
Group IFRS Equity (EUR bn)	3.8	4.0	4.2	4.8	5.1
Solvency II (incl. Transitional measures)	194%	201%	255%	238%	233%
W&W Group Financial Strength Rating (S&P)	A- stable	A- stable	A- stable	A- stable	A- stable

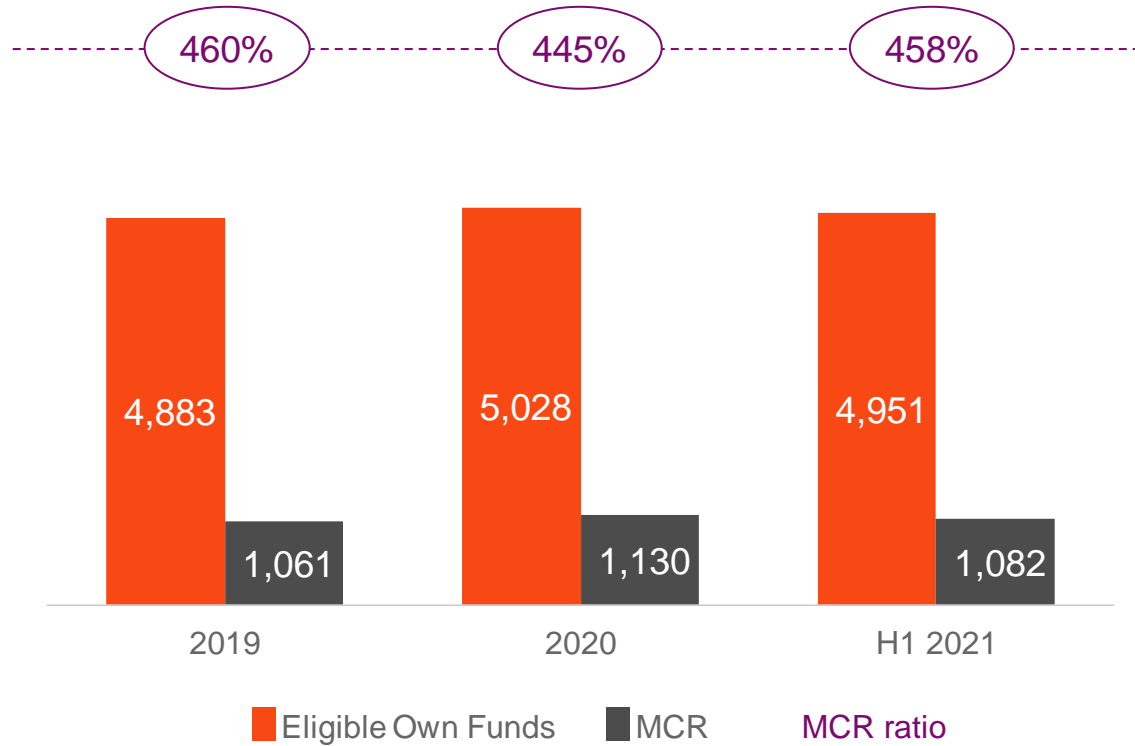
Selected figures for financial years 2019 / 2020

Key P&L and Balance Sheet figures		2019	2020	change
In EUR mn				
Gross written premiums ¹	in EUR mn	4,319.7	4,491.0	4.0%
o/w L&H insurance	in EUR mn	2,372.7	2,445.7	3.1%
o/w P&C insurance	in EUR mn	1,954.4	2,054.7	5.1%
Construction financing	in EUR mn	6,347.7	6,748.8	6.3%
Sales of own and 3rd party investment funds	in EUR mn	481.7	530.2	10.1%
Net financial result ²	in EUR mn	2,353.5	1,812.5	-23.0%
General administrative expenses	in EUR mn	1,080.5	1,014.0	-6.2%
Consolidated net income	in EUR mn	249.1	210.8	-15.4%
o/w Housing net income	in EUR mn	38.3	44.9	17.2%
o/w L&H net income	in EUR mn	26.4	22.6	-14.4%
o/w P&C net income	in EUR mn	143.6	142.0	-1.1%
<hr/>				
Total assets	in EUR bn	75.2	76.5	1.7%
Financial assets	in EUR bn	49.0	51.3	4.7%
Technical provisions	in EUR bn	37.4	39.4	5.3%
Group IFRS Equity	in EUR bn	4.8	5.1	6.3%

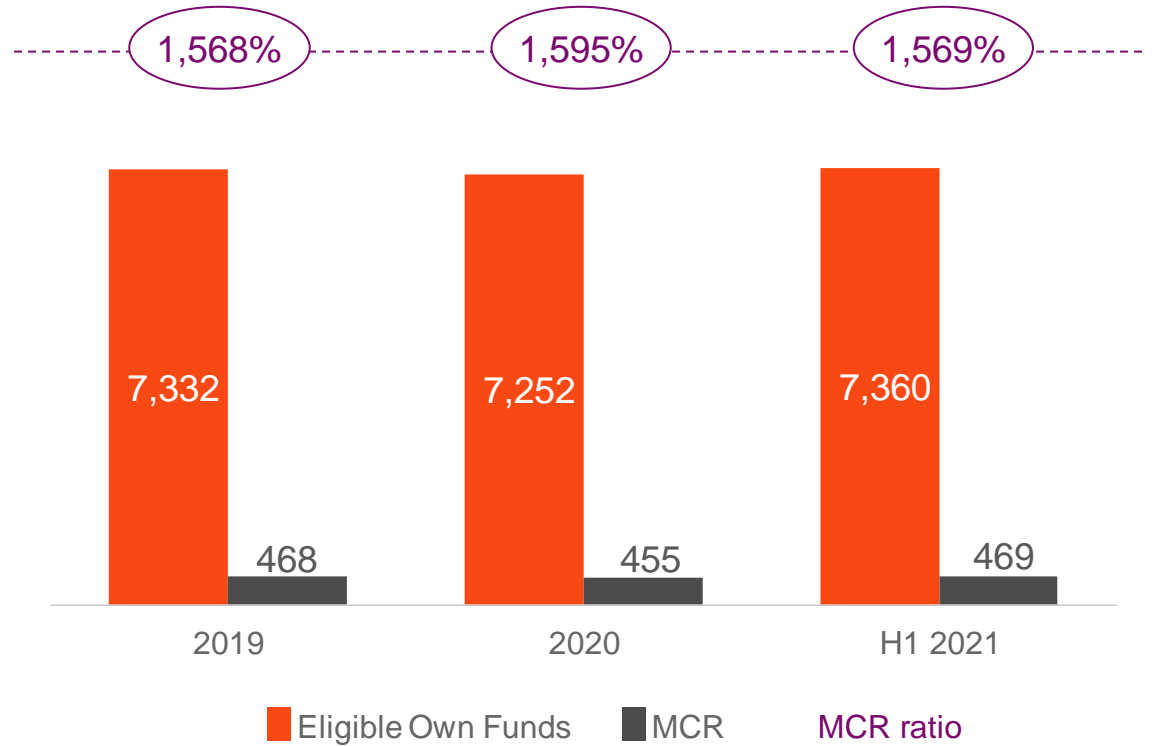
Figures may be rounded; Note: 1) Includes effects of consolidation between segments. 2) After credit risk adjustment
Source: Company Annual Reports 2020

Solvency II: Extremely robust MCR ratios

W&W Group MCR coverage
in €mn



W&W AG (solo) MCR coverage
in €mn

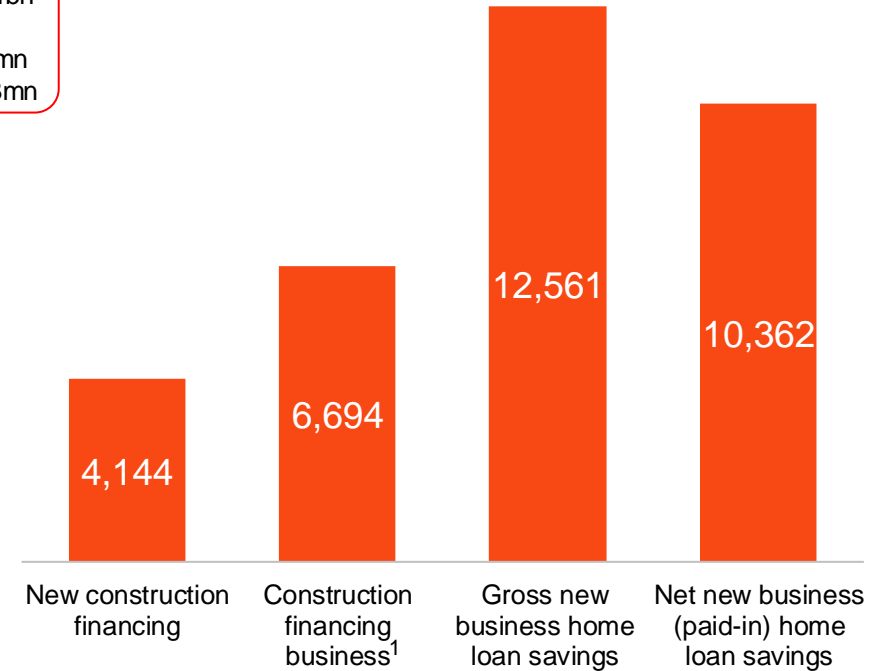
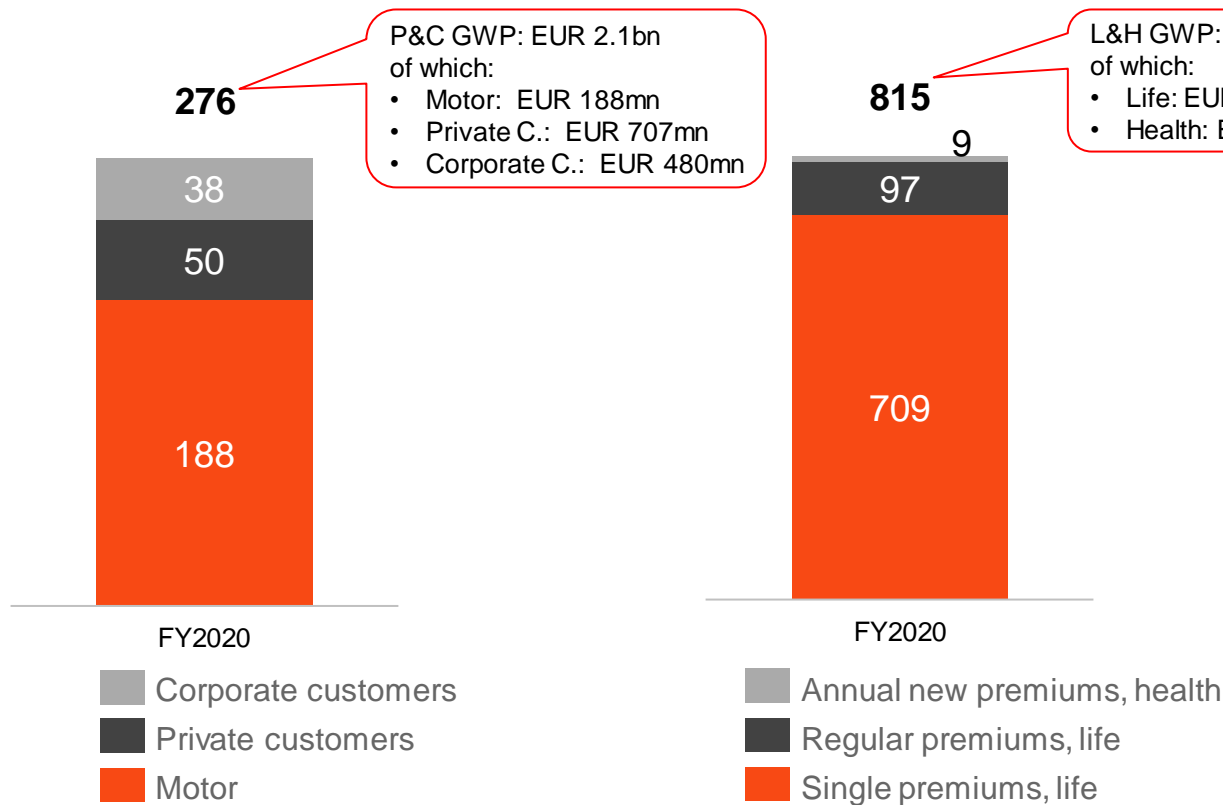


New business volumes by segments

P&C: New premiums
in €mn

L&H: New premiums
in €mn

Housing: New business volumes¹
in €mn, FY2020



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- the impact of regulatory decisions and changes in the regulatory environment;
- the impact of political and economic developments in Germany and other countries in which the Group operates;
- the impact of fluctuations in currency exchange and interest rates; and
- the Group’s ability to achieve the expected return on the investments and capital expenditures it has made in Germany and in foreign countries.

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