

Wüstenrot & Württembergische AG

Annual Report 2019 W&W Group Analyst Conference Call

March, 31th 2020



Agenda

- 1 Overview Group and Financial Results
- 2 Segment Details
- 3 Outlook

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Management Summary

Result 2019 above previous year

- Consolidated net profit of € 249.1 million significantly above previous year (€ 215.2 million).
- Financial result rose sharply to € 2,353 (previous year: € 1,333) million. Significant increases in the value of fixed-income securities, equity securities and investments for unit-linked life insurance. By contrast, current interest income declined. High volatility due to IFRS 9.
- Further good earnings in property / casualty insurance. Combined Ratio (gross) with 89,4% (Vj. 89,5%) significantly better than the market.
- Disproportionately low increase in administrative expenses to € 1,080 (previous year: € 1,073) million.
- The sale of Wüstenrot Bank resulted in a deconsolidation gain of € 9.8 million.

Positive new business development 2019

- Gross new business Bausparen¹ with +0.2% slightly above the previous year and on market level.
- New construction financing business, including brokering for third parties, rose considerably to € 6,964.2 million (previous year: € 6,280.2 million).
- Premiums written in property/casualty insurance increased by +5.8% on the previous year, well above market.
- Premiums written in life insurance by +7.0% over previous year.
- Premiums written in health insurance increased by +3.8% on the previous year, above market.

W&W Besser! level 1 completed

- Focus on core markets (sales in the TCH) is proceeding according to plan.
- W&W Besser! level 1 successfully completed / remarkable success in the divisions:
 - Annual portfolio contributions of WV exceeded € 2 bil. Major strategic projects on schedule.
 - Until today more than 100 thousand customers already trust Adam Riese.
 - W&W is one of the best trainers in Germany ("Capital" magazine). Four out of five management positions are now filled internally at W&W.

Results 2019 – Overview

Group segments	2018 (in €mn)	2019 (in €mn)	Δ Delta (in €mn)
Housing Segment	59.1	38.3	-20.8
Segment Life and Health Insurance	24.7	26.4	+1.7
Segment Property/Casualty Insurance	131.4	143.6	+12.2
Others/Consolidation	0.0	40.8	+40.8
Group Net Profit	215.2	249.1	+33.9
<i>Earnings before income taxes</i>	320.5	353.0	+32.5
<i>Income taxes</i>	- 105.3	-103.9	-1.4

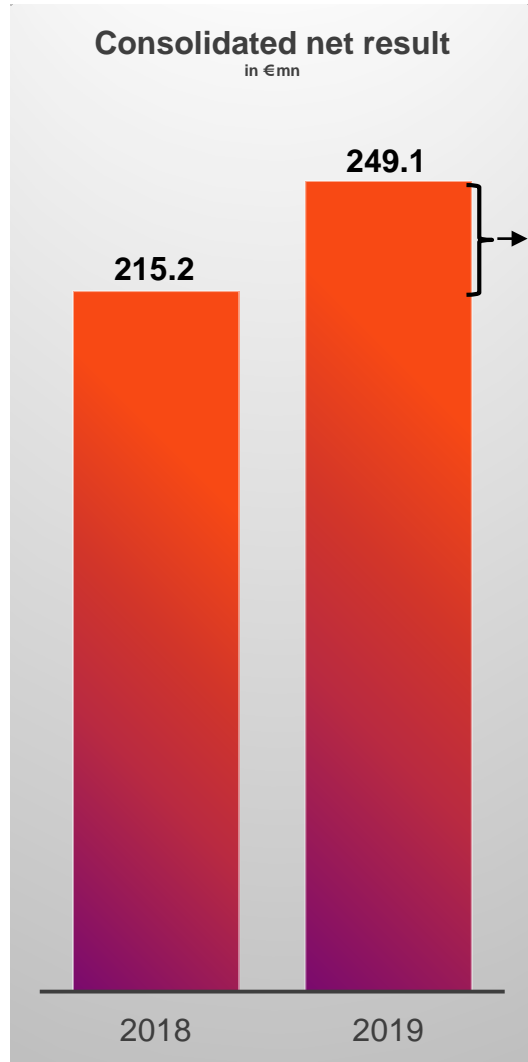
➤ **Group net profit overall significantly higher than last year.**

➤ **Very high financial result (valuation) due to lower interest rates and recovery of the stock markets.
Still very good underwriting result in property / casualty insurance.**

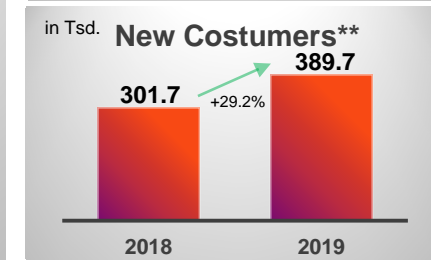
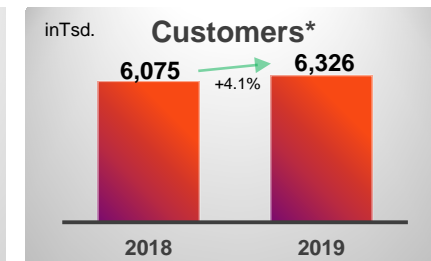
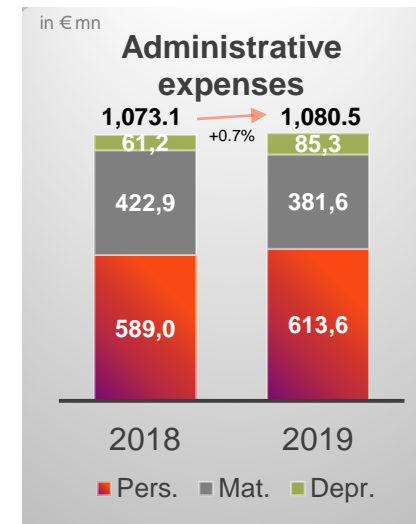
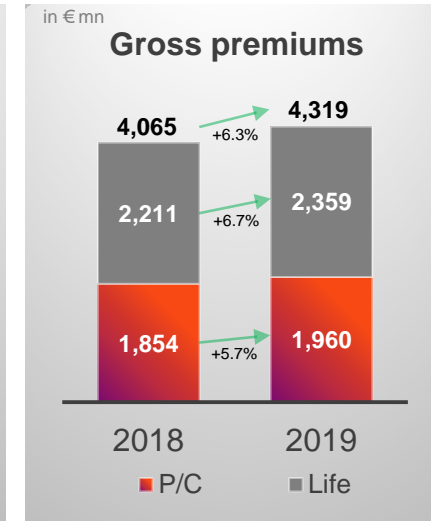
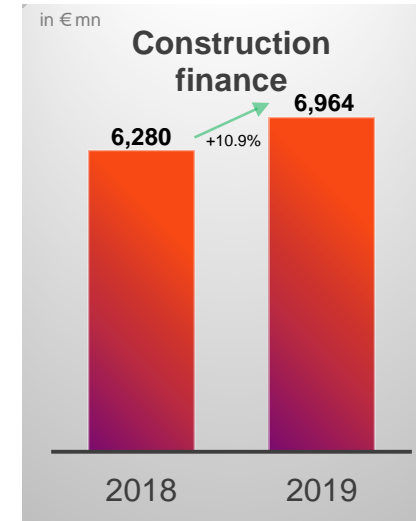
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Consolidated net result W&W Group

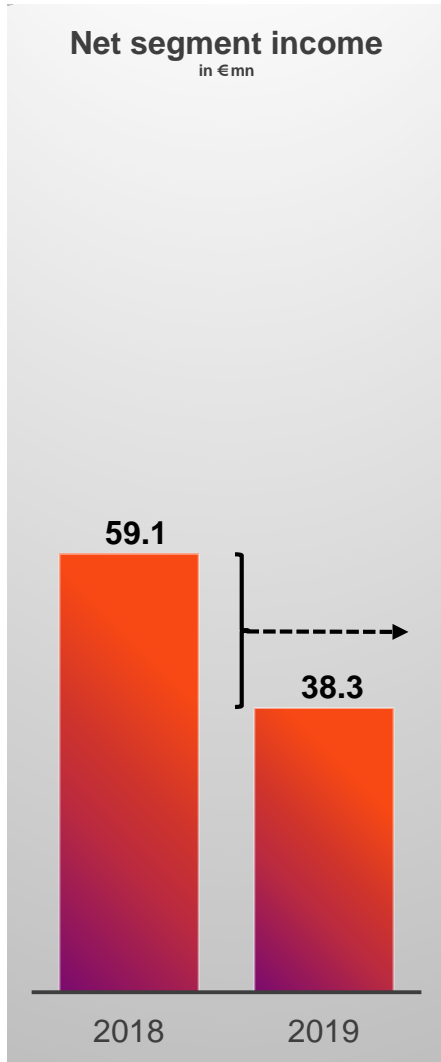


- ↑ **Higher net financial income (+1,020.1)**
 Significantly increased measurement gains. Fixed-income securities as well as equity securities and unit linked have gained considerably in value. This was due to the fact that interest rates fell in 2019, as well as to the recovery on the equity markets compared with the previous year. By contrast lower current net income.
 - ↑ **Higher net premiums earned (+249.1)**
 Both P/C Insurance and Life and Health Insurance saw significant increases.
 - ↓ **Higher insurance benefits (-1,096.7)**
 in particular, the provision for unit-linked life insurance policies rose markedly, as well as the provision for premium refunds as a result of the good net financial income. Again very good claims development in P/C.
 - ↓ **Lower net commission income (-61.6)**
 Attributable to the larger portfolio and to greater new business in P/C. The sale of Wüstenrot Bank also had an effect.
 - ↓ **Higher Administrative Expenses (-7.4)**
 Despite tariff increases and extraordinary depreciation in accordance with IFRS 5 (CZ). Increase below inflation. Cost discipline works.
 - ↓ **Other Positions (-69.6)**
 On the one hand, the deconsolidation of Wüstenrot Bank had an effect here. On the other, it includes additions to restructuring provisions for further increasing efficiency at W&W.
- **Consolidated net result significantly above previous year.**



* in 2019 incl. ABAG. ** in 2019 incl. Brandpool.

Housing segment

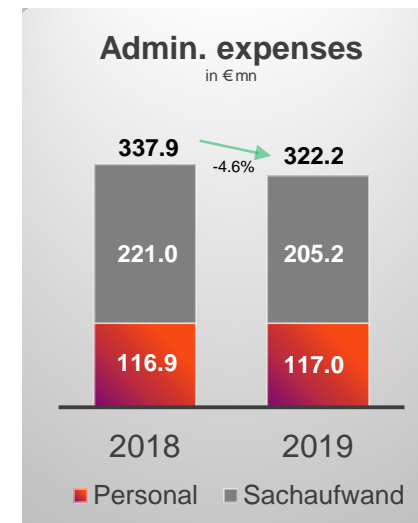
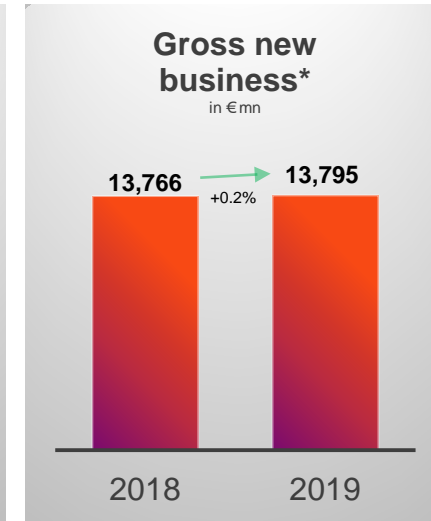
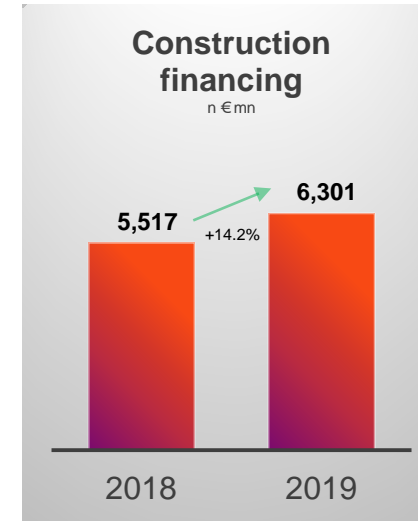


- ↓ **Lower net financial income (-16.9)**
 Lower interest rates had a positive impact on the net measurement gain from securities, as well as on the interest rate swaps concluded to reduce the risks associated with changes in interest rates. In addition, net income from hedges contributed to the rise.

 By contrast, there was a drop in net income from the discounting of provisions for home loan savings business (bonus provisions). Lower interest income as a result of the marked drop in interest rates in the year under review, which could not be fully offset by the fall in interest expenses.

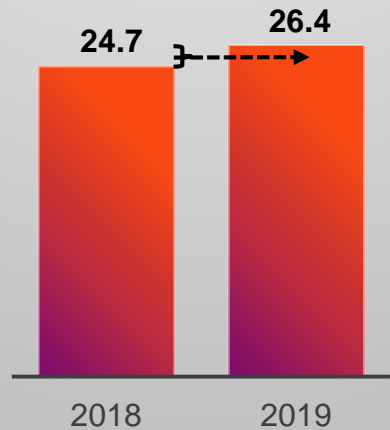
 Higher expense from risk provision due to a higher volume of customer loans and to a slightly higher loan risk provisioning ratio.
- ↓ **Lower net comission income (-28.6)**
 Mainly due to the net commission expense for Wüstenrot Bank, which was sold in the reporting year but was still included in the previous year, and higher commission expenses from home loan savings business, as well as to increased new construction financing business.
- ↑ **Lower administrative expenses (+15.7)**
 This change is likewise marked by the sale of Wüstenrot Bank. Personnel expenses remained at the previous year's level, despite collectively bargained pay increases, whereas expenses for materials fell sharply as a result of the sale.
- ↑ **Other positions (+9.0)**
 Slightly declining other operating result and lower income tax expenses.

➤ **Net segment income below previous year.**



Life & Health Insurance segment

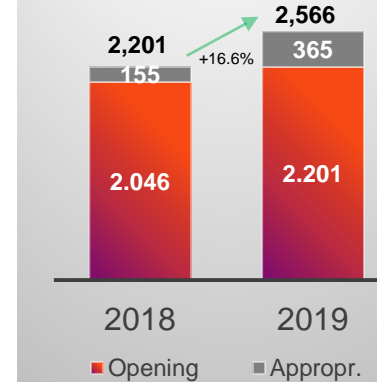
Net segment income in €mn



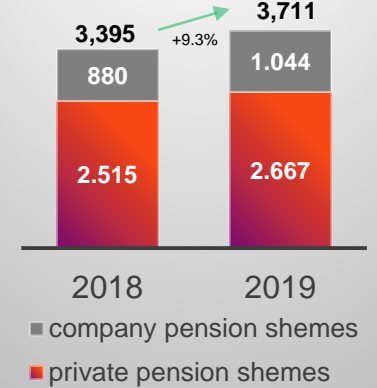
- ↑ Higher net financial income (+901.3)**
 The main driver here was the valuation result. Interest rates fell further, and this had a positive impact on the measurement of interest-bearing securities, while trends on the equity markets also contributed to growth in the value of equities and investment fund units. Investments for unit-linked life insurance policies also benefited from this.
- ↑ Higher net premiums earned (+161.5)**
 Higher volume of single-premium insurance policies in new business..
- ↓ Significantly higher insurance benefits (-1,016.0)**
 This significant rise was related to improved net financial income, which resulted in high additions to the provision for premium refunds and to the provision for unit-linked life insurance.
- ↓ Higher administrative expenses (-7.6)**
 The rise was mainly attributable to higher materials costs. Personnel expenses decreased.
- ↓ Other positions (-37.5)**
 E.g. declining commission income and higher income taxes.

➤ Net segment income slightly above previous year.

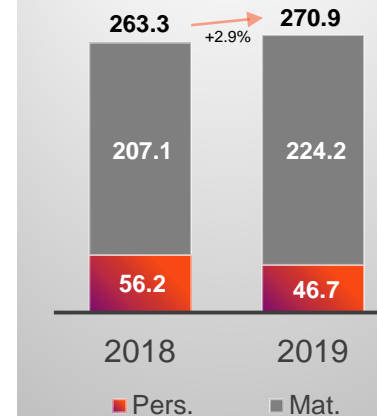
Additional interest reserve in €mn



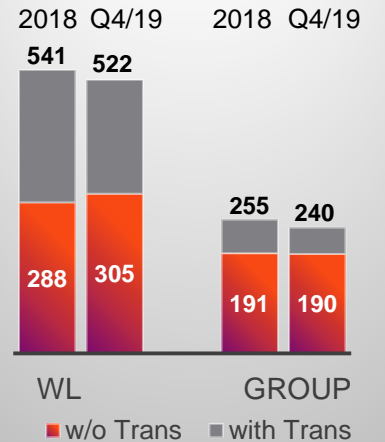
Premiums for new business in €mn



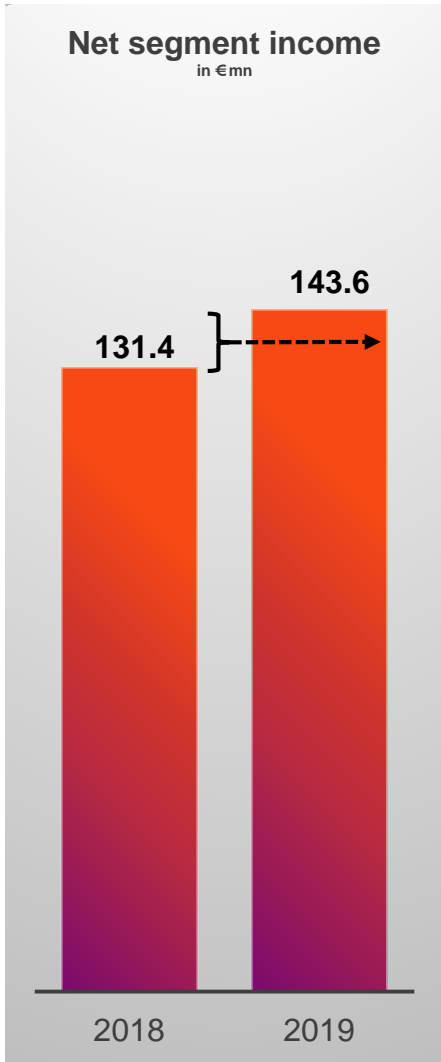
Admin. expenses in €mn



SII-Ratio in %

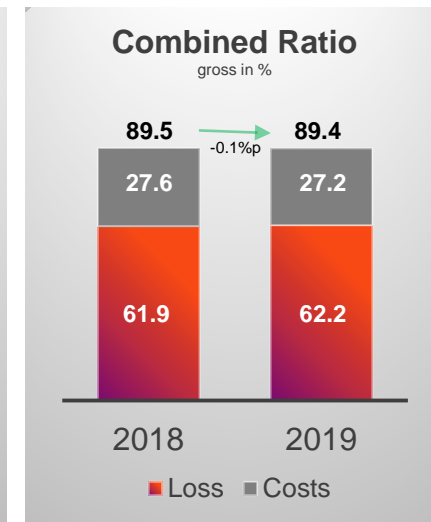
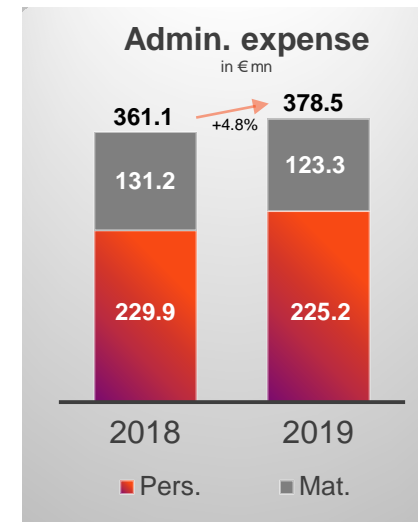
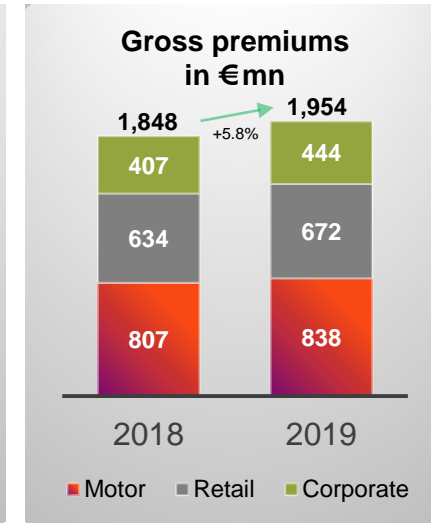
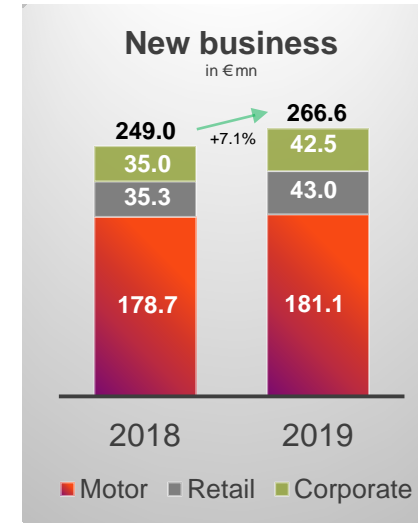


Property & Casualty Insurance segment



- ↑ Higher net financial income (+45.0)**
 It benefited significantly from valuation gains at fixed-income securities as a result of lower interest rates and equity securities due to the positive trends on the stock market.
- ↑ Higher net premiums earned (+75.2)**
 We posted growth in all business segments in Property/Casualty Insurance even stronger as the insurance benefits.
- ↓ Higher net insurance benefits (-63.2)**
 Overall, a very gratifying loss experience. Losses from natural disasters (net) came in at the level of the previous year. Despite lower settlement results. The loss ratio (gross) stood at a very good 62.2% (prev. year: 61.9%). The combined ratio (gross) fell slightly to 89.4% (prev. year: (89.5%).
- ↓ Higher net commission expense (-16,4)**
 In connection with the larger insurance portfolio and greater new business.
- ↓ Higher general administrative expenses (-17.4)**
 Roughly corresponds to the percentage increase in premiums. Also due to concluded collective bargaining agreements and significant costs in connection with the further expansion of our digital brand Adam Riese.
- ↓ Other positions (-11.0)**
 This was mainly attributable to additions to restructuring provisions.

➤ Net segment income above previous year.



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Outlook for 2020

Guidance 2020:

- In principal, the W&W Group adheres to its medium and long-term target range of €220 to €250 million.
- Facing the present distortions on the capital markets and the consequences of the Corona crisis, which are yet not foreseeable, a reliable forecast, at the moment, is not possible.
- Should the Corona crisis persist for a longer period, a decline in net income 2020 is to be expected.

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- 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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