

Wüstenrot & Württembergische AG

# Deutsches Eigenkapitalforum 2022

28. – 30. November 2022



# Agenda

W&W – Overview & Strategy

Results Q3 2021

Outlook

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



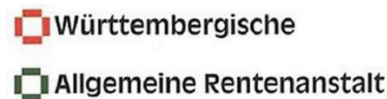
**1991** Württembergische Feuerversicherung and Allgemeine Rentenanstalt merged into Württembergische Versicherung AG

**2001** Acquisition of Leonberger Bausparkasse AG

**2009** Acquisition of Vereinsbank Victoria Bauspar AG

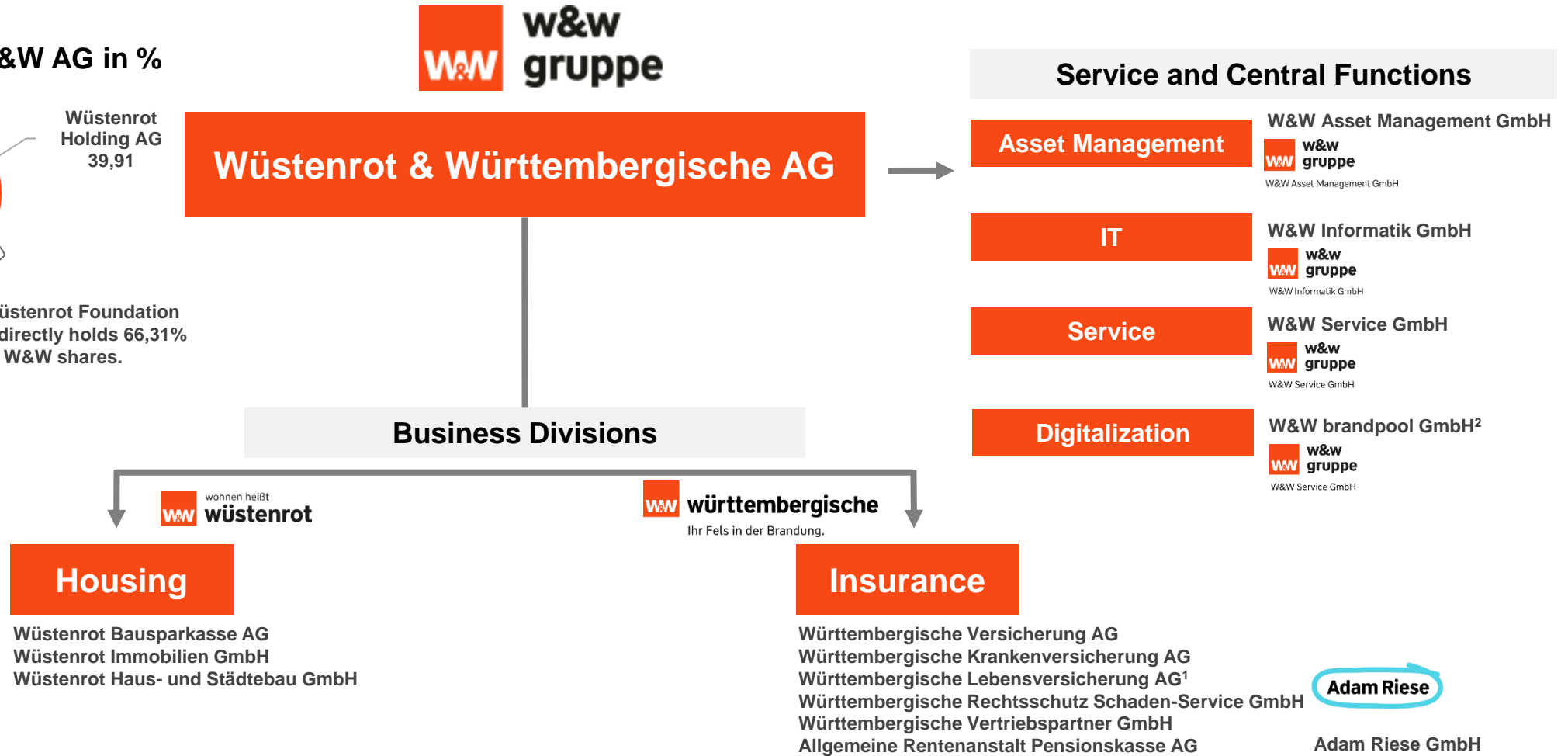
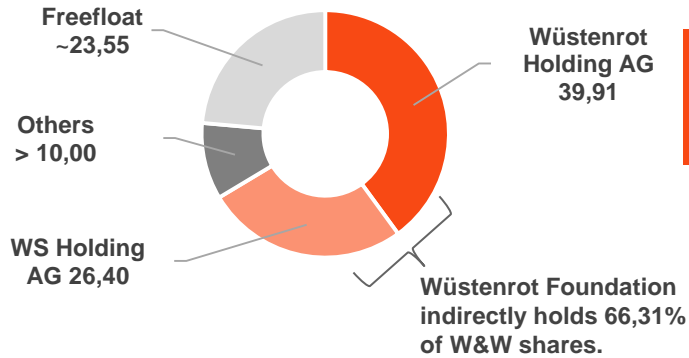
**2017** Participation in treefin GmbH; creating "W&W FinanzGuide-App"

**2018** Acquisition of Aachener Bausparkasse AG



# W&W Group structure

## Shareholder Structure W&W AG in %



# Leading banking and insurance group in Germany

**# 2**

“Bausparen”

**# 12**

Life Insurance

**# 10**

Property and  
Casualty Insurance

**~6.5mn**

Customers

**>6,000**

Sales agents

**~6,300**

Employees

## Excellent client base with growth potential

~**6.5mn**  
Customers<sup>1</sup>



Multiple contracts per customer



High client retention (low churn rate)



Solvent customer base



Increasing digital affinity

# 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

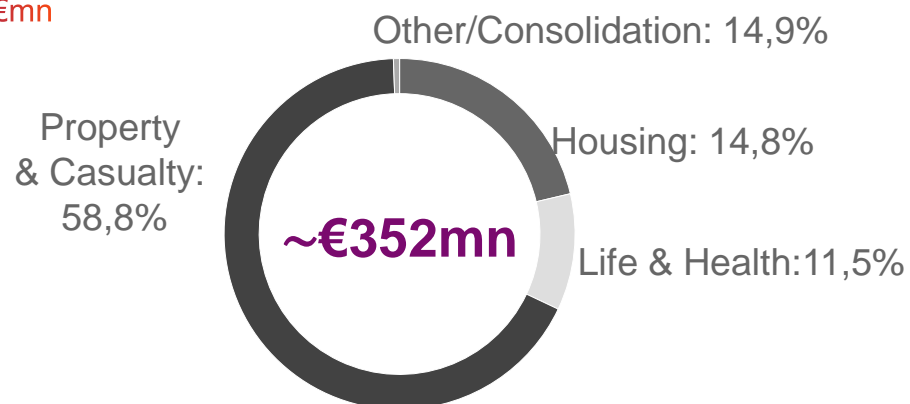
### Others



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

## Group IFRS net profit (FY 2021)

in €mn



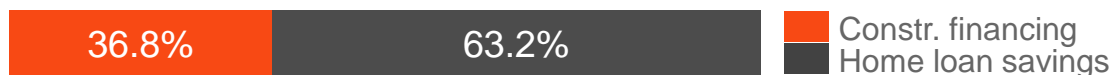
## Focus on domestic business

W&W Group operates almost exclusively in Germany<sup>1</sup>

## Split of insurance GBB (FY2021)



## Split of housing business (FY2021)



## Consolidated balance sheet (IFRS)

	31 Dec 2020 in €bn	31 Dec 2021 in €bn
Total assets	76.5	75.2
Capital investments	51.3	48.8
Building loans	22.8	23.8
Technical provisions	39.4	38.4
Equity	5.1	4.9

## Regulatory capital of group key entities<sup>2</sup>

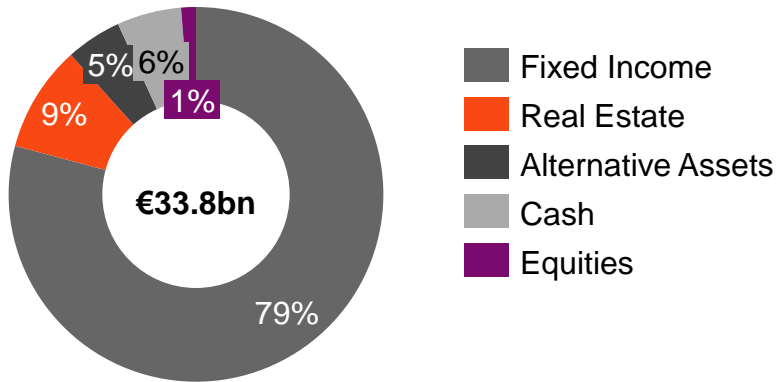
(in %)	31 Dec 2020 (in %)	31 Dec 2021 (in %)
W&W Group	232.8	243.3
W&W AG (solo)	404.7	407.9
Württembergische Vers. AG (P&C)	201.4	206.2
Württembergische LV AG (Life)	421.5	409.0
Wüstenrot Bausparkasse AG	17.7	19.4



# A conservative high quality investment portfolio<sup>1</sup>

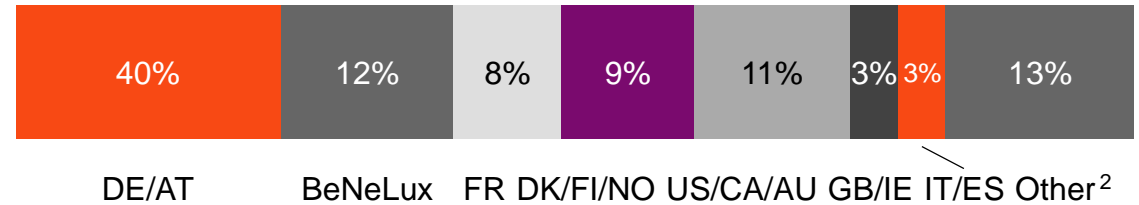
## Investment portfolio

Breakdown by asset class



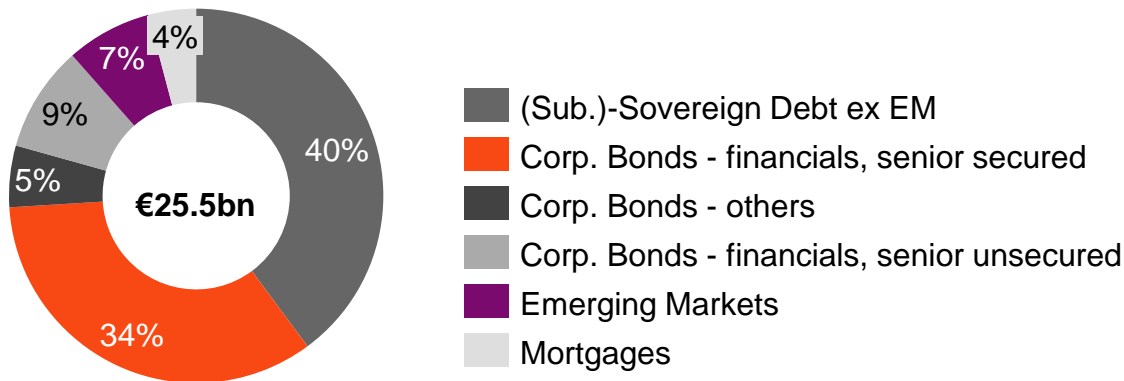
## Investment portfolio

Breakdown by geography



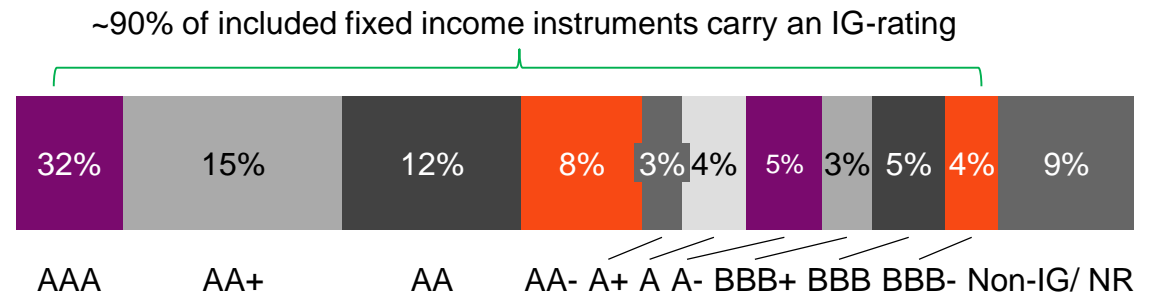
## Fixed income portfolio

Breakdown by instrument category



## Fixed income portfolio

Breakdown by rating



# 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 sustainability<sup>1</sup> 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**

# Agenda

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Group and Segment Development Q3 2022

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## Key developments in the third quarter of 2022

In the first nine months of 2022, the W&W Group was able to continue the successful course of the previous years in the operative business and gain market share, although the economic environment continues to be burdened by a high level of uncertainty.

Inflation was fueled by the effects of the war in Ukraine, the energy crisis and disruptions to global supply chains as a result of the coronavirus pandemic, as well as geopolitical tensions. While this led to sharp rises in interest rates on the bond markets, there were significant price declines on the stock markets.

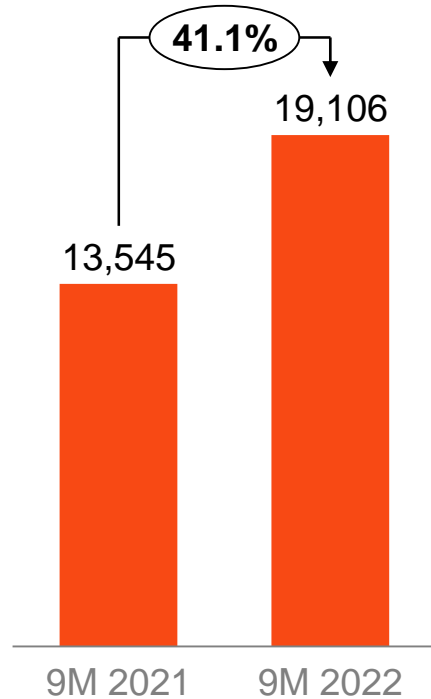
Despite these challenging developments, the W&W Group achieved the strongest quarterly result so far in 2022 with €64.2mn in the third quarter. As of September 30, 2022, the W&W Group thus achieved a good result of €160.2mn (previous year: €236.9mn), albeit well below the above-average figure of the previous year.

The sales-oriented key figures were characterized by significant growth in both lending and gross new home loan and savings business in the Housing segment, as well as another very pleasing increase in premiums and customers in the Property/Casualty insurance segment.

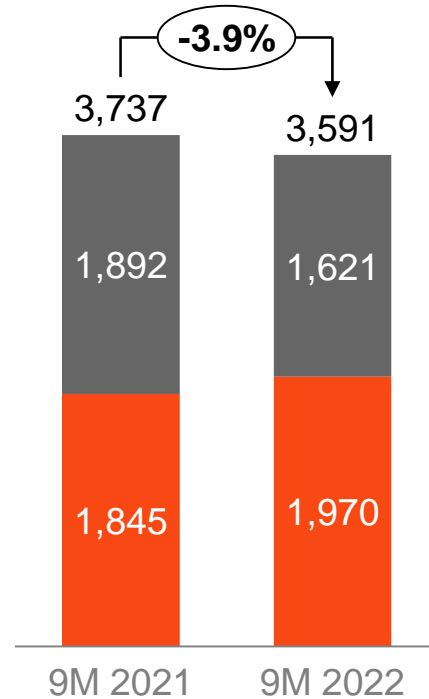
An increase in health insurance premiums was also achieved in the Life & Health insurance segment. The premiums written in life insurance fell, in particular due to a year-on-year decline in new single-premium business.

# W&W Group: Successful operative business continued

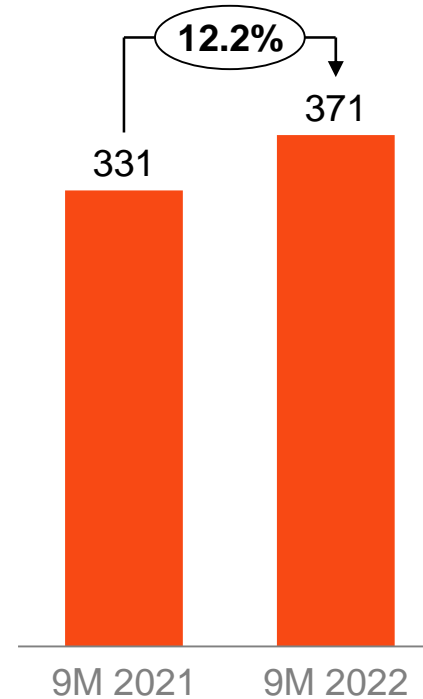
**Housing**  
New Business Volume<sup>1</sup>  
in €mn



**Gross premiums**  
in €mn



**New customers**  
in tsd

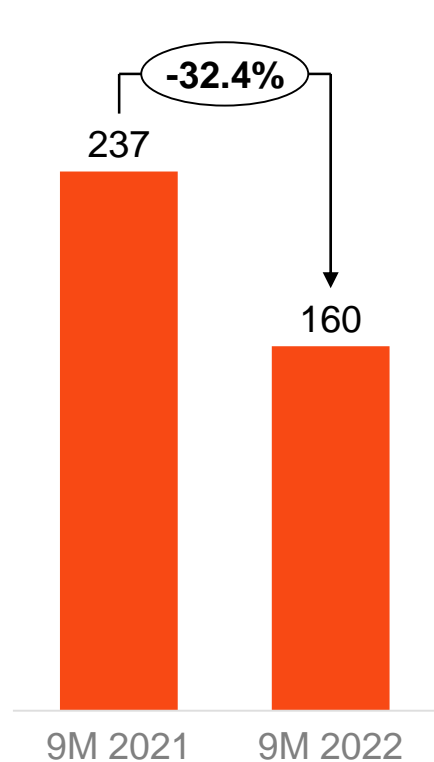


■ Life & Health insurance  
■ Property/Casualty insurance

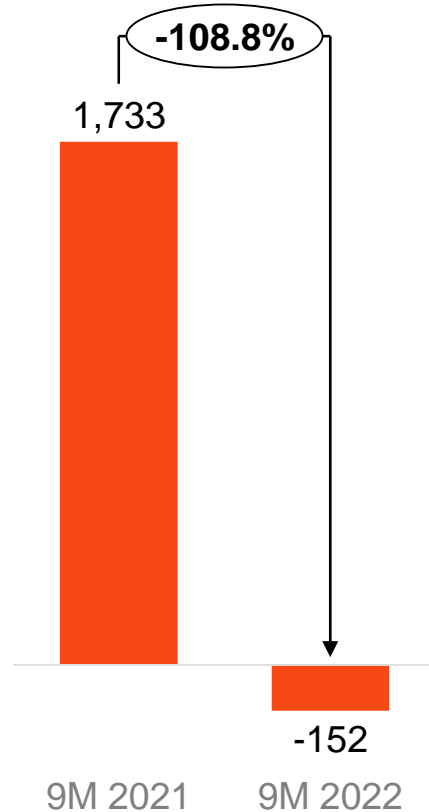
- Growth well above the market level in new business by gross home savings sum from €13.5bn to €19.1bn (+41.1%).
- Gross premiums:
  - Property/Casualty insurance continues profitable growth course (+6.8%).
  - Life & Health insurance with declines, mainly due to a targeted reduction in single premiums (-14.3%).
- Increase in new customers, especially in the Adam Riese digital brand.

# Declining earnings as a result of the dynamic rise in interest rates

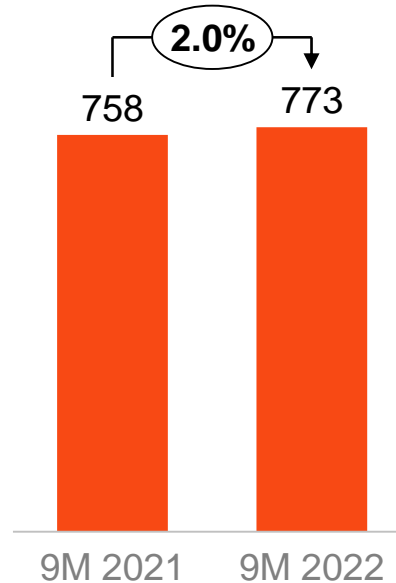
**Net profit**  
in €mn



**Financial income**  
in €mn



**General administrative expenses**  
in €mn



- The consolidated net income continued to be strongly influenced by the developments on the volatile capital markets.
- Reduced financial result due to negative valuation and dynamic increase in interest rates in the current financial year and the decline on the stock markets. Valuation losses were primarily seen in equities, fund units and fixed-income securities.
- Moderate increase in administrative expenses well below the rate of inflation due to slightly higher material expenses, e.g. as part of the digitization strategy.

## IFRS consolidated income statement

Consolidated income statement (in €mn)	9M 2022	9M 2021	Change
Net financial income	-152	1,733	-1,885
<i>Current net income</i>	842	820	22
<i>Net expense from risk provision</i>	-18	-10	-8
<i>Net measurement gain/loss</i>	-1,318	371	-1,689
<i>Net income from disposals</i>	343	552	-209
Earned premiums (net)	3,281	3,477	-196
Insurance benefits	-1,894	-3,732	1,838
Net commission expense	-407	-388	-19
General administrative expenses	-773	-758	-15
Net other operating income/expense	151	14	137
<b>Consolidated net income before income taxes</b>	<b>207</b>	<b>347</b>	<b>-140</b>
Income taxes	-47	-109	62
<b>IFRS consolidated net profit</b>	<b>160</b>	<b>236</b>	<b>-76</b>

- Consolidated net income: Decrease mainly due to lower financial result.
  - Net measurement result: soaring interest rates and the declining stock markets as a result of the Ukraine war had a negative effect on the market values of securities.
- Insurance benefits: Decrease resulted mainly from Life & Health insurance. The valuation losses of the financial result have an impact on customer provisions.
- Net other operating result: First-time income from billing campaigns in connection with home savings deposits and the gain on the sale of a property.

## IFRS consolidated balance sheet

Consolidated balance sheet (in €mn)	9M 2022	9M 2021	Change
Financial assets at fair value <u>through profit or loss</u>	10,128	10,721	-593
Financial assets at fair value <u>through other comprehensive income</u>	23,956	34,492	-10,536
Financial assets at amortised cost	27,607	26,171	1,436
Investment property	1,879	1,909	-30
Other assets	2,050	1,324	726
<b>Liabilities</b>	<b>27,858</b>	<b>27,963</b>	<b>-105</b>
<i>thereof deposits</i>	22,864	22,587	277
Technical provisions	31,396	38,423	-7,027
Other provisions	1,991	2,720	-729
Other liabilities	362	372	-10
Equity	3,592	4,873	-1,281
<b>Total assets/liabilities</b>	<b>66,142</b>	<b>75,212</b>	<b>-9,070</b>

- Balance sheet total and equity down due to interest rate developments.
- Effects of the dynamic rise in interest rates on the market values of fixed-income securities on the asset side.
- Increased home loans: continued growth in BSW's new lending business. Increased liquidity reserve in the current market environment.
- Decrease in mutual funds and ULIP<sup>1</sup> shows the impact of the rise in interest rates on fixed-income securities.



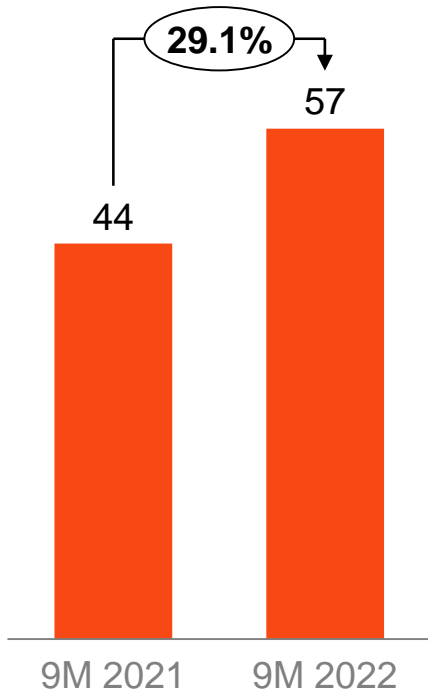
# Segment overview

Reportable segments (in €mn)	9M 2022	9M 2021	Change
Housing segment	56.8	44.0	12.8
Life and Health Insurance segment	-22.5	41.2	-63.7
Property/Casualty Insurance segment	132.5	133.6	-1.1
All other segments/consolidation	-6.6	18.1	-24.7
<b>Consolidated net income</b>	<b>160.2</b>	<b>236.9</b>	<b>-76.7</b>
<i>Net income before taxes</i>	<i>206.9</i>	<i>346.3</i>	<i>-139.4</i>
<i>Taxes</i>	<i>-46.7</i>	<i>-109.3</i>	<i>62.6</i>

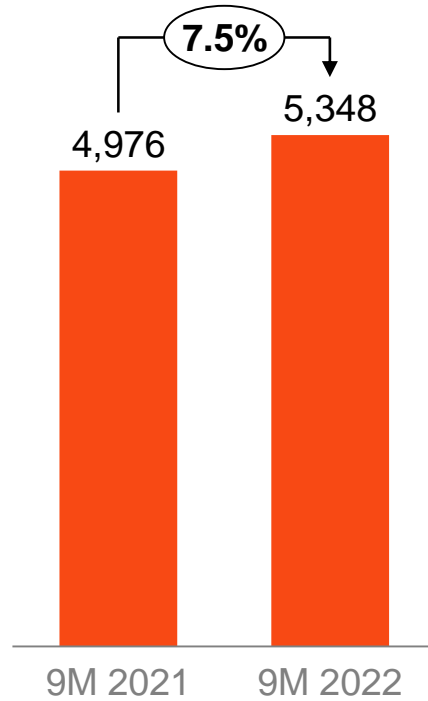
- Housing segment: significantly above pro rata plan and above previous year.
- Life & Health insurance segment: declining development due to valuation effects on investments.
- Property/casualty insurance segment: with a continued very positive underwriting result almost at the previous year's level, burdens from valuation effects on investments.

# Housing segment

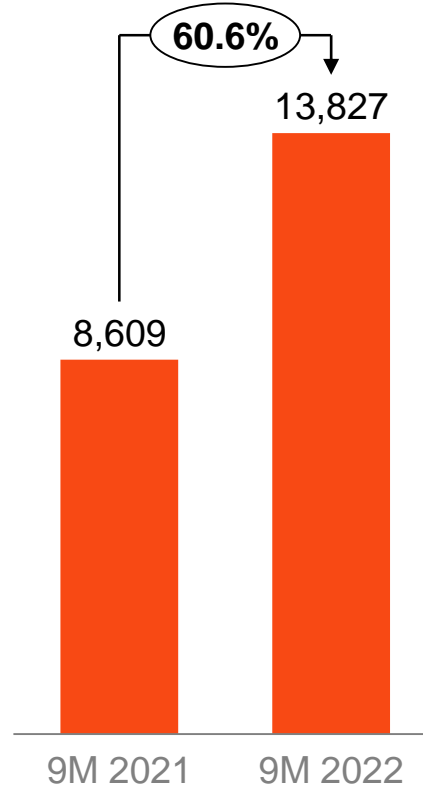
Segment net income  
in €mn



Construction financing  
in €mn



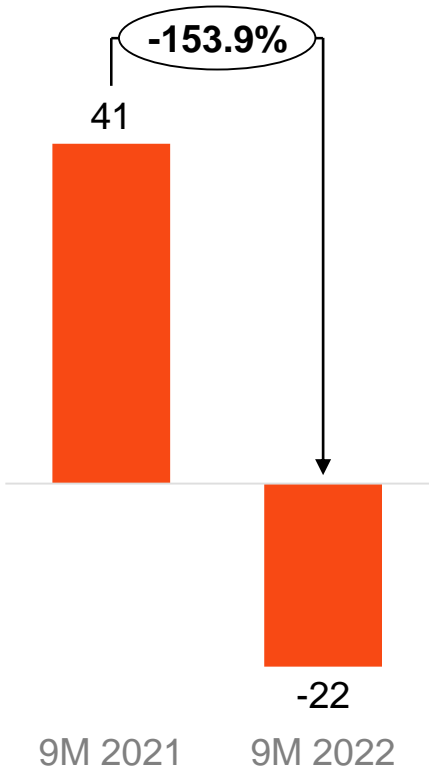
New home loan savings business (gross)  
in €mn



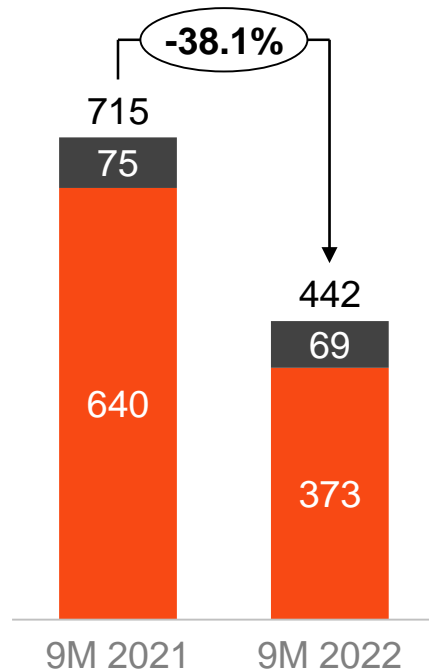
- The segment result increased significantly compared to the previous year. Market shares in mortgage lending and home loan savings could be expanded again.
- Construction financing was also higher than in the previous year.
- The best nine-month result in the company's history was achieved in gross new home loan savings business.

# Life and health insurance segment

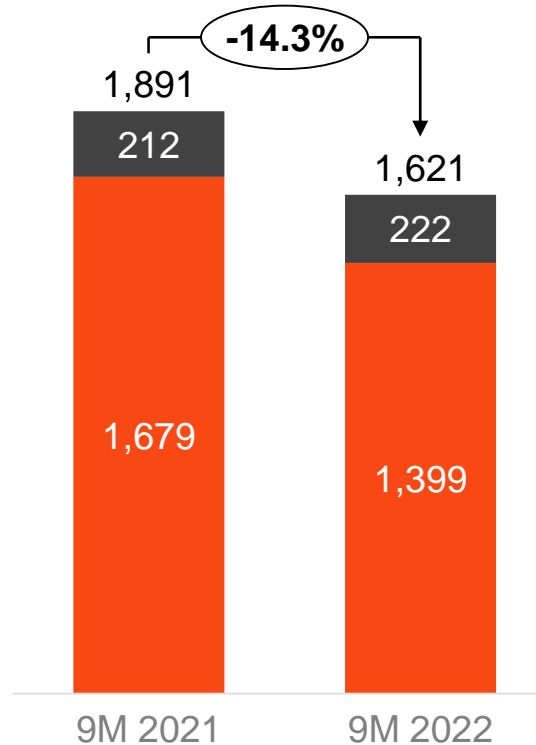
**Segment net income**  
in €mn



**New business premiums (Life)**  
in €mn



**Gross premiums written**  
in €mn



■ Regular premiums  
■ Single premiums

■ Health  
■ Life

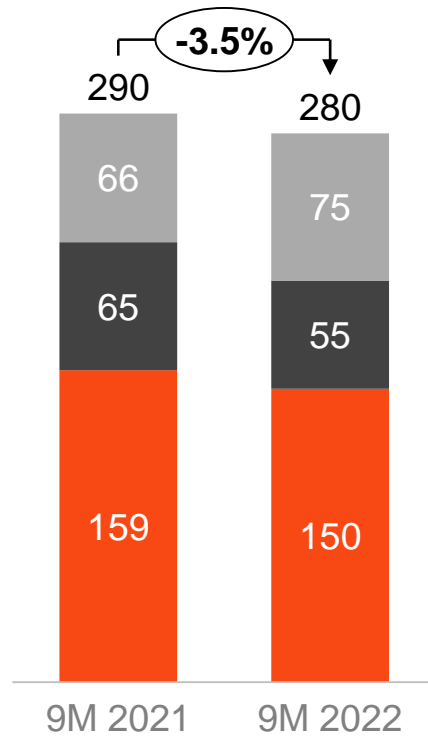
- Negative valuation effects from investments weighed on the segment result.
- Decrease in total premiums in Life insurance, mainly due to the targeted reduction in single premiums.
- The gross premiums written also fell, mainly due to lower single premiums. Health insurance with stable premium growth.

# Property/ casualty insurance segment

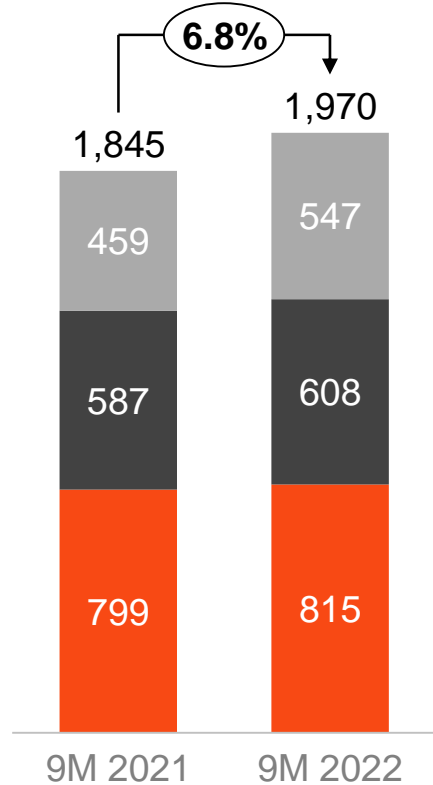
**Segment net income**  
in €mn



**New business**  
in €mn



**Gross premiums written**  
in €mn



Corporate Clients
  Private Clients
  Automotive

- Segment result almost at previous year's level. Underwriting result remains very positive (gross combined ratio: 84.4%).
- New business down slightly compared to the very strong previous year. Strong growth (+14.5%) was achieved in the corporate customer area.
- The gross premiums written show the continuation of the solid and profitable growth in all business segments.

# Agenda

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## Outlook Fiscal Year 2022

Current environmental conditions are prompting highly volatile measurement gains and losses in the W&W Group's IFRS income statement. Nonetheless, we stick to our net profit forecast.

However, this guidance is subject to high levels of uncertainty, stemming primarily from current developments on capital and financial markets and potential economic slumps. Unforeseen, major loss events would have a negative impact on the guidance.

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

Key figures last years In €mn	2016	2017	2018	2019	2020	2021
Gross premiums written	3,988.8	3,873.4	4,065.4	4,319.7	4,491.0	4,718.5
Construction financing	5,388.5	5,517.5	6,280.2	6,347.7	6,748.8	7,459.7
P&C combined ratio (gross)	90.1%	90.7%	89.5%	89.4%	90.6%	105.4%
P&C combined ratio (net)	89.8%	88.9%	88.1%	89.5%	89.0%	87.7%
Consolidated net income	235.3	258.0	215.2	249.1	210.8	352.2
Total assets (€bn)	72.3	72.0	72.0	75.2	76.5	75.2
Group IFRS Equity (€bn)	3.8	4.0	4.2	4.8	5.1	4.9
Solvency II (incl. Transitional measures)	194%	201%	255%	238%	233%	243%
W&W Group Financial Strength Rating (S&P)	A- stable	A- stable	A- stable	A- stable	A- stable	A- stable

Source: Company Annual Reports and SFCR reports, S&P



## Selected figures for financial years 2020 / 2021

Key P&L and Balance Sheet figures		2020	2021	change
In €mn				
Gross premiums written <sup>1</sup>	in €mn	4,491.0	4,718.5	5.1%
o/w L&H insurance	in €mn	2,445.7	2,543.0	4.0%
o/w P&C insurance	in €mn	2,054.7	2,192.0	6.7%
Construction financing	in €mn	6,748.8	7,459.7	10.5%
Sales of own and 3rd party investment funds	in €mn	530.2	671.3	26.6%
Net financial result <sup>2</sup>	in €mn	1,812.5	2,509.2	38.4%
General administrative expenses	in €mn	1,014.0	1,036.7	2.2%
Consolidated net income	in €mn	210.8	352.2	67.1%
o/w Housing net income	in €mn	44.9	52.1	16.0%
o/w L&H net income	in €mn	22.6	40.4	78.8%
o/w P&C net income	in €mn	142.0	207.0	45.8%
Total assets	in €bn	76.5	75.2	-1.7%
Financial assets	in €bn	51.3	48.8	-4.9%
Technical provisions	in €bn	39.4	38.4	-2.5%
Group IFRS Equity	in €bn	5.1	4.9	-3.9%

Note: 1) Includes effects of consolidation between segments. 2) After credit risk adjustment  
Source: Annual Report 2021

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24 Nov 2022

LBBW German Company Day

28.-30.  
Nov. 2022

Deutsche Börse  
Equity Capital Forum

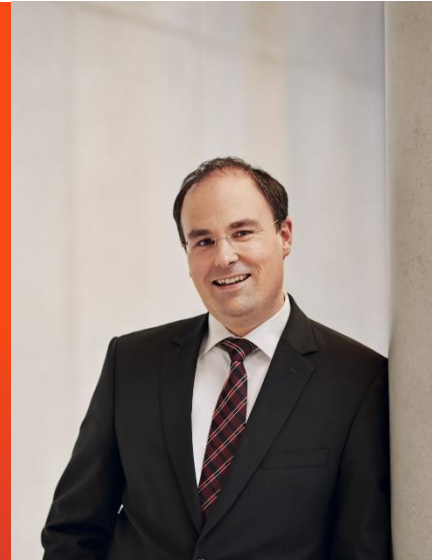
31 March 2023

Annual Reports of W&W Group as  
at 31 December 2022

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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 exchange rates and interest rates; and
- the ability of the Group to generate the expected income from the investments and capital expenditures that it has made in Germany and abroad.

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