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# Annual Report

## Württembergische Versicherung AG

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

I hereby certify this is an correkt translation, however as per the disclaimer the German original is legally binding.

ppa. Ditt

Juergen Dittmar, Permanent Representative for and behalf of Württembergische Versicherung Aktiengesellschaft UK Branch

i.V. Klauck

Andreas Klauck
Controlling
Württembergische Versicherung Aktiengesellschaft

württembergische
Ihr Fels in der Brandung.

# Württembergische Versicherung AG
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# Württembergische Versicherung AG
# Executive Board and Supervisory Board

## Executive Board

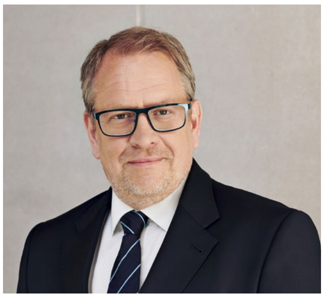
**Thomas Bischof**
**Chairman of the Executive Board**
(until 31 December 2020)
Sales
Audit
Customer Data

**Alexander Mayer**
Investments
Accounting

**Zeliha Hanning**
**Chair of the Executive Board**
(from 1 January 2021)
Sales
Audit
Customer Data
Communication
Law

**Dr. Susanne Pauser**
Human Resources
Compliance
Money Laundering
Complaint Management

**Jens Lison**
Corporate and Retail Customers
Motor Operations
Claims
Actuarial Services & Reinsurance
Operations



**Jens Wieland**
IT
Business IT Integration

# Supervisory Board

**Jürgen A. Junker**
**Chair**
Chair of the Executive Board
Wüstenrot & Württembergische AG

**Hubert Sebold[1]**
**Deputy Chair**
Member of the Works Council
Württembergische Versicherung AG/
Württembergische Lebensversicherung AG,
Karlsruhe location

**Hartmut Bader[1]**
Deputy Chair of the Works Council
Württembergische Versicherung AG/
Württembergische Lebensversicherung AG,
Stuttgart head office

**Nicolé Benzinger-Henzler[1]**
Head of VSC Processes Sales
Württembergische Versicherung AG
Trade union member
DHV – Die Berufsgewerkschaft e. V.

**Claudia Diem**
Member of the Management Board
Baden-Württembergische Bank

**Gisbert Hasenfuss[1]**
Senior executive
Sales, strategic duties
Württembergische Versicherung AG

**Christian Hörtkorn**
(until 30 November 2020)
Managing member
Dr. Friedrich E. Hörtkorn GmbH

**Ulrich Kraft**
Managing member
KRAFT Baumanagement GmbH

**Fränzi Kühne**
Author, investor and independent consultant for
digital business

**Hans Peter Lang**
Independent corporate consultant
Former member of the management of
W&W Asset Management GmbH

**Holger Mardfeldt**
(from 3 February 2021)
Partner
Martens & Prahl Versicherungskontor GmbH & Co. KG

**Richard Peters[1]**
Head of the District Administration in Cologne
Württembergische Versicherung AG
Chair of the Works Council
Württembergische Versicherung AG, Cologne location
Deputy Chair of the Central Works Council
Württembergische Versicherung AG/
Württembergische Lebensversicherung AG

**Petra Sadowski[1]**
Trade union secretary
Vereinte Dienstleistungsgewerkschaft ver.di
Stuttgart district

1 Employee representatives.

# Württembergische Versicherung AG
# Management report

## Fundamentals

### Business model

#### Overview of Württembergische Versicherung AG

Württembergische Versicherung AG, based in Stuttgart, Germany, is one of Germany's most venerable insurance companies. It was founded in 1828 as "Württembergische Privat-Feuer-Versicherungs-Gesellschaft". Today, the company offers a wide range of property and casualty insurance products. Thanks to the wide selection of products that it offers, Württembergische is one of Germany's largest property and casualty insurers. Germany is the company's core market.

Wüstenrot & Württembergische AG (W&W AG) holds 100% of the share capital of Württembergische Versicherung AG. Since the merger of the long-standing companies Wüstenrot and Württembergische in 1999, Württembergische Versicherung AG has been a part of the W&W Group in the Insurance division. Today, the W&W Group brings together the Insurance, Housing and brandpool divisions and offers financial planning solutions for retail and commercial customers from a single source.

The Management Board is the central steering body of the W&W Group. It concerns itself with, among other things, Group control and with setting and developing the 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), Thomas Bischof (Insurance) and Daniel Welzer (brandpool) in the 2020 financial year. Following the departure of Thomas Bischof, Zeliha Hanning will represent property insurance on the Management Board from 2021 and Jacques Wasserfall will represent life and health insurance. Operational and companyspecific issues of the individual companies are handled at the divisional level.

Changes were made to the Executive Boards of Württembergische insurance group. Effective 1 January 2021, Zeliha Hanning was appointed to the Executive Boards of Württembergische Versicherung AG and Württembergische Lebensversicherung AG, where she is responsible for sales. At the same time, she assumed the position of Chair of Württembergische Versicherung AG. Jacques Wasserfall joined the Executive Board of Württembergische Lebensversicherung AG on 1 July 2020 and assumed the position of Chair of Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG on 1 January 2021. Both replace Thomas Bischof.

By building the new W&W campus at the Ludwigsburg/Kornwestheim location, W&W AG, as builder-owner, is investing in the future of the corporate group. Employees moved into the first section of the building on schedule in late 2017, and work on the second section commenced in 2018. The entire project, located on an approximately six-hectare site, is scheduled to be completed by 2023. In all, the campus will then have seven interconnected office buildings with some 4,000 modern work stations for Wüstenrot and Württembergische employees.

#### "W&W Besser!"

As part of the W&W financial planning group, Württembergische Versicherung AG strives for a high degree of stability and sustainable growth of its enterprise value. It has set itself the objective of becoming better every day. Therefore, the strategic implementation of "W&W Besser!" was modified in 2020 to conform to changed basic conditions and now focuses on four approaches:

- Service – inspiring customers and employees,
- Doubling market growth in profitable business 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!" is not considered a rigid programme. Rather, it is an attitude that it is intended to guide all actions of employees and is firmly aligned to the needs of customers.

The digital transformation of the W&W Group, and thus also of Württembergische Versicherung AG, accelerated further as a result of the coronavirus crisis. The new communications media have enabled us to stay in close contact with our customers, particularly during these uncertain times. Our employees also have been able to use all digital options in a flexible manner.

In this regard, they received support in the form of extensive informational and training offers (e.g. virtual leadership).

“W&W Besser!” made it possible to post further implementation achievements in 2020. A few select examples:

- As part of the programme “Komposit.Besser!”, the product strategy orientation is being enhanced, and the technological basis of all business processes is being optimised and rigorously digitalised.

- As part of the programmes “Vertrieb.Besser!” and “Service.Besser!”, measures in the financial year just ended included optimisation of agency processes, generation of leads (qualified contacts) and modernisation of customer interfaces.

- Württembergische Versicherung AG achieved double market growth in all profitable segments. The focus on SME partners – and associated with this, the expansion of underwriting capacities in corporate customer business – paid off.

- The tandem model – a special form of collaboration between our two tied-agents organisations – was expanded further. This sales format pools our home loan savings and insurance expertise under one roof at a customer advisory centre.

- Württembergische Versicherung AG works with modern communication solutions provided by flexperto GmbH. Particularly in times of the coronavirus, this software for digital advice and digital sales is bolstering the mobile sales force.

- Some 164,000 customers are relying on our digital brand Adam Riese. In October 2020, the digital brand launched its fifth product for retail customers, a personal accident insurance policy. Adam Riese’s liability insurance policy for dog owners was awarded the Insurance Innovation Prize by Versicherungsmagazin and Morgen & Morgen. The jurors were particularly impressed by the AI-supported risk assessment.

- Adam Riese expanded its sales basis by creating products for collaboration partners, such as for kawaloo, a Berlin-based PropTech (property technology) company. The digital insurance solutions are integrated in the offerings on the kawaloo platform.

- A series of awards demonstrate that customers are highly satisfied with our digital brand. For instance, Adam Riese was given the 2020 eKomi Award as best direct insurer. In addition, in the “Insurer of the Year 2020” study, which was produced by the German Institute for Service Quality (DISQ), Adam Riese placed third overall in terms of customer satisfaction and thus first among direct insurers. The satisfaction among our employees is just as high: According to magazine Focus and the online workplace rating platform Kununu, Adam Riese was selected in November 2020 as the most popular employer in the SME insurance industry.

We will continue the “W&W Besser!” initiative in 2021 in order to rigorously ensure that products, services and processes remain aligned with customer benefits through-out the entire W&W Group.

## Product mix

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. This includes:

- Personal accident insurance
- Liability insurance
- Motor insurance
- Fire insurance
- Household insurance
- Residential building insurance
- Other property insurance (including technical insurance)
- Transport and aviation insurance
- Legal expenses insurance
- Travel assistance insurance

In 2020 the portfolio share of premium car policies remained at a very high level in the motor business segment. The flex policies were optimised and their complexity was reduced. The flex policies include those that expand the number of drivers under the vehicle policy or that can be concluded for a specific person and are not linked to a vehicle insured by Württembergische Versicherung AG, such as policies covering driver injury or vehicle break-down. In addition, in the financial year just ended, Württembergische Versicherung AG introduced new products for the passenger vehicle (retail/commercial), motor home, caravan, taxi and rental car segments. In the fleet area, the passenger vehicle and commercial vehicle segments were restructured. In addition, the "Kraftfahrt.Besser!" project entered the intensive phase in the course of the realignment of the motor area.

Growth in the corporate customer business segment continued despite the challenging year with the coronavirus pandemic and was above the market average. The core commercial product, "Firmen-Police", grew further. There was a significant increase with regard to the large commercial/industrial segments. The new business line of commercial security deposit insurance, which was created in 2019, rounds out the product portfolio for SME customers and found positive acceptance in the sales channels.

In the 2020 financial year, private liability insurance was restructured, and insurance policies for animal owners and builders were revised, as were those covering water damage and home and land owner liability. Insurance customers can now benefit from a market guarantee when a claim arises that is settled under the insurance terms of a different insurer, to the extent that it offers broader insurance cover. The private liability insurance policy PremiumSchutz was rated as "outstanding" (FFF) by Franke & Bornberg.

For the fifth year in a row, FOCUS-MONEY awarded Württembergische Versicherung AG the title of "fairest insurer" for its residential housing insurance. As part of the KUBUS study conducted by MSR Consulting, Württembergische Versicherung AG was rated "outstanding" in 2020 as a full-service insurance provider in the category "service" and "very good" in the categories "customer satisfaction" and "value for money".

As a company of the W&W Group, Württembergische Versicherung AG is included in the supervisory scope of consolidation as part of both the financial conglomerate and the Solvency II group.

## Sales channel mix

In selling our products, we place great emphasis on the competence and reliability of personal advice. In this context, the tied agents organisation of Württembergische with its mobile sales partners throughout Germany plays a key role. This sales force is supported by the Wüstenrot consultants. In order to give our customers digital access to Württembergische Versicherung AG products, we also increasingly offer them online. In addition, we sell them under the online brand Adam Riese. Moreover, broker sales and numerous collaborations with the banking and insurance sector are making a key contribution to our success.

## Commitment to sustainability

Responsible action and social commitment have a long tradition in the W&W Group and are an integral part of our corporate culture. Sustainability means acting in such a way that present and future generations will find suitable conditions in which to live. While the focus is primarily on economic and social aspects, the ecological factor is also becoming more important.

In order to also take sustainability aspects into greater consideration in our core business, the W&W Group has further honed its alignment in the area of investments. In addition to the Group-wide exclusion of investments in makers of cluster bombs and anti-personnel landmines, we also do not permit investments in companies that generate 5% or more of their turnover from the manufacture or trade of weapons or 10% or more of their turnover from activities related to coal. Moreover, we do not invest in companies that have been proven to use forced labour or child labour (relates to the majority of investments). In addition, the W&W Group is investing increasingly in renewable energies, mainly wind and solar. Furthermore, the W&W Group does not make investments in food or farm land that is used for speculative purposes. For most indirect investments (funds), the foregoing investments are excluded systematically. Since the strategic asset allocation does not provide for investments in agricultural products, the W&W Group has not installed a systematic process in the sense of an ESG screening for the direct portfolio.

For the purpose of further strengthening its sustainability-focused orientation, the W&W Group signed on to the Principles for Responsible Investment and the Principles for Sustainable Insurance, both United Nations initiatives, in 2020. By signing on to the principles, the W&W Group is putting even greater emphasis on economic, ecological and social responsibility in the company. It commits to take environmental, social and corporate governance aspects into greater consideration in its investment and insurance business.

There are currently a variety of regulatory initiatives on the European level with respect to the transparency and disclosure of sustainability-related information. The requirements resulting from them are currently being implemented in the W&W Group.

In accordance with the German Act Transposing the CSR Directive (CSR-Richtlinie-Umsetzungsgesetz), Württembergische Versicherung AG is obligated to publish a non-financial statement or a non-financial report.

However, pursuant to Section 289b (2) sentence 1 no. 1 of the German Commercial Code (HGB), Württembergische Versicherung AG is exempt from the obligation to prepare a separate non-financial report because it is included in the W&W Group management report.

Pursuant to Section 315b (3) HGB, the combined non-financial report of the W&W Group is prepared separately and made available to the public on the website of the W&W Group at www.ww-ag.com/nachhaltigkeitsberichte (available in German only at www.ww-ag.com/nachhaltigkeitsberichte).

## Regulatory requirements

As a company of the W&W Group, Württembergische Versicherung AG is included in the supervisory scope of consolidation as part of both the financial conglomerate and the Solvency II group.

The annual Solvency II report of Württembergische Versicherung AG for 2019 was submitted to the German Federal Financial Supervisory Authority (BaFin) on time. The Solvency II coverage ratio as at 31 December 2020 is expected to be considerably higher than 100%.

In connection with the review of the reporting requirements under Solvency II ("2020 Solvency II Review"), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Commission conducted a number of consultations and impact assessments in 2020. The changes being discussed are associated with far-reaching modifications with respect to both the qualitative and the quantitative requirements for insurance companies. In December 2020, EIOPA sent the European Commission a proposal for the revision of Solvency II. The legislative proceedings are not expected to be concluded before the end of 2022.

Furthermore, the consequences of the increasing digitalisation of the industry are manifesting themselves in additional supervisory requirements for IT.

## Business management system

The W&W Group's integrated business management system is designed to ensure the retention of value. 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. The key performance indicators are derived on this basis.
We review our operational plan with two extrapolations during the financial year. Management activities are performed throughout the year using a "management cockpit" that tracks targets on a monthly basis. Counter-measures are taken where necessary if actual performance deviates from the target.

The following key performance indicators were defined for the management activities of Württembergische Versicherung AG:

For the financial years 2020 and 2021, these are earnings before taxes and the profit transfer in accordance with the HGB, along with the combined ratio (net). The combined ratio describes the ratio of expenses for insurance business and expenses for insurance claims to premiums earned.

As a further performance indicator, we report new business (according to annual portfolio contributions) under business development and in the outlook.

## Employees

As at 31 December 2020, the Württembergische insurance group had 2,665.8 employees (previous year: 2,601 employees), calculated based on full-time equivalents, excluding trainees. It is a service provider within the W&W Group and receives compensation in exchange, which is addressed by contracts governing the outsourcing of services and functions. In addition, it procures services from other Group companies.

## Ratings

In the year under review, Standard & Poor's (S&P) again confirmed the ratings of the core companies in the W&W Group with a stable outlook. Württembergische Versicherung AG has thus retained its "A-" rating.

# Business report

## Macroeconomic environment

In 2020 the German economy recorded one of the worst economic collapses of the post-war era. According to preliminary calculations, gross domestic product (GDP) fell by 5%. The reason was the coronavirus pandemic, and to overcome it, extensive restrictions were repeatedly imposed on social and economic life. In particular, sectors such as tourism, hospitality, aviation and trade fair construction were severely affected by the coronavirus crisis. Central banks and governments responded quickly with comprehensive monetary and fiscal policy measures. The main objective in this regard was to prevent corporate and personal insolvencies in the short term in order to forestall the emergence of a financial crisis. In addition, stimulus packages were enacted to directly support supply and, in particular, demand, such as a temporary lowering of value-added tax rates, and these were able to prevent an even sharper collapse of economic activity.

## Capital markets

### Bond markets

On the bond markets, yields on long-term German government bonds began to fall again at the start of 2020. For instance, after the yield on 10-year German government bonds reached a temporary high of −0.15% in the initial trading days, the situation on the bond markets began to change in mid-January. This was triggered by the emergence of the coronavirus. The rapid spread of the pandemic led to expectations of a very weak development of the world economy. Interest rates fell. For instance, on 9 March, the yield on 10-year German government bonds reached a new record low of −0.91% during the course of the day, and the yield on 2-year bonds hit −1.03%.

Starting on 10 March, yields began to move in the opposite direction. Sweeping liquidity measures enacted by leading central banks, the prospect of substantial fiscal support packages by governments, and comprehensive decisions taken to stem the pandemic all raised hopes that the medical crisis could soon be overcome, followed by a recovery of the world economy. In addition, the flood of government bonds issued to finance the announced stimulus packages caused interest rates to rise. Thereafter, interest rates began to move in the opposite direction, nearly in the form of a V. For instance, on 19 March, the yield on 10-year German government bonds climbed to −0.14% during the course of the day, putting it back at the precrisis level again.

As the year progressed, interest rate changes became no-ticeably less volatile. At the same time, yields once again began to trend downward moderately. This was due, in particular, to statements by the leading central banks in the EMU and the USA that even if the economy continues to recover in the coming years, there was very little prospect of a hike in benchmark rates. In this regard, the conduct by central banks and the bond markets was buttressed by a distinct downward movement in inflation rates. By the end of the year, the yield on 10-year German government bonds stood at −0.57%. It thus posted a year-on-year decline of 38 basis points. The yield on 2-year German government bonds was 10 basis points lower at −0.70%.

### Equity markets

At the start of 2020, European equity markets initially continued their strong upward trend of the previous year. On 19 February, the DAX posted a new all-time high of 13,789.

The escalating coronavirus pandemic then led to a drop in economic and profit expectations by companies and caused investors to flee to the asset class “liquidity”, which occasioned a crash on the equity markets. As a result, the DAX fell in mid-March at times to below 8,300, amounting to a price drop of approximately 40% from the all-time high.

However, the comprehensive monetary and fiscal policy measures by central banks and governments, as well as rising hopes that the pandemic might have already peaked in Europe, led to a considerable increase in prices starting in mid-March, which pushed the DAX back above 13,000 in July. As the year progressed, changes on the European equity markets were less volatile, moving within a broad sideways range. For instance, the DAX fluctuated between roughly 12,200 and 13,400, and the Euro STOXX 50 between 3,050 and 3,400. The two indexes only briefly fell below these ranges in the second half of October. This was attributable to sharply rising infection rates in the course of the second wave of the coronavirus, imminent new lockdown measures with corresponding adverse effects on the economic outlook and uncertainties associated with the upcoming elections in the USA. However, the outcome of the elections in the USA, which was ultimately viewed as positive, the avoidance of a disorderly Brexit and surprisingly positive reports on the development of vaccines then caused prices to rise quickly, with the DAX hitting 13,900 shortly before the end of the year, a new record high. Ultimately, the DAX rose by 3.6% in the 2020 calendar year, while the Euro STOXX 50 fell by 5.1%.

Looking at the SDAX, it essentially trended in the same way as its “big brother”, the DAX. After the price collapse in February and early March that was occasioned by the coronavirus, prices recovered dynamically, followed in the summer months by sideways movement with large price fluctuations. However, in contrast to the DAX, the

SDAX was able to leave its sideways range in mid-November and head upward to post a new record high. Ultimately, the SDAX rose by 18.0% in 2020, which was somewhat stronger than the performance by the DAX.

## Industry trends

Low interest rates and regulatory requirements were once again the driving factors in the financial services industry in 2020. The European Insurance and Occupational Pensions Authority (EIOPA) was tasked by the European Commission with reviewing the Solvency II regulations. In December 2020, EIOPA sent the European Commission a proposal for the revision of Solvency II. The legislative proceedings are not expected to be concluded before the end of 2022. Studying and implementing these regulatory requirements constituted a key challenge in the insurance area in 2020. This trend will continue in 2021 as well.

The year 2020 was marked by the coronavirus pandemic. As a result of the lockdowns, considerably fewer claims were reported in the financial year just ended. Premium growth declined slightly. According to provisional calculations by the German Insurance Association (GDV), net underwriting income therefore rose to €7.8 billion (previous year: €5.2 billion).

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

Premium income in the market is expected to be considerably weaker than in the previous year, with a moderate rise of 2.3% despite the coronavirus pandemic, and according to the current estimate will total €74.9 billion (previous year: €73.2 billion). At 5.3%, property insurance recorded the highest growth. With regard to retail property insurance, this was driven by rising insurance amounts and, in some case, also by expanded cover for additional natural hazards and damage from water mains. With regard to non-private property insurance, clear growth can be seen not only in technical insurance in the area of home appliances but also strong growth in the industrial business lines. With a rise of 0.9%, motor insurance lost considerable momentum as a result of the coronavirus pandemic and made only a minor contribution to total premium growth.

The expected decline in claims expenses (−4.3%) was due, in particular, to the massive impact that the coronavirus pandemic has had on motor insurance (−11.7%). At approx-imately 69%, the loss ratio for the financial year was lower than in the previous year. The combined ratio (ratio of claims and expenses to premiums earned) improved to approximately 89%.

The projection remains fraught with great uncertainties, since the effects that the coronavirus pandemic will have over the entire course of the year cannot yet be fully predicted.

# Business development and position of the company

## Development of business

The 2020 financial year was marked considerably by the coronavirus pandemic and the associated impact on capital markets and claims development. The claims equalisation provisions remained nearly unchanged, with a release of €2.0 million (previous year: allocation of €10.6 million). Württembergische Versicherung AG posted a combined ratio for 2020 of 89.0% (net). This reflects our income-oriented underwriting policy. Our gross premiums written rose by 5.2%.

New business exceeded the figure of the previous year, coming in at €275.7 million (previous year: €266.6 million). Net income from investments declined considerably to €52.0 million (previous year: €111.1 million).

Net income before taxes and profit transfer rose from €139.4 million to €167.0 million.

Technical result marked by ongoing positive claims development

Particularly as a result of the pandemic-related decline in mobility and its impact on claims development in motor insurance, but also as a result of lower gross losses from natural disaster claims of €63.6 million (previous year: €72.0 million), Württembergische Versicherung AG again posted very good claims development in the 2020 financial year. In addition, because of the persistently low level of interest rates, we lowered the actuarial interest rate for some business lines in property/casualty insurance in order to further strengthen our reserves in the amount of €60 million (gross). Following net underwriting income in the previous year of €157.6 million before allocation to the claims equalisation provisions, which was already very high, the figure was clearly exceeded in the financial year just ended, coming in at €178.3 million. After allocation of €10.6 million to the claims equalisation provisions in the previous year, €2.0 million was released: Net underwriting income reached €180.3 million (previous year: €147.0 million).

## Significantly lower net investment income

Net income from investments dropped to €52.0 million (previous year: €111.1 million), representing a deterioration compared with the previous year despite higher net realised gains. This was attributable, in particular, to high write-downs on interests in investment assets and interests in affiliated companies, as well as on participations. The balance from write-ups and write-downs deteriorated from €30.5 million to –€34.0 million.

Current income from investments fell by 18.5% to €83.9 million (previous year: €102.9 million) due to lower distributions from interests in investment assets and participations, as well as to persistently lower capital market interest rates. The balance of disposal gains and losses increased from –€3.0 million to €20.8 million, particularly through net realised gains in the annuities area. The net interest rate on investments stood at 1.8% (previous year: 4.0%).

### Net profit, profit transfer to W&W AG

Net income from normal business operations rose considerably from €139.1 million to €167.0 million. Following a profit transfer of €124.7 million (previous year: €140.4 million) to the sole shareholder, W&W AG, net profit for the year amounted to €42.0 million, which strengthened equity as unappropriated surplus in connection with the approval of the annual financial statements by the Executive Board and Supervisory Board. In previous years, net profit amounted to €0.0 million, since net income was transferred in its entirety in each case.

## Financial performance

### New business and premium income

In terms of the annual contribution to the portfolio, new business amounted to €275.7 million, which was above the level of the previous year (€266.6 million). The cancellations in the portfolio of Württembergische Versicherung AG increased from €218.9 million to €225.9 million.

Württembergische Versicherung AG's income from gross premiums written increased in 2020 by 5.2% to €2,055.1 million (previous year: €1,954.2 million). Premium development was thus below the previous year's level of 5.8% but considerably higher than the growth of 2.1% expected by the GDV as at yearend in our core domestic market. Our digital brand Adam Riese also recorded solid growth, posting income from gross premiums written of €12.1 million, a significant increase over the previous year (€6.2 million). The main focus was on retail customer business. In just over three years, Adam Riese has thus already become a full-fledged market player. A further expansion of the product offering is in the pipeline.

Württembergische Versicherung AG's income from premiums written for own account increased by 5.3% to €1,652.9 million (previous year: €1,569.8 million).

The net share after accounting for the reinsurers' portion rose slightly to 80.4% (previous year: 80.3%).

Gross premiums written in motor insurance increased by 3.6% from €838.4 million to €868.3 million. In retail customer business, premium income rose by 5.2% compared with the previous year and amounted to €706.7 million (previous year: €671.6 million). In corporate customer business, Württembergische Versicherung AG's income from gross premiums written rose by 7.7% to €478.4 million (previous year: €444.1 million).

### Claims development in the financial year

While the gross claims expenses for natural disasters dropped to the belowaverage level of €63.6 million (previous year: €72.0 million), the gross loss ratio for domestic direct business improved from an already good 69.5% in the previous year to 66.6% for the financial year. In all, roughly €42.0 million is taken into consideration in underwriting in connection with business closures, including ex gratia payments, as a result of the coronavirus pandemic.

Claims expenses for own account in domestic direct business rose from €1,017.8 million to €1,054.0 million. Accompanied by sharply rising net premiums earned, the net loss ratio improved to 64.2% (previous year: 65.0%). The amount of €2.0 million was released from the claims equalisation provisions (previous year: allocation of €10.6 million).

### Continued robust reserves

In 2020 net technical provisions increased from €2,437.2 million to €2,521.5 million. The main reason was the rise in the provision for outstanding insurance claims, particularly through the lowering of the interest rate factor in reserving for long-term losses in the motor liability business line, the lower actuarial interest rate used to calculate the provisions for future annuity benefits and the provisions for business closure insurance that were created in connection with the coronavirus pandemic.

**Technical provisions for own account**

| | 2020 | 2019 | Change |
|---|---|---|---|
| | | | in % |
| **Provisions for claims** | | | |
| in € million | 1,925.5 | 1,843.3 | 4.5 |
| in % of premiums written | 116.4 | 117.4 | |
| in % of claims payments | 199.1 | 196.3 | |
| **Claims equalisation provisions** | | | |
| in € million | 432.6 | 434.5 | –0.4 |
| in % of premiums written | 26.2 | 27.7 | |
| **Technical provisions** | | | |
| Total in € million | 2,521.5 | 2,437.2 | 3.5 |
| in % of premiums written | 152.6 | 155.3 | |

## Expense ratio

The expense ratio describes the ratio of the expenses for insurance operations to the premiums earned. Despite collectively bargained salary increases, personnel expenses fell slightly due to, among other things, the immediate measures that we introduced as a result of the corona-virus. Materials costs fell even more substantially as a result of lower advertising, travel and consulting costs, for example. On the one hand, this was attributable to cost-cutting occasioned by the coronavirus. On the other, we successfully continued our rigorous cost management in 2020 as well. The cost ratio (gross) improved to 26.4% (previous year: 27.2%). Total expenses for the insurance business grew by 2.1% from €529.2 million to €540.1 million, an increase significantly lower than the premium growth rate.

## Combined ratio further improved

The persistently favourable claims trend along with the reduced cost ratio resulted in a further improvement of the combined ratio of Württembergische Versicherung AG. Notwithstanding the lowering of the interest rate factor in the motor liability business line, the lower actuarial interest rate used to calculate the provisions for future annuity benefits and the provisions for business closure insurance that were created in connection with the coronavirus pandemic, the combined ratio (net) stood at 89.0% for the 2020 financial year, which was slightly above the extremely good level of the previous year (89.5%).

## The business segments of Württembergische Versicherung AG

**Motor**

This business segment comprises the business lines motor liability, motor comprehensive insurance, motor personal accident insurance and traffic service insurance of Württembergische Versicherung AG. In 2020 premiums written increased by 3.6% to €868.3 million (previous year: €838.4 million).

Following the strong growth in the previous year, new business in motor insurance in terms of the annual contribution to the portfolio increased by another 3.8% to €188.0 million (previous year: €181.1 million).

Because accident numbers declined due to the corona-virus, the loss ratio for the financial year improved to 69.8% (previous year: 82.5%). As a result of the lowering of the interest rate factor in reserving for long-term losses and the lowering of the interest rate in the area of the provision for future annuity benefits, the net expense from claims of the previous year (gross) came in at –€27.7 million (previous year: net income of €37.8 million), a considerable year-on-year decline. Net underwriting income from the motor business segment rose from €20.2 million to €87.0 million.

**Retail customers**

This business line mainly comprises the business lines residential buildings, household, general accident insurance, legal expenses and liability business involving private households. Gross premiums written rose by 5.2% to €706.7 million (previous year: €671.6 million).

In retail customer insurance, new business in terms of the annual contribution to the portfolio declined by 12.3% to €37.8 million (previous year: €43.1 million).

Net income from the retail customers segment came in at €78.0 million, which was below the level of the previous year (€86.5 million). With a premium increase of 2.7% and 3.2%, respectively, general personal accident insurance and household insurance made the largest contributions to net income in this segment. All business lines recorded positive results in the 2020 financial year.

**Corporate customers**

The corporate customer business segment includes the commercial and industrial property and liability insurance business lines. Income from gross premiums written in this segment rose 7.7% from €444.1 million to €478.4 million.

In corporate customer business, the growth efforts resulted in a considerable increase in new business in terms of the annual contribution to the portfolio by 17.6% to €49.9 million (previous year: €42.5 million).

In the 2020 financial year, the gross loss ratio in corporate customer business was 64.8%, which was clearly higher than in the previous year (58.9%), particularly as a result of the increased expenditure for business closures, including ex gratia payments. This also resulted in a decline in net income from €24.0 million to €12.3 million.

# Business line reports

This report presents the results described in the segment report in a different way. Depending on the individual business line, the results are consolidated across all business segments – motor, retail customers, corporate customers and non-German business.

**Direct business**

**Personal accident insurance**

Personal accident insurance comprises the business lines general personal accident insurance, aviation personal accident insurance and motor personal accident insurance. In the year under review, gross premiums written increased by 2.7% from €143.8 million to €147.6 million. While the number of reported claims fell to 13,785 (previous year: 14,894), the expenditure for losses rose by 3.3% to €74.9 million. The loss ratio for the financial year rose to 52.7% (previous year: 45.6%). In the technical account, personal accident insurance posted lower net income of €20.8 million (previous year: €27.0 million).

**Liability insurance**
This business line consists of general liability business involving retail and corporate customers, as well as aviation liability business. Income from gross premiums written in this business line increased by 2.0% from €221.1 million to €225.5 million. The loss ratio for the financial year increased from 51.7% to 56.9%. After allocations to the claims equalisation provision, net underwriting income in the liability business line fell from €66.0 million to €54.6 million.

**Motor insurance**
In the year under review, income from gross premiums written increased by 3.3% to €852.2 million (previous year: €825.3 million). Particularly as a result of the decline in mobility during the coronavirus pandemic and the lowering of the interest rate in the area of the provision for future annuity benefits, motor insurance posted positive net underwriting income before the claims equalisation provisions of €83.1 million (previous year: €19.6 million). The amount of €0.8 million (previous year: €11.6 million) was allocated to the claims equalisation provisions.

**Motor liability insurance**
In 2020 the motor liability insurance of Württembergische Versicherung AG covered 1,837,717 insured risks (previous year: 1,779,074). The number of reported claims was 75,160, considerably lower than in the previous year (90,087). In 2020 gross premiums written increased by 2.9% from €466.8 million to €480.4 million. The loss ratio for the financial year improved to 71.0% (previous year: 85.5%). Due to the lowering of the interest rate factor, settlement results in motor liability insurance fell considerably, with a loss of –€30.4 million (previous year: €32.4 million). Net underwriting income before the claims equalisation provision stood at €41.4 million (previous year: €11.4 million). The amount of €3.6 million (previous year: €5.9 million) was allocated to the claims equalisation provision.

**Other motor insurance**
Other motor insurance includes comprehensive and partial cover insurance. Income from gross premiums written in this business line rose by 3.7% from €358.5 million to €371.8 million. The loss ratio for the financial year fell significantly to 69.6% (previous year: 79.7%). In the other motor insurance business line, Württembergische Versicherung AG posted net income before the claims equalisation provision of €41.8 million (previous year: €8.2 million). In the 2020 financial year, the amount of €2.8 million was released from the claims equalisation provisions (previous year: allocation of €5.6 million).

**Fire insurance**
This insurance business line comprises industrial fire insurance, general fire insurance and agricultural fire insurance. Income from gross premiums written increased by 11.7% from €79.4 million to €88.7 million. The gross loss ratio for the financial year declined to 79.1% (previous year: 84.1%). The net underwriting result after claims equalisation provisions deteriorated from €0.9 million to –€0.7 million.

**Household insurance**
In 2020 income from gross premiums written in household insurance increased by 3.2% to €101.6 million (previous year: €98.5 million). Following on the excellent previous years, the claims situation continued to improve. The loss ratio for the financial year dropped from 33.3% to 31.7%. Net underwriting income improved to €28.0 million (previous year: €25.2 million).

**Residential building insurance**
Net income of €10.8 million (previous year: €10.9 million) was posted. The combined ratio (net) was slightly above the previous year, coming in at 91.2% (previous year: 90.7%). As in previous years, premiums increased considerably. In 2020 gross premiums rose by 9.4% to €223.8 million (previous year: €204.8 million), even though the number of policies increased only slightly by 1.0% to 466,632. The premium growth thus resulted especially from the successful increase in average premiums. Reported claims rose by 13.3% from 41,952 to 47,542. The average claim fell slightly by 1.8% from €2,803 to €2,753. The loss ratio for the reporting year deteriorated to 61.3% (previous year: 57.9%).

**Other property insurance**
This business line comprises property insurance for burglary, damage from water mains, glass breakage, storms and natural disasters, as well as technical insurance, extended coverage and products that span multiple business lines in the commercial and industrial area. The entire business line posted a gross premium increase of 8.5% to €217.3 million (previous year: €200.3 million). The loss ratio for the financial year improved to 57.4% (previous year: 61.5%). Net underwriting income before the claims equalisation provision increased significantly year-on-year to €18.0 million (previous year: €11.0 million). The amount of €1.6 million (previous year: €7.6 million) was allocated to the claims equalisation provisions.

**Transport and aviation insurance**
Gross premiums written in transport and aviation insurance increased by 1.0% to €24.0 million (previous year: €23.8 million). The gross loss ratio improved from 86.6% to 79.7%. Following a loss of €3.3 million in the previous year, another loss of €0.4 million was posted for 2020. The amount of €1.6 million (previous year: €4.4) was released from the claims equalisation provision, meaning after the claims equalisation provisions, net income was recorded.

**Legal expenses insurance**
Income from gross premiums written in legal expenses insurance increased by 5.9% to €133.4 million (previous year: €126.0 million). The number of reported claims increased by 17.5% from 118,977 to 139,788. The loss ratio deteriorated from 60.3% to 64.7%. Net underwriting in-

come before the claims equalisation provision came in at €3.3 million (previous year: €6.3 million). Due to the stable claims development in the past, the conditions for the creation of claims equalisation provisions were no longer met for the first time in the previous year. In accordance with statutory provisions, the release takes place over a period of five years in the amount of €4.3 million per year.

**Travel assistance insurance**
This business line consists solely of travel service insurance. Income from gross premiums written increased by 24.6% from €12.3 million to €15.4 million. The gross loss ratio for the financial year improved to 36.5% (previous year: 53.8%). Net underwriting income before the claims equalisation provision came in at €3.6 million (previous year: €0.5 million). The amount of €2.6 million (previous year: €1.2 million) was allocated to the claims equalisation provision.

**Other insurance**
Fire business interruption insurance and other products that span multiple business lines are consolidated under other insurance. In the 2020 financial year, gross premiums in this area increased by 24.7% to €23.9 million (previous year: €19.1 million). As a result of the exceedingly high losses in this business line in connection with the coronavirus pandemic, including business closure insurance policies, the gross loss ratio for the financial year increased significantly year-on-year to 259.8% (previous year: 71.1%). Other insurance posted a net underwriting expense of –€28.3 million (previous year: –€0.4 million).

**Assumed reinsurance business**
Until the end of 2007, assumed reinsurance business had been underwritten almost exclusively by the London branch of Württembergische Versicherung AG. It mainly comprises the processing of policies from the business lines technical insurance, transport insurance, liability insurance, fire insurance and other insurance. Assumed reinsurance business posted net underwriting income of €0.9 million (previous year: €0.8 million).

## Net assets

### Investments

**Challenges for investments**
In addition to the presidential elections in the USA and Brexit at the end of the year, the environment for investments was affected in particular by the coronavirus pandemic. Following massive collapses and fluctuations in the first quarter, the financial markets recovered as a consequence of determined interventions by central banks, expansive fiscal policies and the hope for an effective vaccine. However, considerable uncertainties remain. An end to the phase of low interest rates is not in sight.

Despite the temporary burdens, Württembergische Versicherung AG dealt successfully with these challenges.

The total carrying amount of investments rose year-on-year by 3.8% to €3.0 billion.

**New investments in bearer bonds in the direct portfolio**
New investments were made primarily for bearer bonds in the direct portfolio, totalling €330.5 million. These investments were broadly diversified and mainly targeted issues of financial institutions and public obligors. Taking repayments and sales into consideration, the carrying amount of these securities increased slightly to €916.4 million (previous year: €898.8 million).

In the financial year just ended, the portfolio of registered bonds, promissory notes, loans and other loans declined slightly. Their carrying amount fell from €465.5 million to €430.8 million. Their share of the total investment portfolio declined from 16.0% to 14.3%.

Especially due to the investment in bond fund certificates, the carrying amount of the units in investment assets rose from €809.9 million to €945.6 million. Accordingly, the portfolio ratio of all investments increased from 27.9% to 31.4%.

**Decline of equity ratio**
As a result of the high volatility and uncertainties on the equity markets caused by the coronavirus pandemic, Württembergische Versicherung AG reduced its exposure to equities in order to minimise the risk of possible price losses. Taking into account the futures entered into and the market value of the option positions, the calculated equity ratio thus amounted to 4.7% (previous year: 7.9%). As at the end of the year, 79.5% of the equity exposure was hedged.

**Participations nearly unchanged**
The carrying amount of participations and interests in affiliated companies remained nearly unchanged year-on-year, coming in at €477.2 million (previous year: €475.9 million). Participations were acquired in the field of alternative investments (private equity, private debt and infrastructure). Based on market value, these participations accounted for 10.9% of the total investments.

**Real estate**
In the 2020 financial year, the carrying amount of real estate directly held by Württembergische Versicherung AG decreased by about €7.2 million to €61.6 million (previous year: €67.9 million), mainly due to scheduled depreciation.

Write-ups due to the reversal of impairment losses amounted to €0.8 million.

The carrying amount of indirectly held real estate investments fell in 2020 from €189.1 million to €176.8 million due to a write-down.

**Higher valuation reserves**

In 2020 net reserves, i.e. the balance of reserves and liabilities, rose to €281.6 million (previous year: €254.4 million). This was mainly due to the rise in the value of real estate and participations, as well as the drop in capital market interest rates. As in previous years, the valuation option pursuant to Section 341b (2) of the German Commercial Code (HGB) was not exercised.

**Derivative financial instruments**

As in previous years, Württembergische Versicherung AG made use of derivative financial instruments to manage and hedge the equity exposure as well as interest rate and currency risks. In this context, regulatory provisions and internal regulations were complied with. The required or-ganisational structures, especially the strict separation of trading and settlement, were in place at all times.

## Financial position

### Capital structure

Due to the business model of property and casualty insurance, the liabilities side is dominated by technical provisions.

These amounted to €2,521.5 million (previous year: €2,437.2 million) and thus accounted for 74.6% (previous year: 74.3%) of liabilities. Of this amount, the provision for outstanding insurance claims accounted for €1,923.5 million (previous year: €1,843.3 million), the claims equalisation provision and similar provisions, €432.6 million (previous year: €434.5 million), the provision for unearned premiums, €132.5 million (previous year: €121.7 million) and the provision for future policy benefits and miscellaneous technical provisions, €32.9 million (previous year: €37.6 million).

Equity increased from €350.6 million to €392.6 million. This was attributable to the unappropriated surplus of €42 million, which was retained in order to strengthen equity and regulatory own funds.

### Liquidity

We manage our liquidity in such a way as to enable us to meet our financial obligations at all times and on a sustained basis. In 2020 our liquidity was always sufficient. For further information about the liquidity position, please see the opportunity and risk report.

## Exercise of discretion

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

## Overall view

The net assets, financial position and financial performance of Württembergische Versicherung AG are stable and orderly. Following a solid year in 2019, claims development in 2020 was again very good, despite the corona-virus pandemic. Net income from investments declined to €52.0 million (previous year: €111.1 million). In view of the difficult year, we are highly satisfied with the results achieved.

## Comparison of business performance with forecast

The following comparison of current business performance with the estimates made in last year's annual report shows that Württembergische Versicherung AG performed very well despite the difficult overall situation in 2020.

While our forecast had predicted new business (annual contribution to the portfolio) to come in at the level of the previous year, it turned out to be 2.8% higher than in the previous year. In particular, new business in corporate customer business grew considerably compared to 2019.

Particularly as a result of very good actuarial development, the combined ratio (net) was considerably lower than expected, coming in below the target figure of 94%.

In 2020 net income before taxes was marked by the coro-navirus pandemic, but also by generally very good claims development. In addition to net income from investments, which fell considerably year-on-year, net underwriting income exceeded our expectations. This was due, in particular, to the pandemic-related decline in mobility and its impact on claims development in motor insurance, but also to low gross losses from natural disasters and to generally very good claims development, which was also attributable to our risk-conscious underwriting policy in previous years. In all, net income before taxes amounted to €167.0 million, which was considerably above the already high previous year (€139.1 million). Despite retaining €42.0 million, the company was able to transfer €124.7 million (previous year: €140.4 million) to the sole shareholder, W&W AG. In our forecast, which had not yet included the retention, we had expected a slight decline in net income before taxes and profit transfer.

# Opportunity and risk report

## Opportunity report

Recognising and exploiting opportunities is a fundamental requirement for the successful development of Württembergische Versicherung AG. Consequently, Württembergische Versicherung AG pursues the goal of systematically identifying, analysing and evaluating opportunities and initiating suitable measures to utilise them.

The starting point is our firmly established strategy, planning and control processes. For this purpose, we evaluate market and environment scenarios and examine the orientation of our product portfolio, cost drivers and other critical success factors. The opportunities derived from this are discussed by the management in connection with strategy retreats and then incorporated into strategic planning.

We also have suitable governance and control structures in place in order to evaluate and pursue opportunities on the basis of their potential, the required investments and the risk profile.

In the following, we concentrate on the main opportunities, distinguishing between opportunities arising from developments outside the company's control ("external influences") and opportunities resulting from our specific strengths as part of the W&W Group ("internal influences").

### External influences

#### Company and customers

**Opportunities through changed customer needs**
As Württembergische Versicherung AG, our aim is to provide people with financial planning from a single source. For us, this also includes offering our customers simple, transparent, individualised and flexible products, as well as networking across all interaction channels.

The need for financial security offers tremendous business opportunities. With its sustainable, integrated advisory approach and its target group concepts and solutions, Württembergische Versicherung AG adapts strategically to the changed financial planning market.

Digital advances have materially changed the expectations of many existing and potential customers. Communication between customers, sales and back office is increasingly taking place on the basis of digital technology. In this regard, however, customers increasingly expect customised offers and approaches. The dissemination and use of digital media enables more intensive and targeted customer contact, along with the opportunity for corresponding sales potentials. In this regard, we combine our personalised advisory approach with new digital opportunities. In the age of the internet, social media and the prevalent use of smartphones, timely interaction 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.

**Opportunities through dynamic transformation and demographic change**
Demographic change and a changing society offer new growth opportunities. In our view, society is demanding more flexibility with regard to products, advice and communication due to a change in lifestyle habits. For Württembergische Versicherung AG with its expertise in the field of insurance, this setting offers substantial market potential for its services and its advisory approaches and target group concepts. By developing new and sustainable products and using all manner of communication media, we are adapting to these changes.

**Opportunities through sustainability**
We seek to operate our business in a way that is environmentally sound, socially responsible and economically successful. In this regard, we view sustainability not only as the consequence of changed regulations (EU Taxonomy Regulation) but also as a way to accelerate the transformation of our business model. In this spirit, the W&W Group has signed on to the sustainability initiatives Principles for Sustainable Insurance (PSI) and Principles for Responsible Investment (PRI). By doing so, we are placing greater emphasis on environmental, social and governance aspects in our business.

The stronger focus on sustainability creates economic, social and ecological benefits for the W&W Group and Württembergische Versicherung AG as well as for the entire insurance industry. We also believe we owe a duty here to the current generation and those to follow.

#### Economy

**Opportunities through interest rate trends and capital markets**
The low interest rate policy in Europe continues to pose challenges for financial services providers, but also offers opportunities. On the one hand, the importance of effective capital investment is rising. As a large investor with more than €51 billion in available capital, the W&W Group has long-standing capital market expertise and a comprehensive risk management system. Our capital investment is based on a strategic asset allocation that we align with opportunities and risks in the course of our consistent value- and risk-oriented investment strategy, while main-taining flexibility in order to make use of opportunities at short notice. We can also acquire new customers through products that are adapted to the current market environment (and in which, among other things, sustainability aspects are taken into account).

## Politics

**Opportunities through increasing regulation and consumer protection**
Satisfying the growing regulatory requirements, such as for a consultation meeting, can be used to intensify the customer meeting and the customer relationship. Data protection regulations strengthen trust in the industry as a whole and therefore in us as a provider.

## Technology

**Opportunities through digitalisation and technical progress**
Digital advances are enabling us to develop completely new, faster and more intensive customer interactions, meaning that we can approach customers' needs more directly and expand our ability to provide digital advice. Moreover, faster service and novel kinds of products can be created.

Technical advances facilitate, among other things, the increasing automation of processes. The resultant productivity advances – and thus cost-cutting potentials – can be used to boost income but also to free up capital for investments in topics of relevance for the future.

With our new digital brand, Adam Riese, we are keeping in step with this development. Adam Riese now has various products on the market, which are resonating with our customers through digitally simplified product design, fast online conclusion and a fully digital claims process.

The consequences of the coronavirus pandemic are giving even greater impetus to this trend. In 2020 mobile working, including working from home, accelerated the digital transformation of how people work. It is expected that this new form of digital working will be relied on to an increasing degree even after the crisis ends.

**Opportunities in the data age**
The responsible, targeted use of customer data enables us to create ever more personalised products. With additional information, we can better assess risks and avoid claims. Moreover, attractive new business models arise through the use of data.

**Opportunities through digital networking**
By creating collaboration networks, we can better serve customer needs. Digital networking can also dramatically reduce response times, which in the event of a claim, for instance, makes it possible to limit consequential damages or even to avoid them altogether.

## Internal influences

### Opportunities through market position

Through our various sales channels with their different strengths, and owing to our good brand awareness, we are able to address a large, broad customer pool of millions of people in our core market of Germany.

Approaching customers via multiple sales channels enables us to place our financial planning products in a targeted manner.

Our strategic aim is to meet the needs of our customers. When designing our products, we always focus on what they want. Accordingly our products regularly receive the highest ratings. We also have opportunities through 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.

### Opportunities through our employees

For Württembergische Versicherung AG as a service company, recruiting and retaining employees is a key component for ensuring future viability and competitiveness. For that reason, the W&W Group has established the benefits package “Beruf+”, which offers a variety of programmes and services relating to health management, mobility, family, qualification, and agile, networked and flexible working, particularly digitally and at the new W&W campus. Similarly, the W&W Group offers various opportunities for retention and networking specifically for its trainees and working students from the Cooperative State University (Duale Hochschule). For further information, please see the chapter “Employees” in the W&W Group annual report.

# Risk report

## Risk management at Württembergische Versicherung AG

The systematic and controlled assumption of risk and, in the process, achieving the established return targets is an integral part of our corporate governance. As an insurance company, the management of risks is one of our core competencies. Thus, our risk management system is an element of our business organisation.

It comprises all internal and external regulations to ensure the structured handling of risks. In accordance with the principle of proportionality, we determine the scope and intensity of our risk management activities according to the risk level of the business engaged in. As part of the W&W Group, we consistently derive our risk management system from the Group requirements and are integrated in the risk management system of the W&W Group. There were no material changes to the risk management system compared with the previous year.

### Core functions and objectives

The tasks and goals of risk management are aligned with the following core functions:

- **Legal:** Assurance of compliance with relevant risk-related internal and external requirements.
- **Protection of the going concern:** Avoidance of risks that endanger the company as a going concern – protecting the company as a whole and preserving the capital base as a key precondition for the going concern.
- **Quality assurance:** Establishment of a joint risk under-standing, pronounced risk awareness, a risk culture and transparent risk communication.
- **Value creation:** Governance and action impetus in the case of deviations from the risk profile, impetus for risk hedging and conservation of value, promotion and assurance of sustainable value creation for shareholders, perception of opportunities.

In addition, risk management pursues the aim of protecting the reputation of Württembergische Versicherung AG and the digital brand Adam Riese as part of the W&W Group.

The principles and configuration elements of our risk management system as well as our general handling of material risks are described below.

### Risk management framework

The risk strategy establishes minimum requirements for the direction and framework of the risk policy. It is derived from the business strategy and the risk strategy of the W&W Group and the business strategy of Württembergische Versicherung AG, and it describes the type and scope of the material risks at Württembergische Versicherung AG. It defines goals, risk tolerance, limits, measures and instruments to handle assumed or future risks. The risk strategy is adopted by the Executive Board and is discussed and affirmed in the Supervisory Board at least once a year.

As a matter of principle, we strive to balance business opportunities with the associated risks. We always endeavour to secure the company's continued existence as a going concern. The objective is to avoid taking risks that endanger existence or that are incalculable.

In our Group Risk Policy, we translate the risk strategy requirements into an organisational framework of the risk management system that considers both the specific needs of Württembergische Versicherung AG and those of the W&W Group. In this way, we establish the preconditions for effective, holistic risk governance.

### Capital management

Württembergische Versicherung AG maintains risk capital. It serves to cover any losses from assumed risks. Risk management controls and monitors capital adequacy and risk-bearing capacity. This indicator represents the ratio of risk capital to the risk capital requirement.

It is controlled in parallel from two perspectives:

**Regulatory capital adequacy**
Regulatory capital adequacy has to do with examining the ratio of eligible own funds to the solvency capital requirements. For this, we use the standard model of the European Insurance and Occupational Pensions Authority (EIOPA). Based on this indicator, we also present our risk position to the public.

**Economic capital adequacy**
Within the scope of the company's internal risk and solvency assessment, the economic risk capital requirement is determined on the basis of an economic risk-bearing capacity model and compared with the available economic capital. The available risk capital is allocated and limits are derived on the basis of these calculations. We use the economic model for our risk governance.

## Responsibilities in the risk management system/risk governance

The duties and responsibilities of all persons and committees involved in risk management issues are defined.

The **Executive Board** bears the overall responsibility for the proper organisation of the business of Württembergische Versicherung AG and thus also for an appropriate, effective risk management system. Accordingly, the Executive Board ensures that the risk management system is effectively implemented, maintained and enhanced. This also includes developing, promoting and integrating an appropriate risk culture.

In its role as the control body overseeing the Executive Board, the **Supervisory Board** of Württembergische Versicherung AG also monitors the appropriateness and effectiveness of the risk management system. In addition, it is regularly informed about the current risk situation. Certain types of transactions require the Supervisory Board's approval.

The **Audit Committee** regularly assures itself that the organisation of risk management in each area of responsibility is appropriate and effective. It reports to the Supervisory Board on this.

As the central body for the coordination of the risk management of the Insurance division, the **Risk Board Insurance** supports the Executive Board in risk issues. The Executive Board members and the managers responsible for risk management and related areas in the Insurance division as well as representatives of risk controlling are permanent members of the Risk Board Insurance. The body meets once a month and, where necessary, on an ad-hoc basis. The Risk Board Insurance monitors the risk profile of the Insurance division, its appropriate capitalisation and its liquidity. Moreover, solution proposals are elaborated, recommendations are submitted to the Executive Board and the further development of the entire risk management system is advanced under the supervision of the risk management function (RMF).

The **Controlling/Risk Management** department and **Life and Health Insurance Risk Management** at Württembergische Versicherung AG provide advice and support to the Risk Board Insurance in determining risk management standards. In collaboration with the Group Risk Management, it develops methods and processes for identifying, evaluating, managing, monitoring and reporting risks. Moreover, the department creates qualitative and quantitative risk analyses.

The **operational business units** responsible for decentralised risk governance make informed decisions about whether to take or avoid risks. In this context, their duty is to monitor centrally determined standards, risk limits and investment lines as well as the adopted risk strategy.

We ensure compliance with internal governance rules by means of our internal governance body structure. The **Group Board Risk** is a key element of this structure. This central body coordinates risk management and monitors the risk profile in the W&W Group. Moreover, it deliberates on Group-wide risk organisation standards and the use of risk management methods and instruments that are uniform throughout the Group. Other central bodies are the Group Liquidity Committee, the Group Compliance Committee, the Group Credit Committee and the Group Security Committee.

In addition to these bodies, our business organisation has certain key functions for particular subjects. These are structured in the form of three lines of defence.

- The operational business units (e.g. sales, application processing, investments) form our first line of defence. These units are responsible for individual risks and are permitted to assume risks in line with their competencies. In this context, they observe centrally determined standards, risk limits and risk lines. Compliance with these competencies and standards is monitored by means of internal controls.

- The following functions are associated with the second line of defence:
- The risk management function coordinates all risk management activities. The actuarial function ensures correct calculation of the technical provisions and assists the risk management function in the risk assessment. The compliance function monitors compliance with all internal and external regulations. It thus assists the risk management function with respect to compliance issues and legal risks.

- The Internal Audit department represents our third line of defence, independently reviewing the adequacy and efficiency of the Group's internal control system as well as the effectiveness of the corporate processes.

Persons or divisions charged with exercising this function must be able to perform their duties objectively, fairly 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 already observed at the Executive Board level by means of stringent bylaws and assignment of responsibilities.

In our structural and procedural organisation, the individual duties of all aforementioned bodies, committees and key functions as well as their connections and reporting lines among each other are defined. This guarantees the regular, timely flow of information both within Württembergische Versicherung AG and across all levels of the W&W Group.

In its capacity as the risk management function, the Controlling/Risk Management department is in charge of operational risk management for Württembergische Versicherung AG. The department head serves as the responsible holder of the key function. The risk management function is involved in all risk-relevant decisions. To fulfil its tasks, it has a right to complete, unlimited information at all levels of Württembergische Versicherung AG, which is ensured by means of due information and reporting routes as well as escalation and decision processes.

## Risk management process

The risk management process takes the form of an iterative control loop with five process steps.

### Risk identification

Within the scope of the risk inventory, we regularly record, update and document assumed or potential risks. Risks arising in connection with the issue of sustainability are likewise an element of the risk inventory. On the basis of an initial assessment by the responsible business units, we use threshold values to classify our risks as material or immaterial risks. In connection with this assessment, we also evaluate the extent to which individual risks can take on a material character through interaction or accumulation (risk concentrations). The risks that we classify as material are actively managed in the following four steps of the risk management process. By contrast, risks that are classified as immaterial are reviewed at least once a year by the individual business units. We depict the results of risk identification in our risk inventory. In doing so, we describe which companies may experience individual risks.

### Risk assessment

To assess material risks, we use various risk measurement procedures. Economic capital adequacy is generally determined with the help of stochastic procedures and the risk measure value at risk (VaR) with a confidence level of 99.5% and a time horizon of one year. Where this procedure cannot be applied for certain risk areas, we use analytical computing procedures and qualitative instruments (e.g. expert estimates). Additionally, we conduct sensitivity and scenario analyses for material risks.

### Risk taking and risk governance

In our risk strategy, we define how assumed and future risks, as well as sustainability aspects, are to be handled. On this basis, the operational business units decide whether a risk conforms to these requirements and should be assumed (risk taking). During the year, we manage the risk positions we assume with the help of the methods determined in the risk strategy. This includes thresholds, signal systems and limit and line systems (risk governance). Regulatory and economic risk-bearing capacity as well as division-specific indicators are used as key management parameters. These perspectives examine our ability to comply with our obligations towards all claimants.

### Risk monitoring

We constantly monitor compliance with the basic requirements of the risk strategy and risk organisation and whether the quality and grade of risk governance are appropriate. Compliance with the limits and lines determined within the scope of the risk governance forms the key basis for monitoring the risk profile and the capitalisation.

### Risk reporting

We regularly report to the Risk Board Insurance and the Group Board Risk of the W&W Group, the Executive Board, the Audit Committee and the Supervisory Board in a timely manner about the risk position of Württembergische Versicherung AG. Among other things, these reports present the amount of available own funds, the risk capital requirement, the compliance with limits and lines, sustainability risks and the risk governance measures that have already been taken and that still need to be taken. Ad-hoc risk communication takes place when material events occur.

## Risk profile and material risks

To present our risks transparently, we uniformly group similar risks throughout the Group into risk areas. The following risk areas are relevant for the Insurance division:

- Market price risks
- Counterparty credit risks
- Insurance risks
- Operational risks
- Business risks
- Liquidity risks

The risk areas are quantified according to our economic model. Market price risks accounted for 39.8% (previous year: 38.8%), counterparty credit risks for 8.0% (previous year: 6.1%), insurance risks for 47.1% (previous year: 50.1%) and operational risks for 5.0% (previous year: 5.0%). We take business risks into consideration in our calculation of risk-bearing capacity by applying a discount when determining the capital available for risk coverage. For Württembergische Versicherung AG, the main liquidity risk takes the form of the risk of illiquidity as a result of settling claims after unusually high losses. As these are already shown as part of insurance risk, no separate risk capital requirement is presented.

As at the reporting date 31 December 2020, the total risk capital requirements of Württembergische Versicherung AG amounted to €833.2 million. The individual risk areas and – where relevant to the overall assessment – the individual risk types are described in the following sections.

## Market price risks

We define market price risk as potential losses resulting from the uncertainty concerning future trends (size, volatility and structure) in market risk factors. Such market risk factors include interest rates, stock prices, currency exchange rates, commodities prices, real estate prices and corporate assets, as well as risk premiums (credit spreads) for a given credit risk and foreign currency risks.

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, we 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 a security-oriented investment policy. The principle of business prudence, which is codified in the German Act on the Supervision of Insurance Undertakings (VAG) and constitutes a principlesbased approach, forms the regulatory framework for our investment policy. Additionally, various capital investment-related interpretation decisions of the German Federal Financial Supervisory Authority (BaFin) are taken into consideration. When making capital investments, the security, quality, liquidity and profitability of the portfolio as a whole must be ensured. This principle of entrepreneurial prudence is at the heart of our internal investment policy, which contains precise rules concerning compliance with investment principles and a company-specific schedule of investments with respect to both quality and quantity.

Apart from the general internal policy, there are special policies for the use of items such as forward purchases, forward sales, derivative financial instruments, structured products and asset-backed securities.

These internal policies, which govern the operational investment activities, are supplemented by an internal policy for investment risk management. This policy describes the strategic, organisational and operational framework for investment risk management.

The risk profile of the investments is increasingly being influenced by ESG (environment, social, governance) risks. The W&W Group has committed to including sustainability aspects when making investments. Among other things, it signed on to the Principles for Responsible Investment (PRI). In this regard, Württembergische Versicherung AG also acknowledges the Principles for Responsible Investment and publicly undertakes to introduce and comply with them. Other signatories of the PRI include select external managers for equity, bond and real estate funds. The data platform of an external service provider is used to analyse the investment portfolios. The analysis also takes into account special ecological and social risks and those concerning corporate governance that are associated with investment, insofar as these risks are related to the investment portfolio and its management, e.g. through exclusion criteria. In addition to taking exclusion criteria into account, we also have long pursued an active approach in the area of sustainability. In this regard, “renewable energy” has for many years been a core element of the strategic investment approach. The importance of the issue of sustainability is growing also in the traditionally largest part of our investments, such as in the form of “green bonds”. We are striving to take this form of investment into consideration for new investments and reinvestments in order to make a further contribution toward the financing of environmentally friendly projects.

### Interest rate risk

Persistently low interest rates pose a risk to earnings, as new investments and reinvestments can be made only at lower interest rates To assess market price risks, we regularly conduct simulations for our fixed-interest investments (including interest rate derivatives), which show us how the value of our portfolio changes depending on market fluctuations. In the case of a change of the respective yield curve by +/-50 or +/-100 basis points, all fixed-interest securities would undergo the following market value changes:

- Increase by 50 basis points – €75.8 million
- Increase by 100 basis points – €149.5 million
- Decrease by 100 basis points + €161.6 million
- Decrease by 50 basis points + €78.4 million

### Stock price risk

Sudden and severe price slumps on the equity markets can impair risk-bearing capacity in the form of write-downs, which would be recognised as a loss. Stock price risks are reduced with corresponding hedging strategies using derivatives (e.g. put options, short futures). We continued to maintain a high hedging level in our equity portfolio in 2020. Further disclosures concerning hedges are presented in the chapter “Notes concerning assets”. To assess market price risks, we regularly conduct simulations for our equity portfolios (including equity-based derivatives). Where the price fluctuates by +/-10% or +/-20%, the market value of all equities would change as follows:

- Increase by 20% + €25.9 million
- Increase by 10% + €13.0 million
- Decline by 10% –€12.9 million
- Decline by 20% – €25.4 million

**Real estate risk**
Sudden and severe real estate price slumps can impair the income situation and risk-bearing capacity. Our diversified real estate portfolio is a core element of our investment portfolio. As we mainly invest in prime locations, we consider the risk to be low as a general rule. However, if the coronavirus pandemic continues, we cannot rule out adverse effects on the earning power of our real estate portfolio and its growth in value.

**Foreign exchange risk**
Foreign exchange risks may result from open net foreign exchange positions in globally aligned investment funds, as well as from foreign currency bonds or equity instruments. In accordance with our strategic orientation, we hedge most currency positions. In our open foreign exchange exposure, we mainly concentrate on US dollars and Danish krones. We also have a small exposure in other currencies. To date, open foreign currency investments have merely been of secondary significance to our overall investment portfolio. In addition, our foreign business results in liabilities denominated in foreign currency, which we cover congruently with investments.

**Credit spread risk**
Credit spread risk comprises the risk that the value of receivables may change when the applicable credit spread for the respective issuer or counterparty experiences a change. The credit spread refers to the risk premium in the form of higher interest on a security subject to credit risk in relation to a comparable security without risk. Thus, a clear distinction is made between credit spread risk, migration risk and expected default risk. Accordingly, for securities, the only credit spread changes that are taken into consideration are those that do not result in a change (migration including default) in the rating. Risk capital requirements are calculated as value at risk with a confidence level of 99.5% on the basis of changes in the credit spread over a one-year period.

The key elements of our risk management methods and our risk controlling in the area of market price risk mainly comprise asset liability management, limit system and economic risk-bearing capacity model, risk line system, participation controlling, congruent coverage, new products process and market monitoring.

Due to the coronavirus pandemic and the associated uncertainties concerning the further development, it must be expected that in 2021 Württembergische Versicherung AG will again be exposed to significantly higher market price risks (see the remarks in the section “Business risks”).

## Counterparty credit risks

Counterparty credit risks are potential losses arising from the default or deterioration of the credit rating of borrowers, investments or other debtors (e.g. reinsurers, brokers).

We limit counterparty credit risks through the careful selection of issuers and reinsurance partners, as well as through broadly diversified investments. In this context, we observe the regulations applicable to insurance companies for handling counterparty credit risks. This includes making our own assessments of credit risks as required. Contracting partners and securities are mainly limited to top credit ratings in the investment grade range. Counterparty credit risks are strategically and structurally managed by the risk bodies at Württembergische Versicherung AG on the basis of the specifications adopted in the risk strategy.

Apart from reviewing credit risks at an individual level, we also assess them at the portfolio level with our Group-wide credit portfolio model. In the economic risk-bearing capacity model, the fixed-interest securities held are evaluated by means of a credit-value-at-risk model that is common in the industry. 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. Risk capital requirements are calculated as value at risk with a confidence level of 99.5% on the basis of one-year de-fault/migration probabilities. As a governance toolkit, our continually enhanced loan portfolio model enables us to dynamically adapt credit lines to rating changes.

**Counterparty credit risks associated with investments**
Pursuant to our strategic orientation, our bond portfolio has a conservative credit rating structure, with 90.5% (previous year: 94.0%) of investments being in the investment grade area. Our bond exposure generally has a good collateralisation structure. Most of the investments with financial institutions are secured by government guarantees or cover assets.

By way of various special securities funds, we hold investments in bonds of issuers in the field of emerging markets. This market segment is impaired by global economic and political risks as well as country-specific problems that are attributable to various causes. The exposure is monitored carefully. A (re)investment ban exists for debtors that are especially problematic. Currently, no specific defaults are evident in our fund mandates; rather, following the collapse in the spring due to the coronavirus pandemic, the situation clearly stabilised over the course of 2020. As at 31 December 2020, the volume of emerging market bonds totalled €306.4 million (based on market value), representing a share of 9.3% of our investment portfolio. We will maintain this exposure, as we can see long-term performance potential with attractive returns.

**Other counterparty risks**

The risk of receivables default in reinsurance business has consistently remained at a low level. Currently, no material risks are foreseeable. Also, our retrocessionaires have good credit ratings. As at the end of the reporting period, recognised receivables from reinsurance business amounted to €33.8 million (previous year: €40.8 million). Of these, 4.9% (previous year: 5.8%) were owed by companies with an "A-" or better rating, and 95.1% (previous year: 94.3%), by companies with a "BBB" rating as classified by Standard & Poor's. Disclosures concerning receivables from policyholders, insurance agents and others are presented in the chapter "Notes concerning assets" in the notes.

Due to the coronavirus pandemic and the associated uncertainties concerning the further development, it must be expected that in 2021 Württembergische Versicherung AG will again be exposed to significantly higher counterparty credit risks (see the remarks in the section "Business risks").

## Insurance risks

In property and casualty insurance, insurance risks arise from premium and reserve risks. We define these as potential losses that may result from uncertain future developments with regard to claims, benefits and costs under concluded insurance contracts in connection with premiums calculated in advance.

Württembergische Versicherung AG conducts primary insurance business in property and casualty insurance for retail and commercial customers in its core market Germany. In doing so, it also relies on digital sales channels (e.g. the digital brand Adam Riese). The discontinuation of new underwriting at the UK branch of Württembergische Versicherung AG at the end of 2007 has greatly reduced the international risk exposure of our company. In accordance with internal provisions, we enter only into insurance transactions whose risks do not pose a threat to the company as a going concern. This is supported by means of optimisation of cost and claims management. Incidental risks that cannot be influenced are limited with suitable and adequate protective instruments (e.g. reinsurance).

Industrial risks are underwritten only to a limited and clearly defined extent and are furthermore extensively reinsured, meaning that our portfolio is not jeopardised by large individual risks. Owing to the planned expansion of corporate customer business through integrated insurance programmes for German policyholders with primary domicile or primary risk in Germany, Württembergische Versicherung AG has begun underwriting facultative indirect business and foreign insurance pools. Württembergische Versicherung AG no longer conducts other active reinsurance business.

Facts and analysis results that have a bearing on risk are depicted in the quarterly risk report and discussed in the Executive Board, in bodies that meet on a regular basis and in diverse workgroups and projects. To measure insurance risks in the economic model, we use a stochastic model. We collaborate with specialised reinsurance companies and brokers for the purpose of simulating natural disaster events.

The loss from insurance risks is designed to be limited by means of defined risk limits. The limit utilisation is monitored continually. 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. Risks are underwritten according to defined guidelines and under consideration of sector-specific maximum underwriting amounts. For example, natural disaster risk is countered with risk-oriented prices, adjusted contract terms and conditions for critical disaster zones and risk exclusions. Apart from risk balancing through our sector and product mix, efficient loss management and a cautious loss reserve policy limit the gross insurance risk. Adequate reinsurance protection for individual risks and for accumulation risks across business lines significantly reduces the insurance risks in property and casualty insurance. The reinsurance programme is adjusted on a yearly basis under consideration of risk-bearing capacity.

Once claims occur, Württembergische Versicherung AG promptly creates specific and general provisions, which are checked by actuaries. The risk limit was consistently complied with.

**Changed interest rate risk**

The interest rate risk was lowered in the technical provisions. This was achieved by lowering both the interest rate factor associated with reserving for long-term losses in the motor liability segment and the actuarial interest rate used to calculate the provisions for future annuity benefits in the motor liability insurance, casualty insurance and general liability insurance business lines.

### Premium risk

If premiums fall or are not calculated in line with needs, underwriting losses may result if costs and claims remain stable or increase. Premium risks mainly result from large individual damages as well as accumulation and catastrophic events (e.g. natural disasters).

The long-term development of the net loss ratios (ratio of net expenses for insurance claims to earned net premiums) and the net run-off ratios (ratio of net run-off results for provisions for outstanding insurance claims to initial loss provisions) is as follows:

| | Loss ratios | Run-off ratios |
|---|---|---|
| in % | | |
| 2010 | 69.5 | 7.8 |
| 2011 | 64.4 | 8.7 |
| 2012 | 67.2 | 7.5 |
| 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 |

The effects of natural disasters or accumulation events are hardly noticeable in our net loss ratios or net run-off ratios.

### Reserve risk

Reserve risk means the risk of inadequate loss reserves. The settlement of claims can fluctuate with respect to time and amount; thus, the reserves set up may not be sufficient in the case of a significant increase in claims benefits for past claims. Moreover, despite the discontinuation of new underwriting for the UK subsidiary, Württembergische Versicherung AG is liable for the business underwritten until and including 2007. Through the continued successful run-off of major claims in 2020, the volume of claims reserves dropped to €67.2 million (previous year: €73.3 million), which however is still considered to be insignificant.

The key elements of our risk management methods and our risk controlling in the area of insurance risk mainly comprise asset liability management, limit system and economic risk-bearing capacity model, risk line system, new products process and market monitoring.

### Business closure insurance

At the time that the authorities ordered the closure of businesses due to the coronavirus pandemic, Württembergische Versicherung AG had business closure insurance policies in its portfolio. Since the coronavirus pathogen was not defined in the policies, the company believes that they do not cover a closure of entire types of businesses that is ordered by the authorities in order to disrupt chains of infection. However, Württembergische Versicherung AG has joined in the industry-wide ex gratia arrangement and is examining any ex gratia claims on a case-by-case basis. Provisions were created for this.

Due to the coronavirus pandemic and the associated uncertainties concerning the further development, it must be expected that in 2021 Württembergische Versicherung AG will again be exposed to significantly higher insurance risks (see the remarks in the section “Business risks”).

## Operational risks

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. In order to under-stand operational risks, experts estimate them regularly within the scope of the risk inventory. In the economic model, these risks are evaluated by means of a factor approach.

Operational risks are unavoidable when enterprises engage in general business activities.

The key elements of our risk management methods and our risk controlling in the area of operational risks mainly comprise risk assessments, claims database, information security management, business continuity management, internal control system, personnel management, compliance management system, limit system and economic risk-bearing capacity model.

### Legal risk

As at the reporting date, a total of 79 legal actions involving Württembergische Versicherung AG were pending regarding the question of coverage under business closure insurance policies. The judgments entered at the trial level as at the reporting date were in favour of Württembergische Versicherung AG. Appeals were lodged in some of the actions.

Due to the coronavirus pandemic and the associated un-certainties concerning the further development, it must be expected that in 2021 Württembergische Versicherung AG will again be exposed to significantly higher operational risks (see the remarks in the section “Business risks”).

## Business risks

We define business risk as potential losses incurred as a result of management decisions concerning the business strategy and its execution or the failure to achieve strategic targets. This also includes risks on sales and procurement markets, as well as cost and income risks. Apart from these strategic risks, we consider the risks that could arise from a changed legal, political or social environment and from reputation.

Business risks are unavoidable when engaging in general business activities or in the event of changes in the industry environment. We regularly analyse all business risks in connection with the risk inventory.

If the company’s reputation or brand were to suffer damage, there is a risk of losing business volume immediately or in the future. This could lower the enterprise value. We continuously monitor Württembergische Versicherung AG’s public image, and when critical events occur, we strive to maintain our reputation through transparent communication policies.

The strategic goals of Württembergische Versicherung AG are operationalised and advanced by means of strategic measures. As part of of “W&W Besser!”, the individual action fields are bundled and stringently managed. This has resulted in the programme “Komposit.Besser!”, which is intended to position Württembergische Versicherung AG more strongly through comprehensive, innovative transformations in terms of products, processes, structures and IT systems. In addition, the programme provides for intensive monitoring and implementation of appropriate market trends.

**Coronavirus pandemic**

Württembergische Versicherung AG also cannot avoid the indirect effects of the coronavirus pandemic on the economy and on the capital markets. The capital markets had already dropped considerably in March 2020. This was evident especially from falling share prices, further interest rate cuts, larger spreads, reduced market liquidity and, in general, a highly volatile environment. The situation would have been worse had it not been for massive, determined interventions in the area of monetary policy in combination with a considerably expansive fiscal policy.

However, the second quarter of 2020 was marked by a noticeable recovery on the capital markets. This positive development has so far continued to strengthen. Nevertheless, because uncertainties still remain, fluctuations and sharp volatility will have to be expected. Moreover, effects of the coronavirus pandemic on new business cannot be ruled out.

Depending on how things develop, the coronavirus pandemic may thus result in an income decline and a deterioration in the financial, assets and risk position, especially if the coronavirus pandemic should persist in 2021.
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 Executive Board is responsible for managing business risks. Depending on the reach of a decision, coordination with the W&W Group and with the Supervisory Board may be necessary.

## Liquidity risks

Liquidity risk means the danger that liquidity is not sufficiently available or that it can be realised only with discounts (market liquidity risk) in order to satisfy payment obligations at maturity (avoidance of illiquidity risk).

Market liquidity risks mainly arise due to inadequate market depth or market disruptions in crisis situations. When crises materialise, investments may be able to be sold, if at all, only in low volumes or by agreeing to discounts. Despite the coronavirus pandemic, the current situation on the capital markets does not indicate that there are any material market liquidity risks for investments.

Our liquidity management is geared towards being able to meet our financial commitments at all times and on a sustained basis. Our investment policy focuses, among other things, on ensuring liquidity at all times. In this regard, we comply with current statutory, supervisory and internal provisions. 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 measures early on.

Budgeted liquidity flows are reviewed on a regular basis in order to identify possible effects from the coronavirus pandemic. Existing processes to manage liquidity risks have ensured that there was no adverse impact on the liquidity situation of Württembergische Versicherung AG.

## Assessment of the overall risk profile

As in the previous year, economic and regulatory risk-bearing capacity was sufficient in the year under review. As at the reporting date, regulatory risk-bearing capacity was likely well above 100%. The final results will be published in the second quarter. The ratio calculated as at 31 December 2019 was reported to the German Federal Financial Supervisory Authority (BaFin) in the second quarter of 2020. The calculated ratio was 181.1%. Existing valuation reserves are included in the calculation of economic and regulatory risk-bearing capacity.

By March, the coronavirus pandemic had already resulted in a clear downturn on the financial markets. Throughout the rest of the year as well, there were uncertainties about the further development of the financial markets, as well as about economic growth. Countermeasures by governments and central banks afforded relief. It must be expected that Württembergische Versicherung AG will continue to be exposed to higher risks in the course of 2021, especially if the coronavirus pandemic should persist in 2021.

Württembergische Versicherung AG has a risk management and risk controlling system in place that, within the limits examined, enables existing and foreseeable future risks to be identified, assessed, managed and communicated in a timely manner.

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 Württembergische Versicherung AG.

## Enhancements and planned measures

We account for changes in the internal and external framework conditions and their effects on the risk position of our company by constantly enhancing and improving our systems, procedures and processes. For instance, insurance supervision has made the issue of sustainability a key topic.

Systematic advancement of the existing Group-wide risk management system is intended to ensure the stable, sustained development of Württembergische Versicherung AG in future as well. In the 2021 financial year, we intend to continually and rigorously expand the standards achieved in our risk management system. For this purpose, we have defined an ambitious development programme with a number of measures in connection with our risk management process, including from the standpoint of sustainability. In addition, the W&W Group is making targeted preparations for future regulatory requirements through extensive Group-wide projects.

All told, the Executive Board of Württembergische Versicherung AG believes that Württembergische Versicherung is well equipped to successfully implement the internal and external requirements for risk management.

# Outlook

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

## Macroeconomic outlook

The outlook for 2021 is highly dependent on the further course of the coronavirus pandemic. For instance, we expect persistent or recurring restrictions on social and economic life, particularly in the first half of the year. That will put downward pressure on economic growth. With increasing vaccination coverage in the population, we expect the lockdown measures to be gradually eased, meaning that a dynamic economic recovery may set in starting at mid-year. This view is bolstered by the pent-up consumer demand, which should lead to very lively demand among households. Thus, consumer spending is likely to be the most important driver of growth in the German economy in 2021.

Export business is also likely to experience a sharp upturn in 2021 in a global environment that is once again considerably more favourable. In terms of corporate investments, interest rates are expected to remain extremely low, and the business outlook will brighten noticeably again. However, many companies will prioritise the need to clean up their balance sheets, e.g. by paying down emergency loans that they took out during the time of the pandemic. The construction sector, whose positive growth rates were a laudable exception in 2020, should develop solidly again. Here, capacity bottlenecks may dampen growth, but not lack of demand. In summary, we expect that Germany will post economic growth in the range of three to four percent.

Leading central banks have pledged to keep benchmark rates at their crisis level for the foreseeable future, even in the event of an economic recovery, and this will anchor short-term interest rates at a low level in 2021, as well. In addition, it appears that the large central banks will continue their extensive bond purchases without reduction. This also limits the potential for interest rate rises in the case of longer maturities. Nevertheless, an at least temporary increase in capital market interest rates cannot be ruled out entirely, particularly in the first half of 2021. This is because the inflation rate is expected to rise significantly due to basis effects in the case of energy prices and an increase back to former levels in the value-added tax rate in Germany. As a result, the inflation rate could temporarily reach as high as 2%, although it is expected to fall again quickly in the second half of the year. With respect to the end of 2021, we ultimately expect that interest rates in Germany will not change to any significant extent, i.e. they will remain at their current level.

Following a year of intense fluctuations on the exchanges in 2020, positive reports at the end of the year concerning vaccine development boosted the hopes of investors for a normalisation of social life and a significant recovery of economic activity in 2021. As a consequence, the international equity markets have already anticipated a significant part of the improvement in company profits, meaning that equity market valuations are already very high from a historical perspective. In 2021 this will increase the risk of profit-taking and renewed price setbacks in the event of negative news and developments. On the other hand, the monetary environment will remain expansive, and a great amount of liquidity will continue to look for investments. In this regard, bond markets are rather unattractive, given that yields are currently very low, and equity markets will benefit from this. In sum, we consider the most likely scenario to be further, albeit moderate price gains in the coming months, although with persistently high fluctuations in prices.

## Industry outlook

In terms of property and casualty insurance, the German Insurance Association (GDV) expects a further fall in premium dynamic due to the emerging after-effects of the coronavirus pandemic in some sectors in 2021. According to current estimates, premium growth will amount to approximately 1.6% in the coming year.

Because of the high probability of a further restriction of mobility in 2021, growth in premium income in the motor insurance business line is expected to be weaker than in the previous year (+0.5%). With regard to retail property insurance, lessened abilities to adjust insurance amounts and premiums could contribute to a decline in premium development (3.5%, versus 5.0% in the previous year). With premium growth of 4.0% (previous year: 6.0%), we expect that the industrial business lines will be strongly affected by a lower demand for insurance in 2021. In all other business lines, we anticipate that premium development will decline or be similar to the previous year.

Since the recovery of the economy in 2021 will be highly dependent on the availability of a vaccine, the year will be marked by great uncertainty for the insurance market.

## Future business performance

The 2020 financial year was marked, in particular, by the development of the coronavirus pandemic and the accompanying measures. Significant economic and political uncertainties also continue to exist in early 2021 with regard to the persistence of pandemic situation.

In deriving our forecasts for 2021, we assumed a recovery in basic macroeconomic conditions, accompanied by low volatility on the capital markets with essentially moderately rising interest rates and equity prices through the end of the year, as well as no significant counterparty defaults. If the basic conditions should darken, this will also have an effect on the following forecasts.

In property and casualty insurance, we continue to strive for greater income from the sale of insurance to retail and corporate customers. In 2021 we are planning for new business (annual contributions to the portfolio) to come in slightly above the level of the previous year. We expect the claims situation to normalise in 2021. We are planning for a combined ratio (net) at the level of the previous year.

We expect that net income before taxes will fall significantly in 2021. We also expect that as a result of the retention from the unappropriated surplus in the previous year, there will be only a slight decline in the profit transfer to the parent company. Notwithstanding the otherwise ambitious forecast for net underwriting income once again, this is due to a higher allocation to the claims equalisation provisions following a release in the previous year. In view of the further consequences of the coronavirus pandemic, which cannot yet be estimated, it is not possible to make a reliable forecast at this time. Should the coronavirus pandemic last considerably longer, this can be expected to impair income.

Opportunities and risks may result from the further development of claims, capital markets, the economy and the political climate. The strategic orientation, e.g. with respect to additional sales channels or cost optimisation, represents an additional opportunity. Other risks may arise from counterparty defaults and increased regulatory or statutory requirements, as well as from the further development of the coronavirus pandemic.

## Overall view

Despite political, foreign trade and economic risks, Württembergische Versicherung AG as part of the W&W Group continues to operate in an environment characterised by a growing demand for insurance on the part of private households.

We manage our liquidity in such a way as to enable us to meet our financial obligations at all times and on a sustained basis. Liquidity planning shows that in 2021 we will have sufficient liquidity available at all times. For further information about the liquidity position, please see the opportunity and risk report in the section “Liquidity risks”.

Given the anticipated normalised claims development, we expect a significant decline in net income before taxes for 2021. We also expect that as a result of the retention from the unappropriated surplus in the previous year, there will be only a slight decline in the profit transfer to the parent company. In addition to the aforementioned challenges, further risks such as the development of the pandemic, extreme losses, special capital market events or political uncertainty can have a significant impact on our net income for the year.

### Proviso concerning forward-looking statements

This Annual Report and, in particular, the outlook contain 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 can be associated with known and unknown risks and uncertainties, but also with opportunities. Because of the variety of factors that influence our business operations, actual results may differ from those currently anticipated.

Therefore we can assume no liability for the forward-looking statements. There is no obligation to adjust forward-looking statements to conform to actual events or to update them.

# Other disclosures

## Relationships with affiliated companies

W&W AG, Stuttgart, holds 100% of our share capital. The W&W AG shareholder structure remained stable over the course of the year under review. Our key shareholder is the non-profit Wüstenrot Foundation. It maintains an indirect participation of 66.31% through two of its holding companies. Of this, 26.40% 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 W&W Holding GmbH, Munich (renamed in 2020; previously: Horus Finanzholding GmbH), with more than 10% of the shares.

Since 1 January 2009, a control and profit transfer agreement has been in place between Württembergische Vertriebspartner GmbH (WVVP) – formerly Württembergische Vertriebsservice GmbH für Makler und freie Vermittler (WVMV) – and Württembergische Versicherung AG, under which WVVP undertakes to transfer its profits to Württembergische Versicherung AG.

In connection with the introduction of the digital brand Adam Riese, Württembergische Versicherung AG and Adam Riese GmbH concluded a control agreement and a profit transfer agreement on 9 June 2017.

On 5 November 2014, WürttVers Alternative Investments GmbH (WVAI) was established for the purpose of making alternative investments, especially in the fields of private equity, renewable energies and infrastructure. On 10 December 2014, a control agreement was concluded between Württembergische Versicherung AG and WVAI.

Since 1999, Württembergische Versicherung AG has been party to a control agreement with W&W AG, which was supplemented with a profit transfer agreement with W&W AG in 2005.

Close relationships exist with various Group companies as a result of contracts for the outsourcing of services and functions.  They govern services that have been transferred in whole or in part, including appropriate compensation. The compensation paid to W&W Asset Management GmbH is volume-dependent.

The settlement of claims in the field of the legal expenses insurance has been transferred to Württembergische Rechtsschutz Schaden-Service-GmbH under a service agreement that addresses services and billing in accordance with the full cost principle.

Our company is part of the W&W Group, whose parent company is Wüstenrot & Württembergische AG, Stuttgart, Germany. The company is included in the consolidated financial statements of Wüstenrot & Württembergische AG and is therefore exempt from the obligation to prepare its own consolidated financial statements; the requirements set forth in Section 291 (2) of the German Commercial Code (HGB) are met.

Domestic reinsurance business is largely reinsured by W&W AG, which in turn passes on some of the assumed risks to external reinsurers via retrocession. Some of the insurance business underwritten outside of Germany, smaller portions of German insurance business and the business reinsured via the German market pool are excluded from this arrangement.

## Corporate governance statement

The Supervisory Board of Württembergische Versicherung AG has adopted a target ratio of 25% for the proportion of women on the Supervisory Board and of 20% for the Executive Board. The target ratios have been achieved.

The Executive Board of Württembergische Versicherung AG has stipulated that women are to make up 25% of the first senior management level below the Executive Board and 30% of the second senior management level and has set a target deadline of 30 June 2022 for doing so.

# Württembergische Versicherung AG

## Report on equality and equal remuneration pursuant to the German Transparency in Remuneration Act (EntgTransG) Transparency in Remuneration Act

In our 2017 Annual Report, we published a report on equality and equal remuneration pursuant to the German Transparency in Remuneration Act (EntgTransG).

In accordance with the five-year rule in Section 22 (1) EntgTransG, we did not prepare a new report for 2020.

# Württembergische Versicherung AG
## Annual financial statements

## Balance sheet as at 31 December 2020

### Assets

| in € thousands | See notes, no.[1] | 31.12.2020 | 31.12.2020 | 31.12.2020 | 31.12.2019 |
|---|---|---|---|---|---|
| **A. Investments** | | | | | |
| I. Land, land-type rights and buildings, including buildings on third-party land | 1 | | 61,608 | | 67,907 |
| II. Investments in affiliated companies and participations | 2 | | | | |
| 1. Interests in affiliated companies | | 237,053 | | | 238,279 |
| 2. Loans to affiliated companies | | 52,050 | | | 52,050 |
| 3. Participations | | 240,099 | | | 237,602 |
| | | | 529,202 | | 527,931 |
| III. Other investments | | | | | |
| 1. Shares, interests or shares in investment assets and other variable-yield securities | | 948,935 | | | 811,339 |
| 2. Bearer bonds and other fixed-income securities | 3 | 916,360 | | | 898,794 |
| 3. Receivables from mortgages, land charges and annuity land charges | 4 | 76,516 | | | 84,155 |
| 4. Other loans | 5 | 430,800 | | | 465,477 |
| 5. Deposits with credit institutions | | 51,718 | | | 49,717 |
| 6. Other investments | | 2 | | | 2 |
| | | | 2,424,331 | | 2,309,484 |
| | | | | 3,015,141 | 2,905,322 |
| **B. Receivables** | | | | | |
| I. Receivables from direct insurance business due from: | 6 | | | | |
| 1. Policyholders | | 17,736 | | | 13,862 |
| 2. Insurance brokers | | 48,009 | | | 35,431 |
| | | | 65,745 | | 49,293 |
| II. Amounts receivable from reinsurance business | | | 33,825 | | 40,802 |
| thereof from affiliated companies: €32,180 thousand (previous year: €38,436 thousand). | | | | | |
| III. Other receivables | 7 | | 187,228 | | 179,241 |
| thereof from affiliated companies: €162,547 thousand (previous year: €160,855 thousand). | | | | 286,798 | 269,336 |
| **Carryover** | | | | **3,301,939** | **3,174,658** |

1 See numbered explanation in the notes starting from "Notes concerning assets"

## Assets

| in € thousands | | 31.12.2020 | 31.12.2020 | 31.12.2020 | 31.12.2019 |
|---|---|---|---|---|---|
| **Carryover** | | | | **3,301,939** | **3,174,658** |
| **C. Other assets** | | | | | |
| I. Property, plant and equipment and inventories | 8 | | 9,935 | | 10,432 |
| II. Current bank account balances, cheques and cash | | | 47,336 | | 72,012 |
| | | | | 57,271 | 82,444 |
| | | | | | |
| **D. Deferred assets** | | | | | |
| I. Accrued interest and rent | | | 12,985 | | 15,374 |
| II. Other prepaid expenses and accrued income | 9 | | 973 | | 1,255 |
| | | | | 13,958 | 16,629 |
| | | | | | |
| **E. Excess of plan assets over pension liabilities** | 10 | | | 8,195 | 7,150 |
| **Total assets** | | | | **3,381,363** | **3,280,881** |

## Equity and liabilities

| in € thousands | | 31.12.2020 | 31.12.2020 | 31.12.2020 | 31.12.2019 |
|---|---|---|---|---|---|
| **A. Equity** | | | | | |
| I. Called-up capital | 11 | | | | |
| Subscribed capital | | | 109,312 | | 109,312 |
| | | | | | |
| II. Capital reserve | 12 | | 76,694 | | 76,694 |
| III. Retained earnings | | | | | |
| Other retained earnings | | | 164,557 | | 164,557 |
| | | | | | |
| IV. Unappropriated surplus | 13 | | 42,000 | | – |
| | | | | 392,563 | 350,563 |
| | | | | | |
| **B. Subordinated liabilities** | 14 | | | 0 | 30,000 |
| | | | | | |
| **C. Technical provisions** | 15 | | | | |
| I. Provision for unearned premiums | | | | | |
| 1. Gross amount | | 149,221 | | | 141,528 |
| 2. thereof less: portion for ceded reinsurance business | | 16,748 | | | 19,821 |
| | | | 132,473 | | 121,707 |
| II. Provision for future policy benefits | | | | | |
| 1. Gross amount | | 79 | | | 80 |
| 2. thereof less: portion for ceded reinsurance business | | 12 | | | 12 |
| | | | 67 | | 68 |
| III. Provision for outstanding insurance claims | | | | | |
| 1. Gross amount | | 2,423,287 | | | 2,325,215 |
| 2. thereof less: portion for ceded reinsurance business | | 499,803 | | | 481,878 |
| | | | 1,923,484 | | 1,843,337 |
| IV. Claims equalisation provision and similar provisions | | | 432,563 | | 434,540 |
| V. Other technical provisions | | | | | |
| 1. Gross amount | | 34,166 | | | 40,891 |
| 2. thereof less: portion for ceded reinsurance business | | 1,221 | | | 3,390 |
| | | | 32,945 | | 37,501 |
| | | | | 2,521,532 | 2,437,153 |
| **Carryover** | | | | **2,914,095** | **2,817,716** |

## Equity and liabilities

| in € thousands | | 31.12.2020 | 31.12.2020 | 31.12.2020 | 31.12.2019 |
|---|---|---|---|---|---|
| **Carryover** | | | 4,511 | **2,914,095** | **2,817,716** |
| **D. Other provisions** | | | 76,713 | | |
| I. Tax provisions | | | | | 4,728 |
| II. Miscellaneous provisions | 16 | | | | 89,621 |
| | | | | 81,224 | 94,349 |
| | | | | | |
| **E. Deposits retained from ceded reinsurance business** | | | | 24 | 25 |
| | | | | | |
| **F. Other liabilities** | | | | | |
| I. Liabilities from direct insurance business owed to: | 17 | | | | |
| 1. Policyholders | | 87,416 | 132,040 | | 66,966 |
| 2. Insurance brokers | | 44,624 | 7 | | 35,173 |
| | | | 253,923 | | 102,139 |
| II. Accounts payable on reinsurance business | | | 308 | | 308 |
| III. Miscellaneous liabilities | 18 | | 266,237 | | 266,237 |
| thereof for taxes: €22,658 thousand (previous year: €21,727 thousand) thereof to affiliated companies: €205,692 thousand (previous year: €215,620 thousand) | | | | 385,970 | 368,684 |
| | | | | | |
| **G. Accrued expenses and deferred income** | 19 | | | 50 | 107 |
| | | | | | |
| **Total liabilities** | | | | **3,381,363** | **3,280,881** |

## Personal accident and liability insurance

We confirm that the provision for future policy benefits as presented in the balance sheet under the liability items C. II. 1. and C. III. 1. in the amount of €173,415 thousand was created in accordance with Section 341f of the German Commercial Code (HGB) and the legal regulations issued on the basis of Section 88 (3) of the German Act on the Supervision of Insurance Undertakings (VAG) (actuarial confirmation).

Stuttgart, 28 January 2021

Responsible actuary
Daniel Männle

# Income statement
# for the period 1 January to 31 December 2020

| in € thousands | | 1.1.2020 to 31.12.2020 | 1.1.2020 to 31.12.2020 | 1.1.2020 to 31.12.2020 | 1.1.2019 to 31.12.2019 |
|---|---|---|---|---|---|
| **I. Technical account** | | | | | |
| 1. Premiums earned for own account | 20 | | | | |
| a) Gross premiums written | | 2,055,073 | | | 1,954,208 |
| b) Premiums ceded to reinsurers | | 402,133 | | | 384,372 |
| | | | 1,652,940 | | 1,569,836 |
| c) Change in the gross provision for unearned premiums | | –7,693 | | | –6,677 |
| d) Change in the reinsurers' portion of the gross provision for unearned premiums | | –3,073 | | | 1,954 |
| | | | –10,766 | | –4,723 |
| | | | | 1,642,174 | 1,565,113 |
| 2. Technical interest income for own account | 21 | | | 405 | 1,371 |
| 3. Other technical income for own account | | | | 2,231 | 2,326 |
| 4. Expenses for insurance claims for own account | | | | | |
| a) Payments for insurance claims | | | | | |
| aa) Gross amount | | 1,210,784 | | | 1,177,224 |
| bb) Reinsurers' portion | | 244,930 | | | 238,333 |
| | | | 965,854 | | 938,891 |
| b) Change in the provision for outstanding insurance claims | 22 | | | | |
| aa) Gross amount | | 102,991 | | | 34,584 |
| bb) Reinsurers' portion | | 16,485 | | | –17,755 |
| | | | 86,506 | | 52,339 |
| | | | | 1,052,360 | 991,230 |
| 5. Change in other net technical provisions | | | | | |
| a) Net provision for future policy benefits | | | 1 | | 562 |
| b) Other net technical provisions | | | 4,556 | | –2,757 |
| | | | | 4,557 | –2,195 |
| 6. Expenses for insurance operations for own account | | | | | |
| a) Gross expenses for insurance business | 23 | | 540,734 | | 529,347 |
| b) thereof less: received commissions and profit participations from ceded insurance business | | | 131,491 | | 120,056 |
| | | | | 409,243 | 409,291 |
| 7. Other technical expenses for own account | | | | 9,436 | 8,511 |
| **8. Subtotal** | | | | **178,328** | **157,583** |
| 9. Change in the claims equalisation provision and similar provisions | | | | 1,977 | –10,595 |
| 10. Technical result for own account | | | | 180,305 | 146,988 |
| **Carryover** | | | | **180,305** | **146,988** |

| in € thousands | | 1.1.2020 to 31.12.2209 | 1.1.2020 to 31.12.2020 | 1.1.2019 to 31.12.2020 | 1.1.2019 to 31.12.2019 |
|---|---|---|---|---|---|
| **Carryover** | | | | **180,305** | **146,988** |
| **II. Non-technical account** | | | | | |
| 1. Income from investments | | | | | |
| a) Income from participations<br>thereof from affiliated companies €6,104 thousand<br>(previous year: €5,174 thousand). | | | 22,769 | | 25,389 |
| b) Income from other investments<br>thereof from affiliated companies €11,162 thousand<br>(previous year: €11,069 thousand). | | | | | |
| aa) Income from land, land-type rights and buildings, including buildings on third-party land | | 10,696 | | | 10,431 |
| bb) Income from other investments | | 50,216 | | | 65,529 |
| | | | 60,912 | | 75,960 |
| c) Income from write-ups | 24 | | 15,722 | | 47,188 |
| d) Gains from the disposal of investments | 25 | | 39,323 | | 8,983 |
| e) Income from profit pools and profit transfer and partial profit transfer agreements | | | 244 | | 1,530 |
| | | | 138,970 | | 159,050 |
| 2. Expenses for investments | | | | | |
| a) Expenses for the management of investments, interest expenses and other expenses for investments | | 10,187 | | | 10,358 |
| b) Write-downs on investments | 26 | 49,700 | | | 16,721 |
| c) Losses from the disposal of investments | 27 | 18,533 | | | 12,026 |
| d) Expenses from loss assumption | | 8,592 | | | 8,840 |
| | | | 87,012 | | 47,945 |
| | | | 51,958 | | 111,105 |
| 3. Technical interest income | | | 405 | | 1,371 |
| | | | | 51,553 | 109,734 |
| 4. Other income | 28 | | 240,918 | | 238,341 |
| 5. Other expenses | 29 | | 305,771 | | 355,954 |
| | | | | −64,853 | −117,613 |
| 6. Result from normal business operations | | | | 167,005 | 139,109 |
| 7. Extraordinary expenses | 30 | | – | | 27 |
| 8. Net extraordinary result | | | | – | −27 |
| 9. Income taxes | 31 | | 194 | | 420 |
| 10. Other taxes | | | 78 | | −1,753 |
| | | | | 272 | −1,333 |
| 11. Profits transferred under a profit transfer agreement | | | | 124,733 | 140,415 |
| **12. Net income** | | | | **42,000** | **–** |
| **13. Unappropriated surplus** | | | | **42,000** | **–** |

# Notes

## Notes concerning the annual financial statements

### Accounting policies for assets

#### Land, land-type rights and buildings, including buildings on third-party land

Assets recognised under the item “Land, land-type rights and buildings, including buildings on third-party land” are measured at cost less permissible straight-line or fixed-percentage depreciation or at fair value, whichever is lower. Unscheduled depreciation takes place only in the event of expected permanent impairment, and the lower fair value is recognised. If the reasons for a lower carrying amount no longer exist, the asset is written up to a maximum of its historical depreciated cost.

#### Interests in affiliated companies

Interests in affiliated companies are measured at cost. Pursuant to Section 341b (1) in conjunction with Section 253 (3) sentence 5 of the German Commercial Code (HGB), unscheduled write-downs to the lower fair value take place only in the event of expected permanent impairment (moderate lower-value principle). If the reasons for a lower carrying amount no longer exist, the asset is written up to a maximum of its historical cost.

#### Loans to affiliated companies

Recognised under the item “Loans to affiliated companies” are bearer bonds. These receivables are measured according to the rules applicable to non-current assets. Further disclosures concerning measurement can be found in the comments on the balance sheet items below.

#### Participations

Participations are measured at cost. Pursuant to Section 341b (1) in conjunction with Section 253 (3) sentence 5 of the German Commercial Code (HGB), unscheduled write-downs to the lower fair value take place only in the event of expected permanent impairment (moderate lower-value principle). If the reasons for a lower carrying amount no longer exist, the asset is written up to a maximum of its historical cost.

#### Shares, interests or shares in investment assets and other variable-yield securities

Pursuant to Section 341b (2) in conjunction with Section 253 (4) of the German Commercial Code (HGB), shares, interests or shares in investment assets and other variable-yield securities are recognised at average cost less unscheduled write-downs in accordance with the strict lower-value principle. If the reasons for a lower carrying amount no longer exist, the asset is written up to a maximum of its historical cost.

#### Bearer bonds and other fixed-income securities

Pursuant to Section 341b (2) in conjunction with Section 253 (4) of the German Commercial Code (HGB), bearer bonds and other fixed-income securities are recognised at average cost less unscheduled write-downs in accordance with the strict lower-value principle and are measured taking into account the requirement to reverse impairment losses.

#### Receivables from mortgages, land charges and annuity land charges

Recognised under the item “Receivables from mortgages, land charges and annuity land charges” are predominantly receivables for which liens on real property have been furnished. These receivables are measured according to the rules applicable to non-current assets. In departure from this, these receivables are measured pursuant to Section 341c (3) of the German Commercial Code (HGB) at amortised cost by spreading the difference between cost and the repayment amount over the remaining term using the effective interest method.

Individual and collective impairment provisions are created for discernible risks, with the amount of the provision being deducted directly from the carrying amount. In the case of receivables from mortgages, land charges and annuity land charges, individual impairment provisions are created in order to cover current default risks. Furthermore, collective impairment provisions are created on a portfolio basis in accordance with the experience gained in recent years.

## Other loans

Recognised under the item “Other loans” are registered bonds, debenture bond claims, loans receivable and miscellaneous loans. These receivables are measured according to the rules applicable to non-current assets.
In departure from this, pursuant to Section 341c (1) of the German Commercial Code (HGB), registered bonds are recognised at their nominal value less repayments made. Premiums and discounts are spread on a straight-line basis over the term to maturity.

Pursuant to Section 341c (3) HGB, debenture bond claims, loans receivable and miscellaneous loans are measured at amortised cost by spreading the difference between cost and the repayment amount over the residual maturity using the effective interest method.

In order to determine whether registered bonds, debenture bond claims or loans receivable are permanently impaired, ratings analyses are performed for issuers whose rating has deteriorated by two or more notches or whose securities are over-valued by at least 10%. If on the basis of the ratings analyses it can no longer be expected that the securities will be repaid in conformity with the contract, they are written down to the lower fair value. In addition, collective impairment provisions are created for registered bonds on a portfolio basis in accordance with experience in recent years.

## Deposits with credit institutions

Deposits with credit institutions are recognised in their nominal amounts.

## Other investments

Other investments are measured at cost.

## Other assets

Receivables and other assets are measured at cost or in their nominal amounts. Individual and collective impairment provisions are created for discernible risks and deducted from the assets.

Property, plant and equipment are measured at cost less scheduled straight-line depreciation over their normal useful life. Assets with a net cost of up to €800 are depreciated in full in the year of acquisition. Until 2019 assets with a net cost of more than €250 and up to €1,000 were recognised in full in the year of acquisition and depreciated on a straight-line basis over a period of five years.

The excess of plan assets over pension liabilities relates to a surplus that results from the offsetting of reinsurance claims measured at fair value against liabilities under phased-in early retirement agreements. Insolvency-proof reinsurance claims are measured at the coverage capital specified in the business plan, plus irrevocably committed participation contracts, which, under compliance with the strict lower-value principle, corresponds to amortised cost in accordance with Section 253 (4) of the German Commercial Code (HGB) and thus, in the absence of other measurement methods, to fair value within the meaning of Section 255 (4) sentence 4 HGB.

The option to recognise deferred tax assets on the basis of the tax relief resulting under Section 274 (1) sentence 2 HGB was not used.

## Reversals of impairment losses

For assets that were written down in previous years to a lower fair value, the impairment loss must be reversed if the reasons for taking the impairment no longer exist. In conformity with the principles in Section 253 (5) of the German Commercial Code (HGB), impairment losses are reversed to a maximum of amortised cost.

## Derivatives

Currency forwards are concluded in order to economically hedge participations, interests in investment assets and securities. They are measured on a transaction-specific basis. Provisions are created for contingent losses from these transactions.

Acquired option rights are measured at cost in the amount of the option premium less write-downs in accordance with the strict lower-value principle, taking into account the requirement to reverse impairment losses. Option premiums for sold options are recognised under "Miscellaneous liabilities" for as long as there is a duty to perform under the option. A risk of excess liability surplus under written options is accounted for by creating provisions for impending losses.

## Valuation units

Interest rate swaps are consolidated exclusively with the underlying receivables and securities to form valuation units pursuant to Section 254 of the German Commercial Code (HGB).

In the accounts, these valuation units are presented according to the "freeze method" pursuant to Section 254 HGB.

According to this method, the values of the individual components of the valuation unit are "frozen" from the time that the valuation unit is created. Subsequent effective value changes with respect to the hedged risk are not accounted for. Value changes resulting from ineffectiveness are accounted for pursuant to Sections 252 et seq. HGB.

## Determination of fair value

The fair value of land, land-type rights and buildings, including buildings on third-party land, is continuously verified using the discounted cash flow method. Properties newly acquired during the financial year are measured on the basis of external appraisals. In these appraisals, the market value of the properties is determined using the capitalised earnings method pursuant to Sections 17 to 20 of the German Property Value Determination Ordinance (ImmoWertV) and in addition, in order to verify the capitalised earnings value, the asset value of the property in accordance with Section 21 ImmoWertV.

We base the fair value of affiliated companies and participations on their capitalised earnings value or on the fair value determined using the net asset value method, in some cases also on cost, the liquidation value or the proportional share of equity.

The most recently available exchange price or a market value determined on the basis of recognised mathematical models that are customary on the market are recognised as the fair value of the other investments.

Interests in investment assets are recognised at the most recently available redemption price.

# Accounting policies: Liabilities

## Technical provisions

The provision for unearned premiums is calculated per insurance policy subject to deduction of external expenses. In the transport business line, the provision is included in the provision for outstanding insurance claims. The reinsurers' portion is calculated analogously on the basis of the individual insurance policy under consideration of the allocable external expenses.

The provisions for future premium benefits for premium-exempt children's personal accident insurance that are recognised in the provision for future policy benefits for direct insurance business are calculated per individual policy in accordance with actuarial principles. The reinsurers' portion is calculated on the basis of the individual reinsurance policies.

The provisions for outstanding insurance claims for direct business are measured according to the prospective expenses for each claim. In assumed business, the claims reserves largely correspond to the information provided by the prior insurers. For the London branch of Württembergische Versicherung AG, provisions are created in accordance with actuarial methods plus a security margin. The reinsurers' portion is calculated on the basis of the individual reinsurance policies.

For claims that have not yet been reported, a collective provision for late outstanding claims is created in accordance with experience in recent years.

For transport, including secondary business lines, a collective reserve is calculated for direct German business according to established actuarial procedures, taking supplementary premiums into consideration. This is done on the basis of the calculation of the best estimate of the final claims level per underwriting year by means of a modified chain ladder procedure.

The provision for future annuity benefits in property/casualty insurance is calculated for each individual policy according to actuarial principles and, as is the case with the provision for future policy benefits, using the prospective method. The mortality tables recommended by the German Association of Actuaries (DAV), DAV HUR 2006, were used, and they contain suitable safety margins. For all annuity commitments, an actuarial interest rate of 0.25% was used to calculate the provision for future annuity benefits. Future administrative costs were measured at 2.0% of the provision for future annuity benefits, a rate that is deemed sufficiently conservative. The reinsurers' portion is calculated on the basis of the individual reinsurance policies.

Claims resulting from recourse, salvages and distribution agreements are recognised at their expected values and are deducted from the provision for outstanding insurance claims of the insurance branch.

We take into consideration the anticipated expenses for the settlement of outstanding claims by creating a provision pursuant to the guidance note of the German Federal Ministry of Finance (BMF) dated 2 February 1973. In the transport business line, lump-sum procedures are applied. The reinsurers' portion is calculated in accordance with the quota share.

The claims equalisation provision contained in item C.IV was created in accordance with the annex to Section 29 of the German Regulation on the Accounting of Insurance Undertakings (RechVersV).

We recognise the amounts presented under "Other technical provisions" as follows:

The provision for unused premiums from dormant motor insurance policies is determined per policy, and the cancellation provision is calculated on the basis of statistical surveys. The provision for the "Unfall 60 plus" policy, which covers claims requirements that increase with age, is calculated per policyholder on an actuarial basis. For obligations from the membership in Verkehrsopferhilfe e. V., a provision for outstanding claims is recognised according to the association's mandate. The reinsurers' portions are deducted from the aforementioned provisions as contractually agreed.

## Other provisions

### Tax provisions and miscellaneous provisions

Miscellaneous provisions and tax provisions are recognised in the amount needed to satisfy the obligation. In accordance with Section 253 (1) sentence 2 of the German Commercial Code (HGB), provisions with a maturity of longer than one year are generally determined in the amount needed to satisfy the obligation, taking into account future price and cost increases. Price and cost increases are in line with the inflation rate and are taken into account over the respective term of the provision at a rate of 1.4%. The rate used to discount miscellaneous provisions corresponds to the average rate of the past seven years published by the Deutsche Bundesbank pursuant to the German Regulation on the Discounting of Provisions (RückAbzinsV) for the respective assumed residual maturity. Results from discounting and compounding, from changes in the discounting rate and from the interest rate effects of a changed estimate of the residual maturity are recognised as interest income or interest expenses under "Other income" or "Other expenses", as the case may be. Tax interest accrued as at the reporting date is recognised under "Miscellaneous provisions". Tax provisions are recognised in the amount needed to satisfy the obligation. If they are long term, then pursuant to IDW RS HFA 34, they are discounted using an interest rate of 6.0% in accordance with Section 233a of the German Fiscal Code (AO).

A provision is created for the legal obligations under phased-in early retirement contracts existing on the reporting date, taking into account employer expenses for social insurance, in the amount of the present value of future top-up benefits (salary and supplemental contributions towards pension insurance) and compensation payments due to reduced pension insurance claims and the satisfaction arrears from advance work performed by the employee. The provision is discounted in accordance with the specific maturities using the corresponding interest rates published by the Deutsche Bundesbank in accordance with the RückAbzinsV. In addition, a salary trend of 2.2% p.a. is taken into account during measurement. Biometric factors are taken into account when calculating the provision via a flat-rate discount of 2.0%. In addition, pursuant to Section 285, no. 25 in conjunction with Section 246 (2) sentence 2 HGB, pledged reinsurance policies are taken into account at fair value and netted as coverage assets with the phased-in early retirement commitments. The fair value consists of coverage capital, which corresponds to the acquisition costs, plus irrevocably committed surplus participation.

In accordance with Section 253 (1) sentence 2 HGB, the provisions for social affairs and for long-term service emoluments are calculated in the amount needed to satisfy the obligation by applying the Heubeck mortality tables 2018 G and an interest rate of 0.86% under the projected benefit obligation method. Fluctuation and future salary increases are taken into account.

Other miscellaneous provisions and tax provisions are recognised in the amount needed to satisfy the obligation. In accordance with Section 253 (1) sentence 2 HGB, provisions with a term of more than one year are generally calculated in the amount needed to satisfy the obligation, taking into account future price and cost increases. Price and cost increases are in line with the inflation rate and are taken into account over the respective term of the provision at 1.5%. The rate used to discount miscellaneous provisions corresponds to the average rate of the past seven years published by the Deutsche Bundesbank pursuant to the RückAbzinsV for the respective assumed residual maturity. Results from discounting and compounding, from changes in the discounting rate and from the interest rate effects of a changed estimate of the residual maturity are recognised as interest income or interest expenses under "Other income" or "Other expenses", as the case may be. Tax interest accrued as at the reporting date is recognised under "Miscellaneous provisions". Tax provisions usually have a term of less than one year and are not discounted (pursuant to the AO, interest starts to apply after 15 months).

## Retained deposits and other liabilities

The deposits retained from ceded reinsurance business concern the passive reinsurance business of the London branch.

Amounts payable for reinsurance business, liabilities from direct insurance business and miscellaneous liabilities are recognised in the amount needed to satisfy the obligation.

### Currency translation

All business transactions are recognised in their original currency and translated into euros at the ECB's average spot exchange rate in effect on the relevant date.

We translate items associated with foreign insurance business at the ECB's average spot exchange rate in effect on the reporting date. The corresponding income and expenses are recognised in the income statement at the relevant ECB average spot exchange rate in effect on the settlement date.

As a rule, we generally measure investments denominated in foreign currency in accordance with the rules of individual measurement in conformity with the lower-value principle. They are subsequently measured at the ECB's average spot exchange rate.

Bank balances denominated in foreign currencies are measured at the ECB's average spot exchange rate in effect on the reporting date.

Pursuant to Section 256a of the German Commercial Code (HGB), currency translation gains and losses are recognised in the income statement where the residual maturities are one year or less.

Currency translation gains and losses from underwriting are recognised in the general section of the income statement under "Other income" or "Other expenses", as the case may be.

Exchange rate gains and losses from investments denominated in foreign currency are recognised under "Income from write-ups" and "Gains from the disposal of investments", while the corresponding losses are recognised under "Write-downs on investments" and "Losses from the disposal of investments".

Exchange rate gains and losses from current bank account balances denominated in foreign currency are recognised under "Other income" or "Other expenses", as the case may be.

### Recording of income and expenses on an accrual basis

To a minor extent, some transport insurance from German business is not included in the year under review, as we received the required accounting documents after the preparation of the annual financial statements.

As a result of later posting, premium income for 2019 in the amount of €1,149 thousand was recognised in the year under review.

# Notes concerning assets

## A. Investments

The change in investments is depicted in the notes under “Individual disclosures concerning assets”.

### I. Land, land-type rights and buildings, including buildings on third-party land (1)

As at the reporting date, our land consisted of 20 (previous year: 20) properties with a carrying amount of €61,608 thousand (previous year: €67,907 thousand). The fair value of our land and buildings amounted to €133,798 thousand (previous year: €123,478 thousand).

No properties were acquired or sold during the reporting year. The underlying useful lives of the buildings amounted to 40 to 50 years.

Of our property, shared ownership interests accounted for €3,409 thousand (previous year: €3,524 thousand).

Of our real estate portfolio, land and buildings with a carrying amount of €49,821 thousand (previous year: €55,676 thousand) are used by the Group.

### II. Investments in affiliated companies and participations (2)

Pursuant to Section 285, no.11 in conjunction with Section 271 (1) of the German Commercial Code (HGB), the disclosures concerning participations are set forth in the table “List of ownership interests”. The list sets forth all companies in which Württembergische Versicherung AG holds at least 5% of the interests. Furthermore, we made use of the exemptions granted by Section 286 (3) no. 1 HGB.

### III. Other investments

**2. Bearer bonds and other fixed-income securities (3)**
We invest in securities denominated in foreign currency, which serve as congruent cover for our obligations under direct insurance business that we engage in outside of Germany.

**3. Receivables from mortgages, land charges and annuity land charges (4)**
At the end of the year under review, no mortgages were involved in pending forced sale proceedings.

**4. Other loans (5)**

| in € thousands | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Registered bonds | 274,237 | 274,181 |
| Debenture bond claims and loans receivable | 134,765 | 169,488 |
| Miscellaneous loans | 21,798 | 21,808 |
| **Total** | **430,800** | **465,477** |

Miscellaneous loans include non-negotiable profit participation certificates totalling €9,797 thousand. Of these, €0 thousand are due within the next two years.

## Fair value of investments

This item consists of:

### Valuation reserves

| in € thousands | Carrying amount 2020 | Fair value 2020 | Valuation reserves, by liability[1] 2020 | Carrying amount 2019 | Fair value 2019 | Valuation reserves, by liability[1] 2019 |
|---|---|---|---|---|---|---|
| Land, land-type rights and buildings, including buildings on third-party land | 61,608 | 133,798 | 72,190 | 67,907 | 123,478 | 55,571 |
| Interests in affiliated companies | 237,053 | 276,563 | 39,510 | 238,279 | 265,548 | 27,269 |
| Loans to affiliated companies | 52,050 | 54,560 | 2,510 | 52,050 | 55,426 | 3,376 |
| Participations | 240,099 | 286,784 | 46,685 | 237,602 | 287,428 | 49,826 |
| Shares, interests or shares in investment assets and other variable-yield securities | 948,935 | 975,971 | 27,036 | 811,339 | 833,462 | 22,123 |
| Bearer bonds and other fixed-income securities | 916,360 | 942,789 | 26,429 | 898,794 | 919,941 | 21,147 |
| Receivables from mortgages, land charges and annuity land charges | 76,516 | 81,121 | 4,605 | 84,155 | 88,296 | 4,141 |
| Other loans | | | | | | |
| Registered bonds | 274,237 | 312,071 | 37,834 | 274,181 | 312,949 | 38,768 |
| Debenture bond claims and loans receivable | 134,765 | 146,247 | 11,482 | 169,488 | 193,810 | 24,322 |
| Miscellaneous loans | 21,798 | 35,061 | 13,263 | 21,808 | 29,597 | 7,789 |
| Deposits with credit institutions | 51,718 | 51,744 | 26 | 49,717 | 49,761 | 44 |
| Other investments | 2 | 2 | 0 | 2 | 2 | 0 |
| **Total** | **3,015,141** | **3,296,711** | **281,570** | **2,905,322** | **3,159,698** | **254,376** |
| **Carrying amount of all investments, in %** | | | **9.3** | | | **8.8** |

1 Net perspective, balance of valuation reserves and hidden liabilities

## Section 285, no. 18 of the German Commercial Code (HGB) – disclosures concerning investments recognised at greater than fair value

With regard to other loans in the form of registered bonds and debenture bonds, these positions had market values that are €123 thousand below the carrying amount. They were not written down, because the impairment is expected to be temporary.

Write-downs of an amount of €30 thousand were not performed for participations with a carrying amount of €2,921 thousand, since due to the expected performance, this impairment is only temporary.

## Section 285, no. 19 of the German Commercial Code (HGB) – disclosures concerning derivative instruments not recognised at fair value

| Derivative financial instrument/grouping | Type | Nominal value | Fair value | Applied measurement method | Carrying amount and item[1] |
|---|---|---|---|---|---|
| | | in € thousands | in € thousands | | in € thousands |
| Share/index-related transactions | Option OTC | 138 | 2,098 | Mathematical option price model | 2,068 |
| Currency-related transactions | Currency forwards | 447,452 | 5,249 | Discounted cash flow method | –125 |

1 Derivatives have to do with pending transactions that are not accounted for.
An exception to this are paid option premiums.
Negative items correspond to the loss provision created.

This table focuses on derivatives whose carrying amount does not correspond to fair value on the reporting date. Derivatives have to do with transactions to be satisfied at a future point in time whose value is based on the change in the value of an underlying pursuant to the agreed contractual terms. Normally, there are no or only minor acquisition costs for these.

If on the reporting date the carrying amount of a derivative corresponds to fair value, it is nevertheless taken into account in the table if the recognised value is based on the imparity principle or results from the creation of a loss provision.

## Section 285, no. 23 of the German Commercial Code (HGB) – disclosures concerning valuation units created pursuant to Section 254

### 1. Disclosures concerning hedged items and securities

| Type of valuation unit created | Type of risk hedged | Type of included assets, liabilities and pending transactions not accounted for | Carrying amount of the included hedged items | Amount of risks hedged[1] (nominal) |
|---|---|---|---|---|
| | | | in € thousands | in € thousands |
| Micro-Hedge | Risk of changes in interest rates | Bonds (HI), swaps (HE) | 9,155 | –2,062 |

1 Corresponds to the total of omitted write-downs of assets and omitted creation of provisions for impending losses resulting from hedges.

### 2. Disclosures concerning the effectiveness of valuation units

| Cash flows in opposite directions offset each other – reasons why the hedged item and the hedge are exposed to the same risk | To what extent do cash flows in opposite directions offset each other | In which period do cash flows in opposite directions offset each other | Disclosure concerning the method for determining the effectiveness of the valuation unit |
|---|---|---|---|
| HI + HE: ident. nominal, term, interest payment date and fixed interest rate | Largely | Until maturity of the HI | Prospective: Critical term match (CTM)/ Retrospective: Cumulative dollar offset method |

Abbreviations:

HE = hedge
HI = hedged item
CTM = critical term match method

**Definition of the critical term match method:**
If, in the case of perfect micro hedges, all value-determining factors between the hedged portion of the hedged item and the hedging portion of the hedge correspond (e.g. currency, nominal, term to maturity, identical fixed interest rate for swaps) and all value components of the hedged item and the hedge that do not correspond (e.g. credit risk-related value changes of hedged item and/or hedge, etc.) are allocated to the value components not included in the valuation unit, a comparison of these parameters is sufficient for the prospective and retroactive evaluation of the effectiveness of the valuation unit (CTM). The assumption that future value changes will effectively offset each other based on these conditions is implicit to the CTM.

**Definition of micro hedge:**
A "micro hedge" means the hedging of an individual item by means of a single hedge.

**Definition of macro hedge:**
A "macro hedge" means the hedging of one or more similar items by means of one or more hedges.

## Section 285, no. 26 of the German Commercial Code (HGB) – Disclosures concerning shares, interests or shares in investment assets

| Fund name | Investment objective | Fair value | Carrying amount | Discrepancy from the carrying amount | Distributions during the financial year |
|---|---|---|---|---|---|
| | | in € thousands | in € thousands | in € thousands | in € thousands |
| LBBW AM-USD Corp. Bonds Fonds 2 | Bond fund | 239,730 | 238,748 | 982 | 4,270 |
| LBBW AM-EMB2 | Bond fund | 241,896 | 241,896 | 0 | 9,208 |
| LBBW AM-WV P&F | Mixed fund (equities share of up to 70%) | 63,996 | 63,996 | 0 | 657 |
| W+W Gl.In.-W+W F.Pr.li Eo | Mixed fund (equities share of up to 70%) | 45,205 | 45,205 | 0 | 446 |
| LBBW AM-WV Corp Bonds Fonds | Bond fund | 62,296 | 59,408 | 2,888 | 579 |
| W+W Gl.Strat.-Se Asi.Eq. | Equity fund | 48,890 | 39,561 | 9,329 | 38 |
| LBBW AM Covered Call USA Fonds | Equity fund | 69,957 | 63,735 | 6,222 | 690 |
| LBBW AM-US Municipals 2 | Bond fund | 87,291 | 82,734 | 4,557 | 2,155 |
| Gam M.B.-Loc.Em.Bd Caadl | Bond fund | 32,124 | 32,124 | 0 | 1,510 |
| **Total** | | **891,385** | **867,407** | **23,978** | **19,553** |

None of the funds have any restrictions with respect to the daily sell option or to the termination notice period of three months in the event that all fund units are sold.

## B. Receivables

### I. Receivables from direct insurance business due from (6):

**1. Policyholders**
A collective impairment provision of €1,930 thousand (previous year: €2,161 thousand) was created for outstanding amounts on the basis of statistical surveys.

**2. Insurance brokers**
Receivables from direct insurance business due from insurance brokers amounted to €48,009 thousand (previous year: €35,431 thousand).

### III. Other receivables (7)

| in € thousands | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Loans and advances to employees and agents | 32 | 625 |
| Submission of claims settled for the account of foreign companies | 1,133 | 2,222 |
| Receivables from coinsurance business for third-party account | 11,139 | 2,477 |
| Current tax assets | 0 | 152 |
| Interest and rent arrears | 120 | 274 |
| Assets that have been pledged, deposited or assigned for the purposes of security1 | 127,639 | 121,820 |
| Miscellaneous other receivables | 5,517 | 4,726 |
| Receivables from affiliated companies and participations | 41,648 | 46,945 |
| **Total** | **187,228** | **179,241** |

1 Thereof pledged cash collateral from margin exposures relating to OTC derivatives in the amount of €6,740 thousand (previous year: €7,910 thousand) as well as reinsurances with affiliated companies for the insolvency hedging of pension obligations in the amount of €120,899 thousand (previous year: €113,910 thousand).

Miscellaneous other receivables consisted of accrued, unbilled, allocable operating expenses of €337 thousand (previous year: €336 thousand).

**Remaining term to maturity of receivables**
Receivables with a remaining term to maturity of more than one year amounted to €133,884 thousand and mostly related to receivables from reinsurance policies on pension commitments.

## C. Other assets

### I. Property, plant and equipment and inventories (8)

Depreciation of €648 thousand (previous year: €708 thousand) was applied to durable assets at the rates permissible under tax regulations.
For medium- and low-value assets, depreciation totalling €508 thousand was taken in the financial year.

## D. Prepaid expenses and accrued income

### II. Other prepaid expenses and accrued income (9)

The premium from the purchase of registered bonds is recognised here in the amount of €806 thousand (previous year: €1,195 thousand).

## E. Excess of plan assets over pension liabilities (10)

Assets that serve to cover liabilities under pension obligations or similar long-term obligations and that are inaccessible to all other creditors are required to be netted against the provisions for such obligations. If, in the process, the fair value of such assets exceeds the carrying amount of the provisions, the item "Excess of plan assets over pension liabilities" is to be created on the assets side of the balance sheet. The offsetting of claims under reinsurance policies in the amount of €16,218 thousand (previous year: €15,238 thousand) with partial amounts of the phasedin early retirement provisions for outstanding settlement amounts €8,026 thousand (previous year: €8,088 thousand) pursuant to Section 246 (2) sentence 3 of the German Commercial Code (HGB) resulted in an excess of €8,192 thousand (previous year: €7,150 thousand).

# Notes concerning liabilities

## A. Equity

### I. Subscribed capital (11)

As at 31 December 2020, the company's subscribed capital amounted to €109,312 thousand. It is divided into 4,270,000 registered no-par-value shares and is fully paid up, with each share mathematically representing €25.60 of the share capital.

### II. Capital reserve (12)

This item relates to the premium from capital contributions.

### IV. Unappropriated surplus (13)

## Proposal for the appropriation of unappropriated surplus

The unappropriated surplus amounts to €42,000,000.00 We propose that it be appropriated as follows:

| in € thousands | 31.12.2020 |
|---|---|
| Allocation to other retained earnings | 42,000,000.00 |
| Carry forward to new account | 0.00 |
| **Total** | **42,000,000.00** |

## B. Subordinated liabilities (14)

On 7 July 2010, a subordinated, fixed-interest debenture bond was issued in the amount of €30 million, bearing interest on the nominal value of 5.869% p.a. The bond was repaid in the financial year.

## C. Technical provisions (15)

Disclosures concerning these provisions are presented in the notes under "Individual disclosures concerning liabilities".

## D. Other provisions

### II. Miscellaneous provisions (16)

| in € thousands | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Phased-in early retirement | 4,255 | 5,377 |
| Restructuring measures[1] | 14,461 | 18,917 |
| Expenses for the annual financial statements | 1,175 | 1,299 |
| Holiday obligations and flex-time credits | 10,066 | 12,167 |
| Bonuses, executive and differential commission | 15,646 | 18,682 |
| Profit shares and competition awards | 21,414 | 21,571 |
| Employee long-term service obligations and sales agent compensation obligations | 4,219 | 6,301 |
| Other | 5,477 | 5,307 |
| **Total** | **76,713** | **89,621** |

1 In the financial year and in the previous year, a restructuring provision was recognised to improve the processes of the back office and the mobile sales force.

Since 2010, the provision for phased-in early retirement has contained the portion that is not outsourced in an insolvency-proof manner in the form of reinsurance.

Pledged reinsurance policies for the credit balances under phased-in early retirement agreements, which are inaccessible to all other creditors and serve solely to satisfy phased-in early retirement obligations, are netted with these pursuant to Section 246 (2) sentence 2 of the German Commercial Code (HGB). Expenses from compounding and income from discounting and from the assets to be offset are treated in the same way. Pledged reinsurance policies are recognised at their fair value. This is composed of the coverage capital plus irrevocably committed surplus participation.

The item “Phased-in early retirement” was calculated as follows:

| in € thousands | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Amount needed to satisfy vested claims | 12,281 | 13,466 |
| thereof capable of being netted with the coverage capital of reinsurance | 8,026 | 8,088 |
| **Carrying amount** | **4,255** | **5,378** |

## F. Other liabilities

### I. Liabilities from direct insurance business owed to (17):

**1. Policyholders**
Among other things, this item includes advance payments for newly requested policies and premiums not yet due.

**2. Insurance brokers**
Liabilities to insurance brokers from direct insurance business amounted to €44,624 thousand (previous year: €35,173 thousand).

**Residual terms of the item "Liabilities from direct insurance business"**
Liabilities with a remaining term to maturity of more than one year amounted to €8,167 thousand, of which €1,608 thousand had a remaining term to maturity of five years.

### III. Miscellaneous liabilities (18)

| in € thousands | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Taxes | 22,658 | 21,727 |
| Trade payables | 442 | 1,132 |
| Coinsurance business for third-party account | 337 | 402 |
| Other miscellaneous liabilities | 24,794 | 27,356 |
| Miscellaneous liabilities owed to affiliated companies | 205,692 | 215,620 |
| **Total** | **253,923** | **266,237** |

In the financial year, advance payments of operating expenses accrued in the amount of €473 thousand (previous year: €451 thousand) and were recognised under the item "Miscellaneous liabilities".

**Remaining terms to maturity of the item "Miscellaneous liabilities"**
Liabilities with a remaining term to maturity of more than one year amounted to €5,760 thousand, of which €4,450 thousand had a remaining term to maturity of more than five years.

## G. Accrued expenses and deferred income (19)

The amount recognised in the financial year related to discounts for registered bonds.

# Notes concerning the income statement

## I. Technical account

### 1. Premiums earned for own account (20)

Pursuant to Section 51 of the German Regulation on the Accounting of Insurance Undertakings (RechVersV), the premiums are described in the notes under “Individual disclosures concerning the income statement”. Domestic gross premiums written amounted to €2,055,050 thousand (previous year: €1,954,182 thousand). Premiums from indirect business amounted to €1,688 thousand (previous year: €25 thousand) The number of at least one-year insurance policies is shown in the notes under “Annex to the notes”.

### 2. Technical interest income for own account (21)

Pursuant to Section 38 of the German Regulation on the Accounting of Insurance Undertakings (RechVersV), recognised under this item is the interest earned on the provisions for future premium and annuity benefits, less the prorata costs of the asset manager and the reinsurer.

### 4. Expenses for insurance claims for own account

The gross expenses for insurance claims are presented in the notes under “Individual disclosures concerning the income statement” pursuant to Section 51 of the German Regulation on the Accounting of Insurance Undertakings (RechVersV).

**b) Change in the provision for outstanding insurance claims (22)**
The run-off of the provision for outstanding insurance claims, which was carried forward from the previous year, resulted in run-off gains for own account in the amount of €51,805 thousand (previous year: €113,141 thousand). In addition, because of the persistently low level of interest rates, we lowered the actuarial interest rate for some business lines in property/casualty insurance in order to further strengthen our reserves by €60 million (gross).

### 6. Expenses for insurance operations for own account

**a) Gross expenses for insurance business (23)**
The breakdown of this item is shown in the notes under “Individual disclosures concerning the income statement”. Expenses for the annual financial statements amounted to €173,067 thousand (previous year: €171,265 thousand), and general administrative expenses to €367,667 thousand (previous year: €358,082 thousand).

## II. Non-technical account

### 1. Income from investments

**c) Income from write-ups (24)**
Income from write-ups includes exchange rate gains of €108 thousand (previous year: €1,982 thousand). The breakdown of this item is depicted in the notes under “Individual disclosures concerning assets”.

**d) Gains from the disposal of investments (24)**

| in € thousands | 2020 | 2019 |
|---|---|---|
| Participations[1] | 13,049 | 2,559 |
| Bearer bonds and other fixed-income securities[2] | 8,945 | 2,680 |
| Registered bonds and debenture bonds | 12,648 | – |
| Deposits with credit institutions[3] | 1,027 | 2,354 |
| Shares, interests or shares in investment assets and other variable-yield securities | 3,654 | 1,078 |
| Other investments | – | 312 |
| **Total** | **39,323** | **8,983** |

1 Thereof exchange rate gains of €447 thousand (previous year: €534 thousand)
2 Thereof exchange rate gains of €294 thousand (previous year: €86 thousand)
3 Thereof exchange rate gains of €1,027 thousand (previous year: €2,354 thousand)

## 2. Expenses for investments

### b) Write-downs on investments (26)

This item contains unscheduled write-downs in the amount of €42,417 thousand pursuant to Section 253 (3) sentences 5 and 6 in conjunction with Section 277 (3) sentence 1 of the German Commercial Code (HGB) and pursuant to Section 253 (4) HGB. Of this amount, affiliated companies and participations accounted for €22,373 thousand, and securities and interests or shares in investment assets accounted for €19,118 thousand.

The write-downs on affiliated companies and participations involve balance-sheet items that are measured like non-current assets, while the write-downs on securities and interests or shares in investment assets concern balance-sheet items classified as current assets. Currency write-downs amounted to €7,881 thousand.

### c) Losses from the disposal of investments (26)

| in € thousands | 2020 | 2019 |
|---|---|---|
| Participations[1] | 4,895 | 6,284 |
| Shares and variable-yield securities | 8,211 | 2,826 |
| Bearer bonds and fixed-income securities[2] | 2,013 | 859 |
| Deposits with credit institutions[3] | 1,469 | 1,450 |
| Other investments | 1,944 | 607 |
| **Total** | **18,532** | **12,026** |

1 Thereof exchange rate losses of €95 thousand (previous year: €18 thousand)
2 Thereof exchange rate losses of €50 thousand (previous year: €197 thousand)
3 Thereof exchange rate losses of €1,469 thousand (previous year: €1,450 thousand)

## 4. Other income (28)

### Material items were:

| in € thousands | 2020 | 2019 |
|---|---|---|
| Commissions from the brokering of insurance policies and home loan savings contracts for other companies | 12,879 | 14,015 |
| Other cost refunds (management tasks, etc.) | 193,192 | 195,444 |
| Exchange rate gains[1] | 5,129 | 312 |
| Income from pension scheme | 12,773 | 13,381 |
| Income from the release of miscellaneous provisions | 4,871 | 3,503 |

1 Thereof realised exchange rate gains of €0 thousand (previous year: €207 thousand)

## 5. Other expenses (29)

### Material items were:

| in € thousands | 2020 | 2019 |
|---|---|---|
| Commission payments, competition awards and sales expenses from the brokering of insurance policies and home loan savings contracts for other companies | 22,831 | 25,794 |
| Expenses for other services (e.g. management tasks) | 191,412 | 193,783 |
| Interest expenses from the compounding of long-term provisions | 83 | 71 |
| Addition of interest to the pension provision | 48,978 | 54,038 |
| Exchange rate losses[1] | 2,518 | 2,760 |
| Interest on subordinated liabilities | 914 | 1,758 |
| Negative interest | 350 | 776 |
| Expenses for the pension scheme | 9,600 | 10,384 |
| Supplemental payment to WürttPK[2] | 3,694 | 20,438 |
| Other expenses that affect the company as a whole: | | |
| Costs for preparing the annual financial statements | 1,655 | 1,999 |
| Contributions to professional associations, chambers of industry and trade and insurance supervision fees | 1,965 | 1,847 |
| Legal and tax consulting expenses | 581 | 632 |
| Projects[3] | 12,235 | 27,594 |

1 Thereof unrealised exchange rate losses of €249 thousand (previous year: €2,760 thousand).
2 Includes in the previous year a voluntary special supplement for the purpose of generally strengthening the provision for future policy benefits.
3 Higher project costs were recognised in the previous year due to the creation of a restructuring provision to improve the processes of the back office and the mobile sales force.

With respect to phased-in early retirement agreements, expenses of €51 thousand (previous year: €64 thousand) from compounding and income of €338 thousand (previous year: €353 thousand) from the discounting of the assets to be netted were offset against each other pursuant to Section 246 (2) sentence 2 of the German Commercial Code (HGB).

## 7. Extraordinary expenses (30)

The merger loss of €27 thousand recognised in the previous year was the result of the merger of Nord-Deutsche AG Versicherungs-Beteiligungsgesellschaft into Württembergische Versicherung AG.

## 9. Income taxes (31)

The tax item amounting to €194 thousand (previous year: €420) mainly includes foreign income taxes and withholding taxes.

The carrying amounts for land, land-type rights and buildings, participations, affiliated companies, shares and interests in investment assets and other variable-yield securities, bearer bonds, technical provisions, miscellaneous provisions as well as balancing items pursuant to Section 4f of the German Income Tax Act (EStG) in connection with provisions for pensions differ from one another under commercial law and tax law accounting rules. This resulted in deferred tax assets and deferred tax liabilities. Deferred taxes were calculated using a tax rate of 30.47%. After exercising the option in Section 274 (1) sentence 2 of the German Commercial Code (HGB), deferred tax assets were not capitalised.

# Other mandatory disclosures

## Mandates

The members of the Executive Board and of the Supervisory Board are listed on pages 2 and 3. These pages are part of the notes.

## Legal bases

Württembergische Versicherung Aktiengesellschaft maintains its registered office in Stuttgart, Germany, and is recorded in the Commercial Register of the Local Court of Stuttgart under Number HRB 14327.

## Events after the reporting date

At this time, Brexit has had no materially significant impact on the UK branch of Württembergische Versicherung AG that would influence recognition or values.

In addition, no material events that require reporting occurred after the reporting date.

# Supplementary disclosures

### Commissions and other remuneration paid to insurance agents, personnel expenses

| in € thousands | 2020 | 2019 |
|---|---|---|
| Commissions of any nature paid to insurance agents within the meaning of Section 92 of the German Commercial Code (HGB) for direct business | 341,155 | 321,113 |
| Other remuneration paid to insurance agents within the meaning of Section 92 HGB | 37,766 | 40,780 |
| Wages and salaries | 185,478 | 185,496 |
| Social remittances and expenses for support | 35,666 | 35,030 |
| Expenses for the pension scheme | 22,949 | 37,891 |
| **Total** | **623,014** | **620,310** |

### Employees

| Number[1] | 2020 | 2019 |
|---|---|---|
| Back office | 2,485 | 2,349 |
| Mobile sales force | 667 | 722 |
| Trainees | 126 | 129 |
| **Total** | **3,278** | **3,200** |

1 Average employee headcount for the year pursuant to Section 285, no. 7 HGB.

## Total remuneration paid to Supervisory Board, Executive Board and former Executive Board members as well as advances and loans granted to these persons

The remuneration paid to the members of the Supervisory Board amounted to €245 thousand (previous year: €248 thousand), and that paid to the members of the Executive Board to €1,195 thousand (previous year: €2,141 thousand). Former members of the Executive Board were paid €1,031 thousand (previous year: €1,047 thousand). In the financial year, pension commitments for former members of the Executive Board amounted to €17,264 thousand (previous year: €17,054 thousand). As at the reporting date, no loan claims existed against members of the Executive Board. As at the reporting date, no loan claims existed against members of the Supervisory Board.

## Related party disclosures

Transactions with related parties are concluded at arm's-length terms and conditions. Where employees are involved, preferential terms customary in the industry are used.

The control and profit transfer agreements concluded with Württembergische Vertriebspartner GmbH, WürttVers Alternative Investments GmbH and Adam Riese GmbH remain in place.

## Expenses for the auditor

In addition to auditing the annual financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft also audited the annual financial statements of the subsidiaries.  It also provided assurance services in connection with foreign bonuses.

Disclosures concerning auditor fees are contained in the consolidated financial statements of Wüstenrot & Württembergische AG. Based on the exemption for groups set forth in Section 285, no. 17 of the German Commercial Code (HGB), we have elected to dispense with publication here.

## Contingent liabilities and other financial obligations

As a member of Verkehrsopferhilfe e. V., an association that assists road accident victims through a guarantee fund es-tablished by German motor liability insurers, we are under the obligation to provide the association with the resources required for carrying out its purpose, namely in accordance with our share in the premium income that the member companies generated from the direct motor liability insurance business in the calendar year before last.

Outstanding contribution obligations for participation and fund investments made amounted to €154.7 million (thereof to affiliated companies:154,7 €33.2 million).

As at the reporting date, there were no irrevocable loan commitments representing remaining obligations under loans and credit lines that have been granted but not yet drawn down or fully drawn down.

Employees who joined one of the two sponsoring companies, Württembergische Versicherung AG or Württembergische Lebensversicherung AG, prior to 1 January 2002 could be accepted as members of the pension fund of Württembergische (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.

According to the Articles of Association, the sponsoring undertakings are obligated to make contributions. 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). In view of the creditworthiness of WürttPK, there are no indications for secondary liability claims.

Under the contract of December 1991, the pension obligations were transferred to Württembergische AG Versicherungs-Beteiligungsgesellschaft (predecessor company of W&W AG) in exchange for a one-time compensation payment in the amount of the partial value at the time, which thus assumed joint liability and responsibility for fulfilment. Württembergische Versicherung AG settles income and expenses from the change in the pension obligations annually in cash with W&W AG. The pension obligation owed to employees of Württembergische Versicherung AG in the amount of €692,305 thousand is offset by an indemnification claim against W&W AG in the same amount, resulting in a netted balance sheet presentation of zero.

In view of the creditworthiness of W&W AG, there are no indications that it would not be able to fulfil the obligations conferred, which would result in recourse to WV.

Pursuant to Section 253 (2) sentence 1 of the German Commercial Code (HGB), the actual interest rate applied is the average market interest rate over the past 10 years. The discount rates published by the Deutsche Bundesbank on 31 October 2020 with a 10-year average interest rate were modified by taking the average monthly decline in interest rates from 1 January to 31 October 2020 and extrapolating it for the months of November and December 2020.

The difference between the measurement of the provision for pensions and similar obligations using the 10-year average and the 7-year average interest rate pursuant to Section 253 (6) HGB amounted to €83.9 million.

Pursuant to the waiver of recourse and indemnification agreement that exists in the W&W Group, in the event that an agent provides 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 general 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 within the W&W Group, by a collaboration partner or in the course of further advice, the company has also agreed to grant indemnity where faulty advice was provided.

The minimum insurance cover is limited to €200 thousand per claim and a total of €300 thousand per year.

Claims in connection with advisory errors in the context of the insurance brokerage are subject to the applicable minimum insurance cover of the pecuniary damage liability insurance for insurance brokers/advisors and financial investment brokers/fee-based financial investment advisors of €1,300 thousand per claim and €1,925 thousand per year.

In connection with the 2021 motor loyalty campaign, long-standing motor customers received personal vouchers in 2020 for reduction of the deductible by €100 for partial and comprehensive insurance claims that arise between 1 January 2021 and 31 December 2021. A total of 181,220 vouchers were sent out, which represents a maximum financial obligation of €18.1 million, with potential extra expenses of €0.1 million.

To the best of our current knowledge, we also believe going forward that the risk of a claim under the aforementioned contingent liabilities, as in the past, will not lead to any additional expense for the company.

Other financial obligations from various leases amount to €6.8 million.

Expenses for internal Group services are expected to amount to €192.9 million in 2021.

Apart from these liability and collateral arrangements, there are no other liability arrangements, granted pledges, assignments for the purposes of security or liabilities under bills of exchange that are not shown in the balance sheet or the above notes.

As a result of existing control and profit-and-loss transfer agreements, we expect compensatory payments in the amount of €39,023 thousand over the next three years for losses incurred by start-ups.

## Group affiliation

Pursuant to Section 20 of the German Stock Corporation Act (AktG), Wüstenrot & Württembergische AG (W&W AG), Stuttgart, Germany, notified us that it is the sole shareholder of our company.
Württembergische Versicherung AG, Stuttgart, Germany, is part of the W&W Group, whose parent company is W&W AG. The consolidated financial statements of the W&W Group are published in the German Federal Gazette (Bundesanzeiger).

The company is included in the consolidated financial statements of Wüstenrot & Württembergische AG and is therefore exempt from the obligation to prepare its own consolidated financial statements; the requirements set forth in Section 291 (2) of the German Commercial Code (HGB) are met.

The accounting and valuation methods applied in departure from German law in the separate consolidated financial statements include, in particular, the prohibition of creating claims equalisation reserves and the recognition of certain financial assets at fair value, whereas the HGB provides for uniform measurement at amortised cost or recognition at the nominal value less repayments made. As a matter of principle, the category of “Financial assets in other comprehensive income (OCI)” is measured at fair value outside profit or loss.

Stuttgart, 25 February 2021

The Executive Board

Zeliha Hanning    Jens Lison    Alexander Mayer

Dr Susanne Pauser    Jens Wieland

# Individual disclosures concerning assets

## Notes concerning assets

| in Tsd € | Carrying amounts 2019 | Additions | Reclassifi-cations | Disposals | Write-ups | Write-downs | Carrying amounts 2020 |
|---|---|---|---|---|---|---|---|
| **A.I. Land, land-type rights and buildings, including buildings on third-party land** | **67,907** | **81** | **–** | **–** | **800** | **7,180** | **61,608** |
| **A.II. Investments in affiliated companies and participations** | | | | | | | |
| 1. Interests in affiliated companies | 238,279 | 13,000 | – | 400 | – | 13,826 | 237,053 |
| 2. Loans to affiliated companies | 52,050 | – | – | – | – | – | 52,050 |
| 3. Participations | 237,602 | 37,549 | – | 27,209 | 704 | 8,547 | 240,099 |
| **4. Total A.II.** | **527,931** | **50,549** | **–** | **27,609** | **704** | **22,373** | **529,202** |
| **A.III. Other investments** | | | | | | | |
| 1. Shares, interests or shares in investment assets and other variable-yield securities | 811,339 | 195,442 | – | 51,643 | 9,909 | 16,112 | 948,935 |
| 2. Bearer bonds and other fixed-income securities | 898,794 | 330,469 | – | 314,071 | 4,173 | 3,005 | 916,360 |
| 3. Receivables from mortgages, land charges and annuity land charges | 84,155 | 37 | – | 7,645 | 18 | 49 | 76,516 |
| 4. Other loans | | | | | | | |
| a) Registered bonds | 274,181 | 124 | – | 83 | 118 | 103 | 274,237 |
| b) Debenture bond claims and loans receivable | 169,488 | 4,003 | – | 38,726 | – | – | 134,765 |
| c) Miscellaneous loans | 21,808 | – | – | 10 | – | – | 21,798 |
| 5. Deposits with credit institutions | 49,717 | 2,879 | – | – | – | 878 | 51,718 |
| 6. Other investments | 2 | – | – | – | – | – | 2 |
| **7. Total A.III.** | **2,309,484** | **532,954** | **–** | **412,178** | **14,218** | **20,147** | **2,424,331** |
| **Total** | **2,905,322** | **583,584** | **–** | **439,787** | **15,722** | **49,700** | **3,015,141** |

# Individual disclosures concerning liabilities

## C. Technical provisions[1]

| in € thousands | Provisions (gross) for outstanding insurance claims | | Claims equalisation provision and similar provisions | | Total technical provisions (gross) | |
|---|---|---|---|---|---|---|
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| **1. Direct insurance business** | | | | | | |
| Personal accident insurance | 236,957 | 215,600 | – | – | 257,504 | 235,963 |
| Liability insurance | 435,850 | 420,952 | 39,268 | 56,411 | 503,926 | 506,860 |
| Motor liability insurance | 1,091,124 | 1,066,489 | 121,336 | 117,744 | 1,230,183 | 1,203,994 |
| Other motor insurance | 57,463 | 66,953 | 81,734 | 84,515 | 152,277 | 165,864 |
| Fire and property insurance | | | | | | |
| Fire insurance | 78,772 | 80,291 | 26,212 | 24,642 | 113,704 | 113,624 |
| Combined household insurance | 18,170 | 16,513 | – | – | 32,403 | 30,619 |
| Combined building insurance | 93,641 | 89,030 | 90,101 | 75,592 | 217,434 | 196,609 |
| Other property insurance | 89,755 | 89,248 | 49,281 | 47,642 | 163,805 | 160,878 |
| | 280,338 | 275,082 | 165,594 | 147,876 | 527,346 | 501,730 |
| Transport and aviation insurance | 27,812 | 24,295 | 1,219 | 2,862 | 29,783 | 28,597 |
| Legal expenses insurance | 193,120 | 179,165 | 12,985 | 17,313 | 222,350 | 211,774 |
| Travel assistance insurance | 768 | 900 | 10,427 | 7,819 | 12,787 | 9,619 |
| Other insurance | 63,210 | 35,043 | – | – | 66,396 | 37,114 |
| **Total** | **2,386,642** | **2,284,479** | **432,563** | **434,540** | **3,002,552** | **2,901,515** |
| **2. Assumed insurance business** | **36,645** | **40,736** | **–** | **–** | **36,764** | **40,736** |
| **3. Total insurance business** | **2,423,287** | **2,325,215** | **432,563** | **434,540** | **3,039,316** | **2,942,251** |

1 See “Notes concerning liabilities” in the notes

# Individual disclosures concerning the income statement[1]

| in € thousands | Gross premiums written | | Earned premiums (gross) | | Earned premiums (net) | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **1. Direct insurance business** | | | | | | |
| Personal accident insurance | 147,635 | 143,811 | 147,574 | 143,749 | 125,270 | 122,089 |
| Liability insurance | 225,497 | 221,052 | 225,378 | 220,115 | 188,524 | 184,847 |
| Motor liability insurance | 480,441 | 466,838 | 480,204 | 466,864 | 406,689 | 395,246 |
| Other motor insurance | 371,765 | 358,468 | 371,561 | 358,450 | 311,184 | 300,324 |
| Fire and property insurance | | | | | | |
| Fire insurance | 88,700 | 79,433 | 87,960 | 78,791 | 48,042 | 41,665 |
| Combined household insurance | 101,602 | 98,458 | 101,434 | 98,531 | 85,694 | 83,277 |
| Combined building insurance | 223,775 | 204,625 | 221,812 | 202,989 | 177,034 | 162,458 |
| Other property insurance | 217,343 | 200,263 | 215,963 | 198,868 | 141,876 | 129,536 |
| | 631,420 | 582,779 | 627,169 | 579,179 | 452,646 | 416,936 |
| Transport and aviation insurance | 24,041 | 23,794 | 24,041 | 23,794 | 20,144 | 19,980 |
| Legal expenses insurance | 133,362 | 125,977 | 132,587 | 125,315 | 112,328 | 106,523 |
| Travel assistance insurance | 15,352 | 12,318 | 14,665 | 11,707 | 12,438 | 9,923 |
| Other insurance | 23,872 | 19,147 | 22,633 | 18,334 | 12,630 | 9,245 |
| **Total** | **2,053,385** | **1,954,184** | **2,045,812** | **1,947,507** | **1,641,853** | **1,565,113** |
| **2. Assumed insurance business** | **1,688** | **24** | **1,568** | **24** | **321** | **–** |
| **3. Total insurance business** | **2,055,073** | **1,954,208** | **2,047,380** | **1,947,531** | **1,642,174** | **1,565,113** |

1 See “Notes concerning the income statement” in the notes

| in € thousands | Gross expenses for insurance claims 2020 | Gross expenses for insurance claims 2019 | Gross expenses for insurance business 2020 | Gross expenses for insurance business 2019 | Reinsurance balance saldo[1] 2020 | Reinsurance balance saldo[1] 2019 |
|---|---|---|---|---|---|---|
| **1. Direct insurance business** | | | | | | |
| Personal accident insurance | 77,831 | 65,505 | 48,208 | 49,060 | –995 | –2,823 |
| Liability insurance | 108,853 | 75,592 | 75,552 | 77,878 | –4,250 | –6,519 |
| Motor liability insurance | 371,336 | 366,726 | 82,582 | 82,668 | 12,684 | –6,241 |
| Other motor insurance | 255,883 | 280,169 | 71,204 | 69,952 | –4,657 | 802 |
| Fire and property insurance | | | | | | |
| Fire insurance | 57,976 | 59,579 | 23,876 | 21,910 | –5,001 | 3,120 |
| Combined household insurance | 31,211 | 30,213 | 35,775 | 36,677 | –4,137 | –4,075 |
| Combined building insurance | 135,878 | 117,607 | 61,919 | 56,755 | –8,409 | –13,443 |
| Other property insurance | 111,701 | 103,583 | 74,561 | 70,412 | –11,442 | –13,479 |
| | 336,766 | 310,982 | 196,131 | 185,754 | –28,989 | –27,877 |
| Transport and aviation insurance | 19,164 | 20,608 | 7,498 | 7,743 | 1,736 | 679 |
| Legal expenses insurance | 85,796 | 75,547 | 45,111 | 43,966 | 1,641 | 479 |
| Travel assistance insurance | 5,435 | 6,400 | 5,222 | 4,841 | –399 | 44 |
| Other insurance | 53,686 | 11,213 | 8,666 | 7,478 | 11,483 | –95 |
| **Total** | **1,314,750** | **1,212,742** | **540,174** | **529,340** | **–11,746** | **–41,551** |
| **2. Assumed insurance business** | **–975** | **–934** | **560** | **7** | **–554** | **–231** |
| **3. Total insurance business** | **1,313,775** | **1,211,808** | **540,734** | **529,347** | **–12,300** | **–41,782** |

1 From the perspective of Württembergische Versicherung AG

| in € thousands | Net underwriting income/ expense for own account (before claims equalisation provision) 2020 | 2019 | Change in the claims equalisation provision and similar provisions 2020 | 2019 | Net underwriting income/ expense for own account (after claims equalisation provision) 2020 | 2019 |
|---|---|---|---|---|---|---|
| **1. Direct insurance business** | | | | | | |
| Personal accident insurance | 20,810 | 27,034 | – | – | 20,810 | 27,034 |
| Liability insurance | 37,489 | 60,257 | 17,144 | 5,707 | 54,633 | 65,964 |
| Motor liability insurance | 41,364 | 11,370 | –3,592 | –5,914 | 37,772 | 5,456 |
| Other motor insurance | 41,774 | 8,187 | 2,781 | –5,647 | 44,555 | 2,540 |
| Fire and property insurance | | | | | | |
| Fire insurance | 889 | –292 | –1,570 | 1,149 | –681 | 857 |
| Combined household insurance | 28,037 | 25,209 | – | – | 28,037 | 25,209 |
| Combined building insurance | 10,764 | 10,879 | –14,510 | –7,214 | –3,746 | 3,665 |
| Other property insurance | 17,995 | 10,955 | –1,639 | –7,616 | 16,356 | 3,339 |
| | 57,685 | 46,751 | –17,719 | –13,681 | 39,966 | 33,070 |
| Transport and aviation insurance | –359 | –3,280 | 1,643 | 4,436 | 1,284 | 1,156 |
| Legal expenses insurance | 3,342 | 6,323 | 4,329 | 4,328 | 7,671 | 10,651 |
| Travel assistance insurance | 3,622 | 512 | –2,609 | –1,180 | 1,013 | –668 |
| Other insurance | –28,281 | –401 | – | 1,356 | –28,281 | 955 |
| **Total** | **177,446** | **156,753** | **1,977** | **–10,595** | **179,423** | **146,158** |
| **2. Assumed insurance business** | **882** | **830** | **–** | **–** | **882** | **830** |
| **3. Total insurance business** | **178,328** | **157,583** | **1,977** | **–10,595** | **180,305** | **146,988** |

# Annex to the notes

## Number of at least one-year insurance policies

| in units | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Personal accident insurance | 750,462 | 746,995 |
| Liability insurance | 1,291,897 | 1,242,093 |
| Motor liability insurance | 1,837,717 | 1,779,074 |
| Other motor insurance | 1,365,290 | 1,314,171 |
| Fire and property insurance | | |
| Fire insurance | 188,123 | 183,417 |
| Combined household insurance | 743,285 | 737,392 |
| Combined building insurance | 466,632 | 462,201 |
| Other property insurance | 1,046,881 | 1,007,136 |
| | **2,444,921** | **2,390,146** |
| Transport and aviation insurance | 34,414 | 30,965 |
| Legal expenses insurance | 793,972 | 758,190 |
| Travel assistance insurance | 656,904 | 629,023 |
| Other insurance | 121,712 | 113,249 |
| **Total** | **9,297,289** | **9,003,906** |

## List of ownership interests

| Name and registered office of the company | Direct interest in capital | Indirect interest in capital | Currency | Reporting date | Equity[1] | Net income/ loss after taxes[1] |
|---|---|---|---|---|---|---|
| | in % | in % | | | | |
| **Germany** | | | | | | |
| Adam Riese GmbH, Stuttgart[2] | 100.00 | | € | 31.12.2019 | 25,000 | – |
| Altmark Versicherungsmakler GmbH, Stuttgart | 100.00 | | € | 31.12.2019 | 2,969,382 | 551,470 |
| Altmark Versicherungsvermittlung GmbH, Stuttgart | 100.00 | | € | 31.12.2019 | 382,266 | 65,645 |
| BWK GmbH Unternehmensbeteiligungs-gesellschaft, Stuttgart | 17.50 | | € | 31.12.2019 | 246,025,883 | 19,598,712 |
| BWK Holding GmbH Unternehmens-beteiligungsgesellschaft, Stuttgart | 17.50 | | € | 31.12.2019 | 11,416,484 | 852,614 |
| DBAG Fund VIII Feeder GmbH & Co. KG, Frankfurt am Main | | 8.85 | € | New investment 25.9.2020 | | |
| Elvaston Capital Fund III GmbH & Co. KG, Berlin | | 6.08 | € | 31.12.2019 | 125,277,554 | 190,734 |
| NORD KB Micro-Cap V GmbH & Co. KG, Hannover | | 5.37 | € | 31.12.2019 | 69,113,606 | –2,611,801 |
| VC Fonds Baden-Württemberg GmbH & Co. KG, Stuttgart | 25.00 | | € | 31.12.2019 | 1,859,465 | –141,225 |
| Württembergische Akademie GmbH, Stuttgart (formerly: Berlin Leipziger Platz Grundbesitz GmbH) | 100.00 | | € | 31.12.2019 | 2,098,062 | 17,103 |
| Württembergische Immobilien AG, Stuttgart | 100.00 | | € | 31.12.2019 | 120,257,087 | 673,389 |
| Württembergische Kö 43 GmbH, Stuttgart | | 89.90 | € | 31.12.2019 | 22,808,270 | 511,806 |
| Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart | 100.00 | | € | 31.12.2019 | 76,694 | – |
| Württembergische Vertriebspartner GmbH, Stuttgart[2] | 100.00 | | € | 31.12.2019 | 74,481 | – |
| WürttVers Alternative Investments GmbH, Stuttgart[2] | 100.00 | | € | 31.12.2019 | 46,025,000 | – |
| **Australia** | | | | | | |
| REI Property Sub Trust, Sydney | | 100.00 | AU$ | 30.6.2020 | 62,636,000 | 3,903,000 |
| **France** | | | | | | |
| Württembergische France Immobiliere SARL, Strasbourg[3] | | 100.00 | € | 30.9.2020 | 15,573,530 | 1,453,507 |
| Württembergische France Strasbourg SARL, Strasbourg | 100.00 | | € | 30.9.2020 | 45,854,772 | 1,941,761 |
| **Ireland** | | | | | | |
| BlackRock NTR Renewable Power Fund plc, Dublin | 22.39 | | US$ | 31.12.2019 | 38,762,000 | 12,790,000 |
| White Oak Summit Fund ILP, Dublin | 6.02 | | US$ | 31.12.2019 | 207,506,253 | 7,068,133 |
| White Oak Yield Spectrum Feeder ICAV, Dublin | 6.35 | | US$ | 31.12.2019 | 339,715,326 | 20,939,104 |

## List of ownership interests

| Name and registered office of the company | Direct interest in capital | Indirect interest in capital | Currency | Reporting date | Equity[1] | Net income/ loss after taxes[1] |
|---|---|---|---|---|---|---|
| | in % | in % | | | | |
| **Luxembourg** | | | | | | |
| CI III Lux Feeder Fund FCP-RAIF, Luxembourg | 8.97 | | € | 31.12.2019 | 22,432,861 | –155,480 |
| Idinvest Lux Fund, SICAV-SIF SCA – Idinvest Private Debt III, Luxembourg | 6.11 | | € | 31.12.2019 | 89,255,335 | –4,314,304 |
| IKAV SICAV-FIS SCA – Ecoprime Energy, Luxembourg | 8.78 | | € | 30.9.2020 | 97,703,581 | 3,733,222 |
| IKAV SICAV-FIS SCA – ecoprime TK I, Luxembourg | 10.86 | | € | 30.9.2020 | 38,968,689 | 2,685,281 |
| IKAV SICAV-FIS SCA – Global Energy (Ecoprime III), Luxembourg | 15.12 | | € | 30.9.2020 | 27,875,165 | 3,681,244 |
| Secondary Opportunities SICAV-SIF – SOF II Feeder USD, Luxembourg | 7.63 | | US$ | 31.12.2019 | 28,020,364 | 1,189,507 |
| Secondary Opportunities SICAV-SIF – SOF III Feeder USD, Luxembourg | 16.77 | | US$ | 31.12.2019 | 56,249,714 | 5,213,430 |
| StepStone European Fund SCS, SICAV-FIS – StepStone Capital Partners III, Luxembourg | | 10.21 | US$ | 31.12.2019 | 680,342,087 | 71,281,318 |
| **Austria** | | | | | | |
| G6 Zeta Errichtungs- und VerwertungsGmbH & Co OG, Vienna | | 99.90 | € | 31.12.2019 | 24,202,338 | 2,712,744 |
| SAMARIUM drei GmbH & Co OG, Vienna | | 99.00 | € | 31.12.2019 | 9,623,088 | 595,235 |
| **United Kingdom** | | | | | | |
| Capital Dynamics Clean Energy and Infrastructure Feeder L.P., Edinburgh | 9.06 | | US$ | 31.12.2019 | 141,842,687 | –16,189,558 |
| EIG Global Private Debt (Europe UL) L.P., London | 8.09 | | US$ | 31.12.2019 | 131,121,000 | 7,228,000 |

1 The figures relate to the most recent annual financial statements available on the reporting date.
2 Profit and loss transfer agreement in place.
3 The direct interest amounted to less than 0.01%.

# Württembergische Versicherung AG
# Auditor‘s report

## Report of the independent statutory auditor

To Württembergische Versicherung AG, Stuttgart

## Report on the audit of the annual financial statements and the management report

### Audit opinion

We have audited the annual financial statements of Württembergische Versicherung AG, Stuttgart, Germany, comprising the balance sheet as at 31 December 2020, the income statement for the financial year from 1 January to 31 December 2020 and the notes, including the presentation of the accounting policies.

In addition, we have audited the management report of Württembergische Versicherung AG for the financial year 1 January to 31 December 2020. In conformity with German statutory requirements, we have not audited the content of the corporate governance statement (disclosures concerning the proportion of women) pursuant to Section 341j of the German Commercial Code (HGB) in conjunction with Section 289f HGB, which is contained in the section “Other disclosures” in the management report.

In our opinion, based on the knowledge acquired in connection with the audit,

- the attached annual financial statements comply in all material respects with the requirements of the HGB applicable to insurance undertakings and present a true and accurate view of the company’s net assets and financial position as at 31 December 2020 and its financial performance for the financial year 1 January to 31 December 2020 in accordance with the German standards of proper accounting, and
- the attached management report as a whole presents a true and accurate view of the company’s position. The management report is consistent with the annual financial statements in all material respects, complies with German statutory requirements and accurately depicts the opportunities and risks of future development.

Our audit opinion concerning the management report does not cover the content of the aforementioned corporate governance statement.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations concerning the regularity of the annual financial statements or the management report.

### Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in conformity with Section 317 HGB 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 annual financial statements and the management report”. We are independent of the company 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, pursuant to Article 10(2)(f) of the EU Audit Regulation, we declare that we did not provide any prohibited non-audit services referred to in Article 5(1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions concerning the annual financial statements and the management report.

## Key audit matters in connection with the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the annual 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 key audit matters in our view:

### Measurement of the sub-provision for reported insurance claims in direct property and casualty business included in the gross provision for outstanding insurance claims

**Reasons why this was determined to be a key audit matter**
The gross provision for outstanding insurance claims is mainly allocated to direct property and casualty business.

Most of the gross provision for reported insurance claims relates to the gross provision for outstanding insurance claims in direct property and casualty business.

The measurement of the gross provision for reported insurance claims in direct property and casualty business is performed individually and is based on an estimate made on the basis of current information concerning claims development and on assumed future claims development based on knowledge about the settlement of comparable claims. On account of the exercise of discretion and the estimation procedures applied, we determined that measurement of the sub-provision for reported insurance claims in direct property and casualty business included in the gross provision for outstanding insurance claims is a key audit matter. There is a risk here that the gross provision for reported insurance claims as a whole and in the individual insurance branches is not appropriately measured.

**Audit approach**
As part of our audit, we examined the processes for claims processing and the calculation of the gross provision for reported insurance claims and tested the implemented controls.

In this regard, for the gross provision for reported insurance claims in direct property and casualty business, we gained an understanding of the processing of individual insurance claims, from the processing and reserving of filed claims to the depiction in the consolidated financial statements.

Furthermore, we performed spot checks of insurance claims in direct property and casualty business and examined whether the provisions created in this respect for reported insurance claims were appropriately measured on the basis of current information and knowledge as at the reporting date. For this purpose, we used the records for various insurance branches and types to gain an understanding of the amount of the individual provisions and in the process examined whether discretion was exercised within a justifiable range with regard to the specification of compensation levels. We analysed the age structure of individual claims and on this basis evaluated the quality of the data set underlying this sub-provision. Moreover, we used multiyear comparisons to review loss ratios and average losses for abnormalities with respect to measurement. In addition, we analysed whether the data base included in the calculation in the form of a claims register was complete.

Using abnormalities in settlement results, we analysed the actual change in the provision for outstanding insurance claims that had been created in the previous year.

Furthermore, on the basis of mathematical and statistical procedures, we performed our own claims projections in order to evaluate the measurement of the gross provision for reported insurance claims in direct property and casualty business. In this regard, we used the best 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 the provision for claims as a whole.

As part of our audit, we used our own insurance mathematicians.

Our audit procedures did not result in any objections concerning the measurement of the sub-provision for reported insurance claims in direct property and casualty business included in the gross provision for outstanding insurance claims.

**Reference to associated disclosures**
The disclosures concerning the measurement of the gross provision for outstanding insurance claims are contained in the notes in the section “Accounting policies: Technical provisions”.

## Measurement of other loans

**Reasons why this was determined to be a key audit matter**
The company holds loans (primarily registered bonds and debenture bonds) for investment purposes. They are recognised in the annual financial statements under the item “Other loans”.

Other loans are unlisted, meaning that fair values cannot be derived for them from active markets on the reporting date. For these investments, 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 in connection with the selection of the procedures and the specification of the measurement parameters and assumptions.

Because discretion is exercised in connection with the specification of the assumptions to be made about the material measurement parameters and assumptions in connection with model-based measurement and the write-downs and write-up that may result from this, as well as the associated risk of a materially incorrect presentation in the annual fi-nancial statements, this has to do with a key audit matter.

**Audit approach**
As part of our audit, we examined the process for measuring the other loans and tested the identified controls. The focus here was on controls that are designed to ensure the accuracy of the portfolio data.

We gained a methodological understanding of the measurement procedures applied. In this connection, we gained an understanding of the utilised measurement parameters by comparing them with publicly available measurement parameters for a selection. If parameters were not observable on the market, we evaluated them by remeasuring a select partial portfolio of the other loans.

In addition, for a spot check of the other loans, we performed our own calculations of fair value, drawing on the assistance of measurement specialists, and compared the results with the figures calculated by the Executive Board.

In addition, for a partial portfolio of the other loans, we gained a mathematical understanding of the write-downs and write-ups.

Our audit procedures did not result in any objections to the measurement of the other loans.

**Reference to associated disclosures**
The disclosures concerning the calculation of the fair value of the other loans are contained in notes in the sections “Accounting policies: Other loans” and “Calculations of fair value”.

## Other information

The Supervisory Board is responsible for the report of the Supervisory Board. The Executive Board is responsible for the other information. The other information comprises the aforementioned corporate governance statement (disclosures concerning the proportion of women). The other information also comprises additional elements envisaged for the annual report, a version of those elements having been provided to us prior to the issuance of this audit report, particularly the report of the Supervisory Board, but it does not comprise the annual financial statements, the management report disclosures included in the substantive audit or our associated audit report.

Our audit opinions concerning the annual financial statements and the 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.
In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information

- is materially inconsistent with the annual financial statements, the management report or our knowledge obtained in the audit or
- otherwise appears to be materially misstated.

## Responsibility of the Executive Board and the Supervisory Board for the annual financial statements and the management report

The Executive Board is responsible for preparing the annual financial statements in a manner that conforms in all material respects with the provisions of the German Commercial Code (HGB) applicable to insurance undertakings and for ensuring that they present a true and accurate view of the company's net assets financial position and financial performance in accordance with the German standards of proper accounting. Furthermore, the legal representatives are responsible for the internal controls that they have specified as necessary in accordance with the German standards of proper accounting in order to facilitate the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. In addition, they are responsible for disclosing, as applicable, matters related to going concern.

Moreover, they are responsible for using the going concern basis of accounting, unless factual or legal circumstances prevent this.

Furthermore, the legal representatives are responsible for preparing the management report that as a whole presents a true and accurate view of the company's position and that in all material respects is consistent with the annual 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 they consider necessary in order to facilitate the preparation of a management report in conformity with applicable German statutory requirements and to enable sufficient and appropriate evidence to be provided for the statements in the management report.

The Supervisory Board is responsible for monitoring the company's accounting process with respect to the preparation of the annual financial statements and the management report.

## Responsibility of the statutory auditor for the audit of the annual financial statements and the management report

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether the management report as a whole presents a true and accurate view of the company's position and in all material respects is consistent with the annual financial statements and the knowledge gained in the audit, complies with German statutory requirements and accurately depicts the opportunities and risks of future development, as well as to issue an audit report containing our audit opinions concerning the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in conformity with Section 317 HGB and with 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), will always detect a material misstatement. Misstatements may be the result of non-compliance or inaccuracies 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 annual financial statements and the management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement is higher in the case of fraud than in the case of error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of the arrangements and measures relevant to the audit of the 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 the company's internal control;
- Evaluate the appropriateness of the accounting policies used by the Executive Board and the reasonableness of the estimates and related disclosures made by the Executive Board;
- Draw conclusions on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, about whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company'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 annual financial statements and in the management report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements depict the underlying business transactions and events in such a way as to present a true and accurate view of the company's net assets, financial position and financial performance in accordance with the German standards of proper accounting;
- Evaluate the consistency of the management report with the annual financial statements, its conformity with the law and its depiction of the view of the company's position;
- Perform audit procedures concerning the forward-looking statements made by the legal representatives in the management report. In doing so, on the basis of sufficient and appropriate audit evidence, we gain an understanding, in particular, of the key assumptions underlying the legal representatives' forward-looking statements and evaluate whether the statements were properly derived from those assumptions. We do not provide a separate audit opinion concerning the forward-looking statements or the underlying assumptions. There is a substantial, unavoidable risk that future events may significantly deviate from the forward-looking statements.

We meet with the individuals responsible for monitoring in order to discuss, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We provide the individuals responsible for monitoring with a statement that we complied with the relevant independence requirements, and we discuss with them all relationships and other matters that may reasonably be presumed to influence our independence and the steps we have taken to guard 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 annual financial statements for the current reporting period and are there-fore the key audit matters. We describe these matters in our audit report unless laws or regulations preclude public disclosures about a given matter.

## Other statutory and legal requirements

### Other disclosures pursuant to Article 10 of the EU Audit Regulation

We were selected as the Group statutory auditor at the meeting of the Supervisory Board on 7 December 2018. We were given a mandate by the chairman of the Supervisory Board's Audit Committee on 6 May 2020. We have served as the statutory auditor of Württembergische Versicherung AG since this financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Risk and Audit Committee in accordance with Article 11 of the EU Audit Regulation.

## Responsible auditor

The auditor responsible for the audit is Martin Gehringer.

Stuttgart, 18 March 2021

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Martin Gehringer
Wirtschaftsprüfer
(German public auditor)

Bernd Wehrle
Wirtschaftsprüfer
(German public auditor)

# Württembergische Versicherung AG
# Report of the Supervisory Board

The Supervisory Board fulfilled its duties in the 2020 financial year in accordance with statutory requirements, the Articles of Association and the bylaws. It monitored the management of business and was directly involved in all matters of fundamental importance for the company.

## Composition

In accordance with the Articles of Association, the Supervisory Board of Württembergische Versicherung AG is composed of 12 members.

The Supervisory Board experienced one change in its membership during the 2020 financial year. Christian Hörtkorn resigned effective 30 November 2020. At an extraordinary General Meeting, the Supervisory Board nominated Holger Mardfeldt as his successor, and he was elected to the Supervisory Board with immediate effect on 3 February 2021. The Supervisory Board would like to thank Mr Hörtkorn for his commitment and constructive collaboration.

Pursuant to Section 111 (5) of the German Stock Corporation Act (AktG), the Supervisory Board, as the organ of a company subject to codetermination, has set a goal of having women make up 25% of the Supervisory Board. Currently, four women serve on the Supervisory Board; the target has been reached.

## Full Supervisory Board

In the year under review, the Supervisory Board held two ordinary meetings and one extraordinary meeting at which it considered at length the development of the company. The reports of the Executive Board, written presentations and meeting documentation were submitted to it in timely fashion for the purpose of preparing for the meetings. The Executive Board reported regularly to the Supervisory Board in writing and verbally and in a timely and comprehensive manner about all issues of relevance to the company concerning its strategy, planning, business performance, investment management and risk position, particularly in light of the coronavirus pandemic. Moreover, the Supervisory Board and the Audit Committee comprehensively addressed the subjects of risk management and non-audit services by the auditor. To this end, detailed reports were prepared on the business, risk and IT strategy and then presented to the Supervisory Board for information and discussion. The Executive Board submitted the report of the Internal Audit department to the Supervisory Board and the Audit Committee, and it submitted the report of the Compliance Officer to the Audit Committee. The Head of Internal Audit and the Compliance Officer participated in the meeting of the Audit Committee. In addition, the Chairman of the Executive Board and the Chairman of the Supervisory Board exchanged information on an ongoing and, where necessary, prompt basis about all key developments and decisions.

The meetings of the Supervisory Board of Württembergische Versicherung AG mainly addressed the effects of the coro-navirus pandemic and the further development of the corporate strategy, as well as the enhancement of the “W&W Besser!” programme. Other discussions in the Supervisory Board focused on the digitalisation measures, digital business models and the continued pursuit of the “Vertrieb.Besser!” sales strategy and the “Komposit.Besser!” programme, as well as changed customer behaviour in the “new digital reality”. A product design that suits the digital world was further discussed.

Business performance and trends in results in the individual segments of Württembergische Versicherung AG were addressed at length, as were the current situation on the capital markets and current regulatory developments. The Supervisory Board had detailed discussions about operational planning for 2021 and further medium-term planning,

Over the course of the year, the Supervisory Board adopted by way of written circulation a resolution on the reallocation of the remuneration of Alexander Mayer and a resolution on the change of trustee.

All measures requiring approval by law or under the company’s rules were submitted to the Supervisory Board.

In addition, the Supervisory Board concerned itself with central issues of corporate governance. The Supervisory Board examined in depth the expertise profile for the full Supervisory Board and the development plan derived from it, as well as the parameters for the composition of the Supervisory Board. In the development plan adopted at the end of 2019, measures were defined for broadening the expertise of Supervisory Board members, and these were implemented during the 2020 financial year. By way of a self-assessment, the members of the Supervisory Board once again evaluated their strengths in the fields of investment, actuarial practice and accounting. This in turn forms the basis for the development plan that the Supervisory Board prepares each year. The plan identifies areas where the Supervisory Board as a whole or its individual members wish to acquire greater expertise. At its December meeting, the Supervisory Board adopted the development plan for 2021. The self-assessment and the development plan were forwarded to the supervisory authority.

The Supervisory Board reviewed the efficiency of its work by means of a self-assessment, and at its March 2020 meeting, it discussed the results, which on whole may be considered positive.

There were no conflicts of interests requiring disclosure in 2020.

## Efficient work of committees

In order to enable it to efficiently perform its duties, the Supervisory Board created three committees, which are able to prepare resolutions for deliberation and adoption by the full Supervisory Board, as well as adopt resolutions themselves. These are the Audit Committee, the Personnel Committee and the Conciliation Committee.

In 2020 the **Audit Committee** held two ordinary meetings. The **Personnel Committee** had two ordinary meetings and one extraordinary meeting. The **Conciliation Committee** did not meet. The issues falling within the purview of the respective committees were thoroughly discussed at committee meetings. The committee chairs reported to the Supervisory Board about the work of the committees at its next meeting.

In addition to topics for which it is responsible by virtue of law and by virtue of the bylaws of the Supervisory Board, the **Audit Committee** principally concerned itself with issues of risk-bearing capacity, particularly in light of the corona-virus pandemic. In organisational terms, the policy on the provision of non-audit services by the auditor was revised and adopted in amended form. In addition, the strategic asset allocation and the amended internal investment policy were presented for decision.

The **Personnel Committee** prepared the personnel and remuneration matters concerning Executive Board members for the Supervisory Board. It addressed remuneration issues and discussed the remuneration system for the Executive Board and employees. It reviewed and evaluated the professional qualifications and aptitude of each member of the Executive Board and the Supervisory Board in accordance with the policy on “Fit and proper requirements for managers and members of the Supervisory Board”. In addition, it reviewed and evaluated the structure, size, composition and performance of the Executive Board and the Supervisory Board. It also discussed current personnel issues.

## Review of the annual financial statements

The Supervisory Board performed a thorough review of the annual financial statements for the 2020 financial year as well as the management report. The annual financial statements and the management report are complete and in conformity with the estimates made by the Executive Board in the reports to be issued in accordance with Section 90 of the German Stock Corporation Act (AktG).

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, which was appointed auditor by the Supervisory Board, duly audited the annual financial statements prepared by the Executive Board for the 2020 financial year, as well as the management report, and it issued an unqualified audit report.

The auditor reported the material results of its audit to the Supervisory Board verbally and in writing. The audit report was sent to each member of the Supervisory Board. In addition, the auditor reported both at the meeting of the Risk and Audit Committee on 25 March 2021 and at the accounting meeting of the Supervisory Board on 26 March 2021. The submitted audit report meets the statutory requirements of Section 321 of the German Commercial Code (HGB) and was taken into account by the Supervisory Board in connection with its own review of the financial statements. There were no circumstances that could call into question the independence of the auditor.

Following the definitive result of the audit of the annual financial statements and the management report, the Supervisory Board raised no objections, and at its meeting on 26 March 2021, it approved the annual financial statements prepared by the Executive Board. Accordingly, the annual financial statements are deemed approved pursuant to Section 172 sentence 1 AktG.

The Supervisory Board discussed the solvency overview for Württembergische Versicherung AG as at 31 December 2019, as well as the auditor's report on it.

## Composition of the Executive Board

At an extraordinary meeting on 22 September 2020, the Supervisory Board unanimously resolved to revoke the appointment of Thomas Bischof to the Executive Board on 31 December 2020. The Supervisory Board thanks Mr Bischof for his work as Chair of the Executive Board and his high level of commitment. Effective 1 January 2021, Zeliha Hanning was appointed to the Executive Board for three years, taking over as Chair for Thomas Bischof and assuming his role as division head. In this regard, the Supervisory Board adopted corresponding changes to the business allocation plan.

Jens Wieland was reappointed as Executive Board member for the period from 1 July 2020 to 30 June 2025.
The year 2020 was very demanding for management and staff. The Supervisory Board expresses its gratitude and appreciation to the Executive Board and to the employees for their work and their tireless commitment.

Stuttgart, 26 March 2021

The Supervisory Board

Jürgen A. Junker
Chair

# Württembergische Versicherung AG
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Ihr Fels in der Brandung.