Interim Report as at 30 June 2016

Wüstenrot & Württembergische AG

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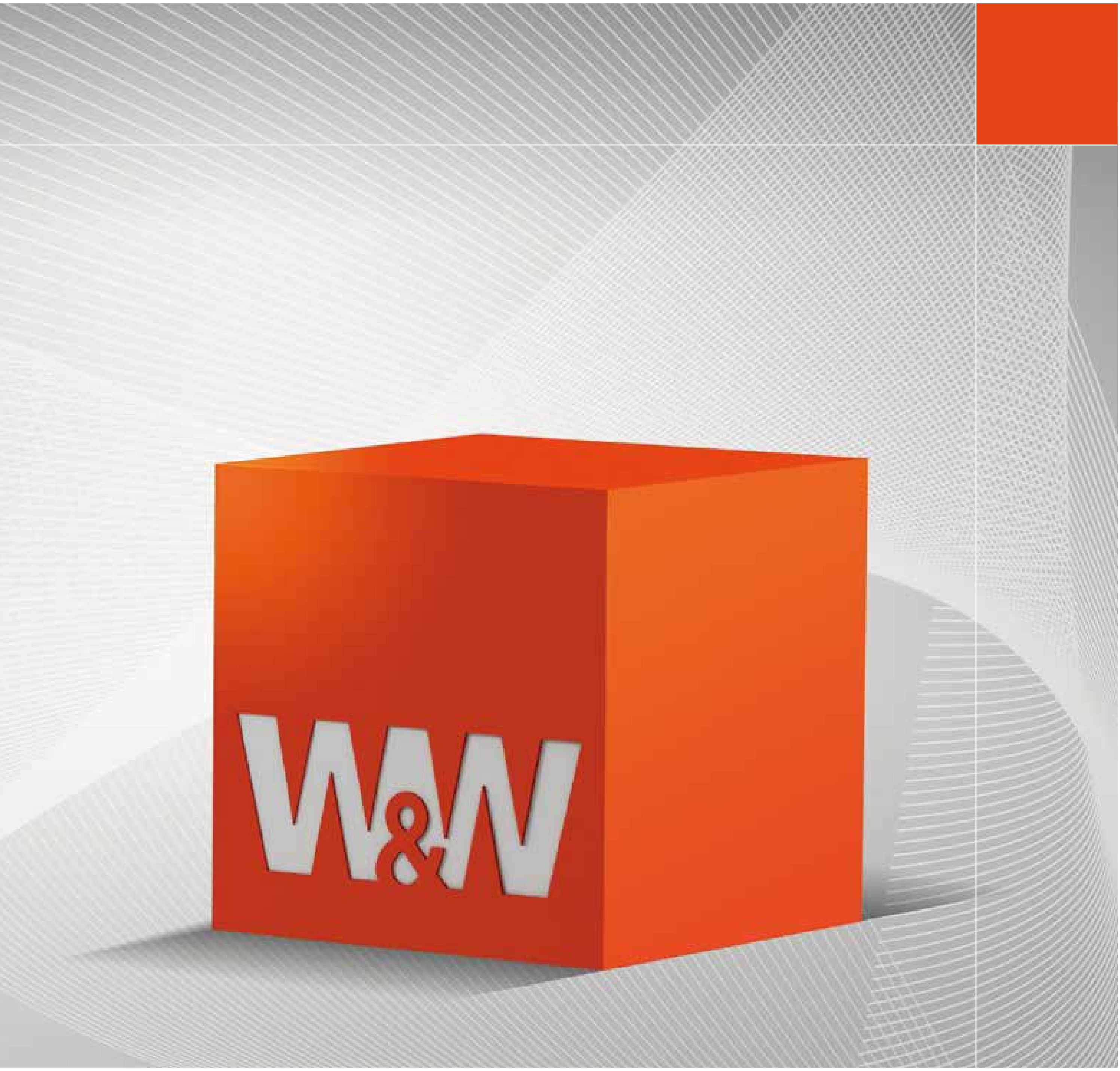

wüstenrot
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Key figures of W&W Group

W&W Group (according to IFRS)

Consolidated balance sheet		6M 2016	FY 2015
Total assets	€ bn	75.0	74.1
Capital investments	€ bn	48.2	47.0
Financial assets available for sale	€ bn	25.5	24.3
First tier loans and advances to institutional investors	€ bn	15.3	15.7
Building loans	€ bn	23.9	24.3
Liabilities to customers	€ bn	25.4	25.3
Technical provisions	€ bn	34.1	32.9
Equity	€ bn	3.8	3.6
Equity per share	€	40.32	38.68

Consolidated profit and loss statement		6M 2016	6M 2015
Net financial result (after credit risk adjustments)	€ mn	876.1	1,173.1
Premiums/contributions earned (net)	€ mn	1,997.6	1,900.6
Insurance benefits (net)	€ mn	–1,998.1	–2,156.0
Earnings before income taxes from continued operations	€ mn	180.6	184.1
Consolidated net profit	€ mn	121.0	144.1
Total comprehensive income	€ mn	211.3	14.6
Earnings per share	€	1.28	1.51

Other information		6M 2016	FY 2015
Employees (domestic)[1]		6,830	6,907
Employees (Group)[2]		8,528	8,763

Key sales figures		6M 2016	6M 2015
Group			
Gross premiums written	€ mn	2,258.4	2,172.2
New construction financing business (including brokering for third parties)	€ mn	2,555.4	2,751.2
Sales of own and third-party investment funds	€ mn	195.1	169.6
Home Loan and Savings Bank			
New home loan savings business (gross)	€ mn	7,641.4	7,294.6
New home loan savings business (net)	€ mn	6,049.0	5,311.6
Life and Health Insurance			
Gross premiums written	€ mn	1,191.0	1,116.4
New premiums	€ mn	368.9	292.3
Property/Casualty Insurance			
Gross premiums written	€ mn	1,073.1	1,044.6
New premiums (measured in terms of annual contributions to the portfolio)	€ mn	120.1	124.7

1 Full-time equivalent head count.
2 Number of employment contracts.

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Group Interim Management Report

Business Report

Business environment

Macroeconomic environment

Following above-average growth at the start of the year, the Deutsche Bundesbank is now predicting somewhat lower growth for the remainder of the year, with a rise in gross domestic product in the second quarter.

The most important support for the economy continued to be the dynamic consumer demand of private households. The manufacturing sector showed more modest development. Given historically low mortgage interest rates and continuing high need for housing in conurbation areas, the construction sector saw lively demand for properties and a high level of building activity. From the standpoint of the W&W Group, in particular the historically above-average income trends for private house-holds and the dynamism of the residential construction sector therefore presented a favourable macroeconomic environment.

The economic outlook for Germany in 2016 remains generally favourable. The Federal Government is fore-casting economic growth of 1.7% for the year as a whole. However, the surprising decision by the UK to leave the European Union (EU) is likely to result in moderate dampening of growth on account of the resulting uncertainty in the coming months. The medium- and long-term effects of "Brexit" will ultimately depend on whether European politicians will be able to manage this process in a constructive manner.

The most important support for growth in the German economy continues to be private consumption. Income that is available in real terms has grown. As a result, private households have considerably more financial latitude. The development of the industrial sector is coming under pressure from the disappointing trends in export business. Companies have therefore long been somewhat reluctant to make investments. But positive business prospects of domestically oriented companies and greater utilisation of capacities are pointing to an upturn.

Outlook

Government outlays designed to deal with the influx of refugees will have a positive impact on growth. The construction sector, particularly residential construction, will likewise gain momentum from this, as well as from the positive environment resulting from persistently low interest rates and very positive trends in household income. The major drags on the economy in 2016 and 2017 will be significantly greater imports as a consequence of high domestic demand, the current economic weaknesses in important emerging countries, and the anticipated effects from the pending exit of the UK from the EU.

Capital markets

Bond markets

Following the announcement by the European Central Bank (ECB) in March that it would enact further expansive monetary policies, German bonds tended to move sideways in April and May. For instance, the yield on two-year German government bonds moved in a narrow range around –0.5%. The yield on 10-year German government bonds fluctuated between 0.1% and 0.3%. But starting in June, the financial markets became more nervous in advance of the June 23 referendum in the UK on an exit from the European Union (EU). Investors primarily bought solid German government bonds. This trend grew stronger as, to the surprise of the financial markets, it became apparent that the British had in fact decided to leave the EU. The initial reaction on the bond markets was a brief fall in the yield on two-year German government bonds to less than –0.7% and on 10-year bonds to less than –0.1%. The yield on two-year German governments ended up at –0.66% at the close of the first half of the year. Compared with year-end 2015, yields on two-year bonds thus declined by 31 basis points. For 10-year bonds, the decline was 76 basis points.

Equity markets

Following a fall in prices at the start of the year and a recovery in February and March, European equity markets moved sideways for much of the second quarter. For example, the Euro STOXX 50 fluctuated around 3,000 points, and the DAX around the psychologically important threshold of 10,000 points. Then in June, investors become more nervous with the approach of the June 23 referendum in the UK about the country's remaining in the EU. A sell-off resulted, with the DAX, for instance, falling to 9,500 points in mid-June. Predictions shortly before the vote that the UK would remain in the EU then resulted in sharp price rises, with the DAX once again climbing to 10,250 points. This made the disappointment on the equity markets all the greater when it was announced that the British had in fact voted to leave the European Union. Led by financial stocks, prices collapsed, with the DAX briefly falling below 9,300 points. Despite moderate recovery on the equity markets, which took place at the close of the reporting period, the DAX ended the first half of 2016 at 9,680 points. This meant that it was 2.8% below the comparable figure for the end of March and 9.9% below the figure for year-end 2015.

W&W stock

At the start of the second quarter, W&W stock moved sideways – similar to the situation for the market as a whole – and was generally quoted in the range of €18 to €19.

Due to pessimistic market expectations and the upcoming EU referendum in the UK, the stocks of banks and other financial services providers in particular came under pressure. As a result, W&W stock also suffered from increasing risk aversion on the part of investors and fell from €19 to €17. Owing to the record consolidated net income posted for the 2015 financial year, the Annual General Meeting on 9 June resolved to increase the dividend to €0.60/share (previous year: €0.50/share). Very positive company news and the renewed increase in the outlook for the year were unfortunately unable to overcome the generally negative market sentiment. In addition, the price took a hit of €0.60 following the dividend distribution (ex dividend).

After the result of the UK referendum, which the equity markets viewed as disappointing, W&W stock briefly fell below the €16 mark, but proved to be considerably more stable than the stocks of other financial services providers, whose prices suffered much more substantially. By the end of June, the stock had once again risen to €16.25. The stock price also recovered further after the cut-off date. Taking into account the dividend payment made, performance was –9.4% for the second quarter of 2016 and –15.5% for the first half of 2016.

Industry trends

The continuing environment of low interest rates is the predominant factor for the financial services industry in the current financial year as well. According to the Association of Private Bausparkassen, gross new business volume in the first half of 2016 was roughly €51 billion (previous year: roughly €56 billion) lower than in the comparable period for the previous year. New business in private residential financing declined in the first half of 2016. Private households took out roughly €117 billion (previous year: roughly €122 billion) in building loans. Whereas the first quarter closed up by 3%, total volume of private residential financing in the second quarter declined by 4%. Following the strong increase in the previous year, market volume nevertheless continued to range at a high level. The main drivers were mortgage interest rates, which remained very affordable. Building permits and building completion numbers thus rose steadily. Rising property prices at sought-after locations likewise contributed to the growth. The good financing conditions also led to existing properties changing hands more frequently, as well as to upgrade and renovation work. By contrast, the market suffered somewhat from bottlenecks in the supply of existing properties and at many locations from a lack of building and trade capacities. This was accompanied by the initial effects of the German Directive on Residential Property Loans (Wohnimmobilienkreditrichtlinie). The directive aims to ensure that private buyers of property will be able to service their loans until repayment in full. Guaranteeing this long-term ability to pay can in some cases make it more difficult to lend to certain groups.

As a result, we anticipate for 2016 that the market for private residential construction financing will remain on the same level.

According to calculations by the German Insurance Association (GDV), life insurance companies and pension funds saw new premiums fall during the first half of 2016 by 11.8% to €14.5 billion (previous year: €16.4 billion). The slight rise in new business with payment of regular premiums was unable to offset the substantial decline in new business against a single premium. Gross premiums written fell year on year by 4.6% to €43.4 billion (previous year: €45.5 billion).

In property/casualty insurance, premium revenues showed growth similar to that in 2015. The GDV expects that the year will close up by about 2.7% compared with the previous year. In addition to a constant development of the quantity structure, the expected development is based on premium adjustments in several important business lines. Claims development was influenced by a series of extreme weather events in May and June.

Ratings

In July 2016, Standard & Poor's (S&P) again confirmed all ratings of the W&W Group with a stable outlook. Thus the core companies of the W&W Group continue to have a rating of A– while the holding company Wüstenrot & Württembergische AG has a BBB+ rating.

The risk management of the W&W Group continues to be classified as "strong", the category to which it was raised in the previous year.

Development of business and Group position

Development of business

Consolidated net profit for the first half of 2016 came in at €121.0 million (previous year: €144.1 million), which is in line with expectations.

W&W continued to tenaciously implement the growth programme W&W@2020 during the first half of 2016.

Key product innovations included the new "Wohnsparen", a reinterpretation of home loan savings, and "IndexClever" life insurance, which combines the security and advantages of classic life insurance with the opportunities afforded by modern asset-management strategies. Current and potential customers can now apply online for a home loan savings contract, making it simpler and easier to conclude a contract for this core product online.

Classic products in the area of private annuity insurance will henceforth be offered to only a limited extent on account of very low interest rates. An exception to this are occupational pension schemes.

Customer service was further expanded, including with a service app that allows invoices to be submitted to our health insurance in a secure, paperless fashion. We made systematic use of emerging new opportunities, such as those resulting from the amendment of the German Act on Home Loan Savings Banks (Bausparkassengesetz). The home loan savings bank will in future be offering construction financing with 100% loan-to-value ratio.

In addition, all construction loans are in future to be processed centrally at the home loan savings bank. The project is still subject to approval by the supervisory authorities. Implementation will lead to considerable advantages in the Group, such as the elimination of interfaces and the simplification of IT processes. Thus, going forward, Wüstenrot Bank AG Pfandbriefbank will be able to concentrate fully on its role as a digital bank for retail customers, with products in the area of accounts, card services, fund brokerage, and online activities.

The sale of the Czech property-insurance and life-insurance business was completed on 4 January. This further streamlined and optimised Group structures. The premium volume of the companies concerned amounted to less than 1% of the Group's total premium revenues.

Financial performance

Consolidated income statement

At €180.6 million, pre-tax income came in at the level of the previous year (€184.1 million). Tax expenses rose to €59.6 million (previous year: €39.9 million). As at 30 June 2016, consolidated net profit after taxes stood at €121.0 million (previous year: €144.1 million).

Composition of consolidated net profit

in € million	1/1/2016 to 30/6/2016	1/1/2015 to 30/6/2015
Home Loan and Savings Bank segment	33.1	20.0
Life and Health Insurance segment	18.1	18.9
Property/Casualty Insurance segment	56.3	73.3
All other segments	70.5	94.8
Consolidation across segments	–57.0	–62.9
Consolidated net profit	**121.0**	**144.1**

Net financial income fell to €876.1 million (previous year: €1,173.1 million). The weak development on the equity markets, including as a consequence of the "Brexit" referendum, led to higher impairment expenses and to a decline in the development of investments for unit-linked life insurance policies.

The W&W Group also made investments in foreign currency in order to be able to exploit attractive yield opportunities for its customers. The associated exchange-rate risks are extensively hedged. In view of the rising price of the euro during the first half of 2016 (during the same period last year, the price was falling), net income from investments in foreign currency deteriorated (AfS und Forderungen wird noch eingefügt). By contrast, profits were generated from currency derivatives related to hedges of these investments. The effects on individual results were therefore largely offset.

- Net income from financial assets available for sale amounted to €463.6 million (previous year: €896.9 million). The decline was due to the above-mentioned currency losses, substantially lower net income from disposals, and higher impairment expenses on equity instruments.
- Net income from financial assets at fair value through profit or loss rose by €165.5 million to €–72.9 million (previous year: €–238.4 million). The described gains from currency hedges had a positive effect here. Losses on investments for unit-linked life insurance policies had the contrary effect due to the development on the markets.
- Net income from receivables, liabilities and subordinated capital amounted to €401.5 million (previous year: €440.0 million). Net income from disposals was considerably higher than in the previous year. By contrast, interest rates, which fell once again, had a negative impact due in particular to the discounting of the interest bonus provision.

Net earned premiums rose by €97.0 million to €1,997.6 million (previous year: €1,900.6 million). Both property/casualty insurance and life and health insurance saw increases.

Net insurance benefits fell by €157.9 million to €1,998.1 million (previous year: €2,156.0 million). Despite storms in the spring, claims development in property insurance was once again very good. In addition, the provision for unit-linked life insurance policies decreased as a consequence of the development in the value of the underlying investments.

General administrative expenses declined by €8.7 million to €533.0 million (previous year: €541.7 million) as a result of continued tenacious cost management. Due to a lower headcount, personnel expenses declined despite collectively bargained salary increases. We are on plan with regard to the implementation of our annual productivity target of 5% p.a.

In contrast to the previous year, consolidated net income did not benefit from the relief afforded by one-off tax effects.

Consolidated statement of comprehensive income

As at 30 June 2016, total comprehensive income stood at €211.3 million (previous year: €14.6 million). It consists of consolidated net profit and other comprehensive income (OCI).

As at 30 June 2016, OCI stood at €90.3 million (previous year: €–129.6 million). Interest rates fell during the reporting period, whereas they were still rising during the same period last year, particularly in the longer maturity bands.

OCI was essentially shaped by two effects: First, the actuarial assumptions underlying the pension commitments were adjusted to conform to market conditions. As a result, the actuarial interest rate used to measure pension commitments fell from 2.0% as at 31 December 2015 to 1.25%. After additions to the provision for premium refunds and to deferred taxes, this resulted in an unrealised loss of €–162.9 million (previous year: €98.4 million).

Unrealised net income from financial assets available for sale is the second noteworthy effect. After additions to the provision for premium refunds and to deferred taxes, it amounted to €267.7 million (previous year: €–211.3 million). These measurement gains, which are recognised directly in equity, were the result of the decline in interest rates since the start of the year and the associated interest rate-related increase in prices of bearer instruments.

Home Loan and Savings Bank segment

Segment net income stood at €33.1 million (previous year: €20.0 million).

New home loan savings business increased significantly during the first half of the year. The segment's total assets amounted to €34.1 billion (previous year: €35.1 billion).

New business

Gross new business in terms of total home loan savings contracts rose by 4.8% to €7.6 billion (previous year: €7.3 billion). Net new business (paid-in new business) rose even more strongly to €6.0 billion (previous year: €5.3 billion). In contrast to the development on the market, the home loan savings bank achieved growth in both gross and net new business and thus increased its market shares.

New construction financing business fell to €1,277.9 million (previous year: €1,456.0 million) as a result of focusing on more profitable offers and the initial effects of the German Directive on Residential Property Loans (Wohnimmobilienkreditrichtlinie). The follow-on lending included in this figure amounted to €209.5 million (previous year: €271.6 million). New lending business came in at €1,068.4 million (previous year: €1,184.4 million).

New business key figures

	1/1/2016 to 30/6/2016	1/1/2015 to 30/6/2015	Change
	in € million	in € million	in %
Gross new business	7 641.4	7 294.6	4.8
Net new business	6 049.0	5 311.6	13.9
New construction financing business (approvals)	1 277.9	1 456.0	–12.2

Financial performance

Segment net income rose by €13.1 million to €33.1 million (previous year: €20.0 million), which was mainly attributable to the increase in net financial income.

Net financial income in the Home Loan and Savings Bank segment reached €240.4 million (previous year: €209.3 million). It was shaped in particular by the strategy-compliant reduction of the portfolio at the Pfandbriefbank, the elimination of legacy plans in the home loan and savings area, and the prolonged phase of low interest rates.

Interest rate risks are hedged as part of managing the interest book, on the one hand for financial instruments and, on the other, to neutralise the offsetting effect on net income from discounting the provisions for loan savings business (bonus provisions). During the first half of 2016, interest rates once again fell considerably compared with the prior-year period, particularly in the medium- and long-term maturity areas.

- Net income from financial assets available for sale fell to €101.5 million (previous year: €113.9 million), mainly as a result of the strategy-compliant decrease in the total assets of the Pfandbriefbank and the associated decline in interest income.
- The development of the free-standing derivatives used to manage the interest book boosted the result from financial assets at fair value through profit or loss to €–16.2 million (previous year: €–105.6 million). This made it possible to offset the effects from discounting the provisions for loan savings business.
- The hedge result improved by €28.5 million to €80.0 million (previous year: €51.5 million) from the higher release of reserves (OCI) from cash flow hedges for management-related reasons.
- The higher discounting expenses compared with the previous year had a strong negative impact on net income from receivables, liabilities and subordinated capital due to the interest rate decline of the interest bonus provision, meaning that this income item fell to €70.4 million (previous year: €147.5 million).
- Net income from risk provision improved by €2.7 million to €4.7 million (previous year: €2.0 million). Both the positive macroeconomic situation and the very good quality of the credit portfolio contributed to a further reduction of the risk provision.

General administrative expenses decreased slightly by €0.9 million to €187.3 million (previous year: €188.2 million). The reduction of personnel expenses by €4.7 million was nearly completely offset by increased material costs. This was mainly due to higher contributions to the deposit guarantee scheme, which for the first time was determined on the basis of the calculation methodology that has been harmonised on the European level.

Tax expenses rose to €16.0 million (previous year: €4.3 million). This was due to higher segment pre-tax income and lower deferred tax effects.

Life and Health Insurance segment

Segment net income stood at €18.1 million (previous year: €18.9 million). New premiums for life and health insurance increased significantly. The segment's total assets increased to €34.2 billion (previous year: €33.0 billion).

New business/premium development

As at 30 June 2016, new premiums for the Life and Health Insurance segment stood at €368.9 million (previous year: €292.3 million). Single-premium income rose to €322.5 million (previous year: €240.1 million). New regular/continued premiums reached €46.4 million (previous year: €52.2 million).

Gross premiums written increased to €1,191.0 million (previous year: €1,116.4 million), mainly as a result of higher single-premium income.

New business key figures

	1/1/2016 to 30/6/2016	1/1/2015 to 30/6/2015	Change
	in € million	in € million	in %
New premiums	368.9	292.3	26.2%
Single premiums, life	322.5	240.1	34.3%
Regular/continued premiums, life	42.8	47.7	–10.3%
Annual new premiums, health	3.6	4.5	–20.0%

Financial performance

At €18.1 million, segment net income came in similar to the level of last year (€18.9 million). The decline in net financial income was able to be offset through lower net insurance benefits and the rise in net other operating income.

The decline in net financial income in the Life and Health Insurance segment by €269.6 million to €592.8 million (previous year: €862.4 million) was clearly shaped by the volatile developments on the equity markets. The main causes were declining net income from investments for unit-linked life insurance policies and higher impairments. Net income from disposals once again came in at a high level. This also served to hedge obligations to our customers. In addition, the results for the individual categories include currency effects, which had a slightly positive impact on net financial income.

- Net income from financial assets available for sale fell significantly by €379.2 million to €341.0 million (previous year: €720.2 million). This was due to the described currency losses and to a significant reduction in the scope of the gains realised on fixed-income securities. In addition, impairments on equity instruments rose.
- Net income from financial assets at fair value through profit or loss rose by €56.9 million to €–57.1 million (previous year: €–114.1 million). The gains from currency hedges had a positive effect here. Net income from investments to cover unit-linked life insurance policies trended downward due to the negative development on the equity market.
- Net income from receivables, liabilities and subordinated capital amounted to €307.6 million (previous year: €246.8 million). Net income from disposals rose, owing to higher sales of securities compared with the previous year.

Net income from investment property rose by €9.6 million to €38.8 million (previous year: €29.2 million). This was mainly due higher gains from disposals. Rental income trended downward as a consequence of numerous disposals during the course of 2015.

Net earned premiums increased to €1,214.2 million (previous year: €1,121.5 million) as a result of higher single premium income and the termination of a reinsurance contract in 2015.

Net insurance benefits stood at €1,583.7 million (previous year: €1,731.1 million). Benefits to customers continued to be secured through the regular increase of the additional interest reserve. At €231.8 million, additions exceeded the prior-year level (€191.3 million), which was already high. The interest rate reserve (including interest rate reinforcement) thus now totals €1,541.0 The provision for unit-linked life insurance policies de-creased as a result of weak performance by the underlying investments. By contrast, additions to the provision for premium refunds increased. The reinsurers' portion of insurance benefits decreased as a result of a reinsurance contract that was terminated in 2015.

General administrative expenses in the Life and Health Insurance segment came in at €129.7 million, similar to the previous year's level (€129.1 million).

The net other operating loss amounted to €–38.4 million (previous year: €–56.2 million). The main reason for this was the elimination of the negative impact on income from a reinsurance contract that has now been terminated.

Property/Casualty Insurance segment

Segment net income stood at €56.3 million (previous year: €73.3 million). New business in the Property/Casualty Insurance segment declined slightly. Total assets stood at €4.5 billion (previous year: €4.2 billion).

New business/premium development

New business decreased slightly to €120.1 million (previous year: €124.7 million). The decline was attributable to the motor business line. By contrast, clear increases were achieved in the corporate customers business line. Overall, new business came in slightly above plan.

Gross premiums written increased further by €28.5 million to €1,073.1 million (previous year: €1,044.6 million).

New business key figures

	1/1/2016 to 30/6/2016	1/1/2015 to 30/6/2015	Change
	in € million	in € million	in %
New business	**120.1**	**124.7**	**–3.7%**
Motor	90.4	96.4	–6.2%
Corporate customers	16.8	14.8	13.5%
Retail customers	12.9	13.5	–4.4%

Financial performance

Segment net income fell to €56.3 million (previous year: €73.3 million). In this regard, the decline in net financial income could not be completely offset by the underwriting result, which was once again good. Some categories contained high currency results that nearly offset one another.

At €15.2 million (previous year: €68.5 million), net financial income fell considerably. The main causes were a net loss on disposals and higher impairment expenses.

- Net income from financial assets available for sale amounted to €7.2 million (previous year: €57.7 million). The weak development on the equity markets resulted in lower net income from disposals and higher impairment expenses for equity instruments. In addition, exchange rate losses incurred.
- Net income from financial assets accounted for using the equity method fell to €0.5 million (previous year: €10.9 million). Whereas income was generated in the previous year from the sale of participations in an associated company, no such sales were made in the financial year.
- The net income from financial assets at fair value through profit or loss improved to €0.0 million (previous year: €–25.4 million). Net income from receivables, liabilities and subordinated capital amounted to €7.8 million (previous year: €25.5 million). These developments were attributable to exchange rates.

Net earned premiums continued to trend positively. They rose by €17.5 million to €669.3 million (previous year: €651.7 million). Growth was achieved in all business lines.

Net insurance benefits fell by €3.1 million to €344.9 million (previous year: €348.0 million). Losses due to acts of nature totalling €48.7 million, gross, were recorded in the first half of 2016 (previous year: €33.7 million) as a result of such storms as “Neele”, “Frederike” and “Elvira”. Despite these high losses due to acts of nature in the second quarter and premium growth, insurance benefits declined. This positive trend in the insurance portfolio is ultimately due to a sustainable, risk-conscious underwriting policy. The combined ratio (gross) was therefore once again very good, coming in at 90.0% (previous year: 90.9%).

General administrative expenses decreased significantly by €7.1 million to €165.2 million (previous year: €172.3 million). Both personnel expenses and material costs fell.

Net other operating income amounted to €16.0 million (previous year: €2.3 million). This contains currency gains from technical provisions, which were offset by losses in the financial result.

Tax expenses rose to €32.7 million (previous year: €26.4 million). The reporting half-year was in particular negatively influenced by write-downs on equities that could not be recognised for tax purposes.

All other segments

"All other segments" covers the divisions that cannot be allocated to any other segment. This includes W&W AG, W&W Asset Management GmbH, the Czech subsidiaries, and the Group's internal service providers. The total assets of the other segments amounted to €6.1 billion (previous year: €6.0 billion). After-tax net income stood at €70.5 million (previous year: €94.8 million). This was composed, among other things, of the following:

W&W AG €47.0 million (previous year: €64.0 million), W&W Asset Management GmbH €9.6 million (previous year: €11.0 million), Czech subsidiaries €6.7 million (previous year: €7.5 million).

Net financial income amounted to €112.8 million (previous year: €128.2 million). It was mainly shaped by long-term equity investment income from within the Group received by W&W AG, which is included in net income from financial assets available for sale. Dividend income from fully consolidated subsidiaries is eliminated in the consolidation/reconciliation column in order to obtain values for the Group. The sale of the Czech insurance subsidiaries resulted on whole in a positive effect on results in the amount of €6.4 million. This was offset by lower net interest and derivative income and slightly higher expenses for risk provision.

Earned premiums fell by €13.1 million to €122.9 million (previous year: €136.0 million). This was mainly attributable to the sale of the two Czech insurance companies Wüstenrot životní pojišt'ovna a.s. and Wüstenrot pojišt'ovna a.s. Net insurance benefits decreased analogously to €78.2 (previous year: €88.2), also as a consequence of improved claims development.

General administrative expenses decreased to €43.8 million (previous year: €44.9 million).

Tax expenses rose to €28.9 million (previous year: €25.0 million). The reporting half-year was in particular negatively influenced by write-downs on equities that could not be recognised for tax purposes.

Net assets

Asset structure

The consolidated total assets of the W&W Group amounted to €75.0 billion (previous year: €74.1 billion), consisting primarily of building loans in the amount of €23.9 billion (previous year: €24.3 billion) and investments in the amount of €48.2 billion (previous year: €47.0 billion).

Valuation reserves

Valuation reserves are formed if the current fair value of an asset is higher than the value at which it is carried in the balance sheet (carrying amount). Because interest rates fell during the first half of the year, the valuation reserves increased further. The W&W Group maintains valuation reserves primarily for building loans in the amount of €839.1 million (previous year: €763.8 million), for first-rate receivables from institutional investors in the amount of €3,667.7 million (previous year: €2,745.0 million), and for investment properties in the amount of €405.2 million (previous year: €401.6 million).

Financial position

Capital structure

The W&W Group being a financial services group, the liabilities side is dominated by technical provisions and liabilities to customers.

Technical provisions – including those for unit-linked life insurance policies in the amount of €1.4 billion (previous year: €1.5 billion) – totalled €34.1 billion (previous year: €32.9 billion). This includes €28.4 billion (previous year: €28.1 billion) for the provision for future policy benefits, €2.7 billion (previous year: €2.0 billion) for the provision for premium refunds, and €2.5 billion (previous year: €2.5 billion) for the provision for outstanding insurance claims. The liabilities are primarily liabilities to customers amounting to €25.4 billion (previous year: €25.3 billion). They largely consist of savings deposits and deposits from home loan savings business amounting to €18.3 billion (previous year: €18.3 billion).

Liquidity

W&W AG and its subsidiaries always had sufficient liquidity. We obtain liquidity from our insurance, banking and home loan savings business and from financing activities.

The cash flow statement shows outflows of cash amounting to €–74.2 million (previous year: €–135.6 million) from operating activities and inflows of cash amounting to €517.8 million (previous year: €195.6 million) for investing activities, including capital investments. Financing activities resulted in an outflow of cash of €–164.6 million (previous year: €–81.8 million). Changes attributable to the effects of exchange rates and the scope of consolidation amounted to –0.6 (previous year 1,2). This resulted in a net change in cash of €278.4 million in the reporting year.

Equity

As at 30 June 2016, the W&W Group's equity stood at €3,792.6 million, compared with €3,643.7 million as at 31 December 2015. This primarily includes consolidated net profit as at 30 June 2016 and net income included in equity, which together amounted to €211.3 million. This was offset by the dividend payment of €56.1 million, as well as other effects totalling €6.3 million.

Related party disclosures

Detailed related party disclosures are found in the selected explanatory disclosures in the notes under "Other disclosures".

Opportunity and risk report

Opportunity report

Recognising and exploiting opportunities is a fundamental requirement for the successful development of our management holding company. Consequently, the operational units and W&W AG pursue the goal across the Group 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 internal orientation of our product portfolio, cost drivers and other critical success factors. This takes place from the standpoint of sustainable value orientation.

Market opportunities are derived from this, which are discussed with the management within the framework of closed-door strategy meetings and incorporated into strategic planning. We have sound governance and control structures in place in order to evaluate and pursue opportunities on the basis of their potential, the required investment and the risk profile. The opportunities depicted in our 2015 Annual Report did not change materially during the first six months of 2016, such that we make reference to these in this context.

Risk report

Risk reporting in the W&W Group's Half-Year Financial Report is carried out in compliance with Section 37w of the German Securities Trading Act (Wertpapierhandelsgesetz) and German Accounting Standard 16.

Risk management

W&W AG is the parent company of the financial conglomerate and the mixed financial holding group. The objectives and principles of risk management described in the 2015 Annual Report continued to apply in the W&W Group as at 30 June 2016. The planned enhancements are continuously tackled and implemented. The organisational and operational structure of our risk management system corresponds to that described in the 2015 Annual Report.

Basic conditions

Macroeconomic developments are described in the chapter "Business environment" in this Half-Year Financial Report.

The current level of low interest rates shapes the risk development (particularly for Württembergische Lebensversicherung AG) and thus has an effect on the risk-bearing capacity of the W&W Group. Current developments with relevance to risk are addressed in our risk management system on a regular basis and when events warrant it, and they are also evaluated at scheduled and ad-hoc meetings of the Group Board Risk with respect to their effects on the risk situation.

In connection with its risk strategy, the W&W Group aims for a risk-bearing capacity ratio of at least 125%. As at 30 June 2016, the calculations made on the basis of the internal risk-bearing capacity model at Group level show that there are sufficient financial resources to cover our risks.

Current risk situation

The risk areas depicted in the 2015 Annual Report remain valid without change as at the cut-off date of 30 June 2016:

- Market price risks
- Counterparty risks
- Insurance risks
- Pool risks
- Operational risks
- Strategic risks
- Liquidity risks

Compared with the risk report contained in the 2015 Group Management Report, we see material changes or changed basic conditions due to internal and external influences in the following risk areas:

Market price risks

Interest rate change risks. Whereas, in particular, the historically above-average income development of private households and the dynamism in the residential construction sector currently present a favourable macroeconomic environment, trends in interest rates on the bond markets must continue to be viewed critically. In the second quarter of 2016, yields on German government bonds fell to new record lows, due in particular to the decision by the British to leave the European Union, as well as the uncertainty about whether other countries will follow this example. We expect yields to continue to remain very low for the remainder of the year, including on European bond markets.

Low interest rates continue to pose great challenges for the industry's life insurance companies and home loan savings banks and thus also for the W&W Group, with its long-term customer guarantees and predominantly interestrate-dependent investments. The focus is also on the servicing of long-term guarantees and commitments (e.g. from pensions).

Compared with the end of the previous year, the W&W Group's risk capital requirement increased for the risk area "Market price risks".

In this regard, the development is shaped in particular by the increased risk at Württembergische Lebensversicherung caused by interest rates.

Counterparty risk

Counterparty default risk. Compared with the end of the previous year, the W&W Group's risk capital requirement increased for the risk area "Counterparty risks" on account of portfolio changes and the change in the relevant environmental factors (particularly spreads).

Insurance risks

Accumulation risks. Despite the high impact from acts of nature, the year 2016 has so far been shaped for Württembergische Versicherung by favourable claims development. We expect claims to rise in the second half of the year. Compared with the previous year, we anticipate that the loss ratio will improve slightly by year-end.

Compared with the end of the previous year, the W&W Group's risk capital requirement increased for the risk area "Insurance risks" as at the reporting date on account of the performance by Württembergische Lebensversicherung. The main reason for the considerable increase in risk is once again the significant fall in interest rates.

The other risk areas did not experience any material changes compared with the risk report in the 2015 Group Management Report.

Summary

At the time the report was prepared, no direct risks were discernible that jeopardise the existence of the W&W Group as a going concern. However, owing to the EEA debt crisis, which has yet to be definitively resolved, the increased political and economic uncertainty in the European Union resulting from the UK's Brexit decision, and the continuing phase of low interest rates, the entire European financial sector has to expect that the risk situation will remain tense.

With the growth programme W&W@2020, the W&W Group is meeting the challenge of sustainably achieving the income targets that it has set, despite increasingly unfavourable basic conditions and the associated risks (such as persistently low interest rates). We are also tenaciously meeting the challenge posed by the growing influence that digitisation is having on customer behaviour. We have defined five strategic action areas in order to implement it:

- Profitability
- Market – customer – sales
- Digitisation
- Efficiency
- Skills

The W&W Group has a risk management system in place that is capable of identifying existing and foresee-able future risks early on and evaluating them.

In connection with rating the company, the rating agency S&P also rates the W&W Group's risk management (so-called enterprise risk management (ERM)). The W&W Group's ERM is currently rated "strong", under-scoring the high importance that ERM has for the W&W Group.

Outlook

This Half-Year Financial Report is based on the outlook for the W&W Group made in the 2015 Annual Report. In the following, we update our estimates for 2016 as a whole to the extent that we deviate from the prior outlook based on business development during the first half of the year.

On account of the positive development of business in the first six months of 2016, we continue to expect that we will post consolidated net income of more than €220 million at year-end – depending on how the capital markets develop and whether further extreme weather events occur. We currently do not expect that the UK's exit from the EU will have any permanent, direct, negative effects on the W&W Group.

In terms of future performance, persistently low interest rates, high expenses for implementing additional statutory and regulatory requirements, and rising capital requirements continue to pose a great challenge for the W&W Group and the entire financial services industry. In addition, consolidated net income could be significantly influenced by extraordinary positive or negative trends in claims. Counterparty defaults, capital market fluctuations or changes in the political environment would negatively impact our Group. Delays in implementing strategic measures could likewise constitute risks for financial performance.

Proviso concerning forward-looking statements

This Half-Year Financial Report and, in particular, the outlook contain forward-looking statements and information.

These forward-looking statements represent estimates based on 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 number of factors that influence the company's business operations, actual results may differ from those currently anticipated.

The company can therefore assume no liability for forward-looking statements. There is no obligation to adjust forward-looking statements to conform to actual events or to update them.

Condensed consolidated interim financial statements

Consolidated balance sheet

Assets

in € thousands	cf. Note no	30/6/2016	31/12/2015
A. Cash reserves		380 459	299 454
B. Non-current assets classified as held for sale and discontinued operations	1	294	96 022
C. Financial assets at fair value through profit or loss	2	3 332 635	3 243 271
D. Financial assets available for sale	3	25 499 703	24 259 671
thereof sold under repurchase agreements or lent under securities lending transactions		1 104 201	1 338 472
E. Receivables	4	42 179 930	42 698 563
I. Subordinated securities and receivables		116 912	127 641
II. First-rank receivables from institutional investors		15 273 792	15 688 698
III. Building loans		23 875 136	24 293 438
IV. Other loans and receivables		2 914 090	2 588 786
F. Risk provision	5	−193 217	−199 845
G. Positive market values from hedges	6	37 406	57 972
H. Financial assets accounted for using the equity method		104 702	122 144
I. Investment property	7	1 769 062	1 722 678
J. Reinsurers' portion of technical provisions		339 504	332 745
K. Other assets		1 588 338	1 453 906
I. Intangible assets		82 247	89 580
II. Property, plant and equipment		213 134	219 914
III. Inventories		85 994	76 789
IV. Current tax assets		53 390	59 136
V. Deferred tax assets		1 058 243	916 732
VI. Other assets		95 330	91 755
Total assets		75 038 816	74 086 581

1 See numbered explanations in the notes.

Liabilities

in € thousands	cf. Note no	30/6/2016	31/12/2015
A. Liabilities under non-current assets classified as held for sale and discontinued operations	1	**—**	**79 735**
B. Financial liabilities at fair value through profit or loss		**986 356**	**752 411**
C. Liabilities	8	**30 849 899**	**31 828 304**
I. Liabilities evidenced by certificates		921 066	1 056 854
II. Liabilities to credit institutions		3 296 270	4 122 614
III. Liabilities to customers		25 350 621	25 335 037
IV. Finance lease liabilities		26 359	28 413
V. Miscellaneous liabilities		1 255 583	1 285 386
D. Negative market values from hedges	9	**530 338**	**544 643**
E. Technical provisions	10	**34 111 374**	**32 860 538**
F. Other provisions	11	**3 215 627**	**2 911 578**
G. Other liabilities		**1 097 800**	**895 429**
I. Current tax liabilities		198 122	201 737
II. Deferred tax liabilities		892 992	687 108
III. Other liabilities		6 686	6 584
H. Subordinated capital	12	**454 838**	**570 201**
I. Equity		**3 792 584**	**3 643 742**
I. Interests of W&W shareholders in paid-in capital		1 483 639	1 487 576
II. Interests of W&W shareholders in earned capital		2 286 642	2 138 356
Retained earnings		2 231 263	2 169 652
Other reserves (other comprehensive income)		55 379	−31 296
III. Non-controlling interests in equity		22 303	17 810
Total liabilities		**75 038 816**	**74 086 581**

Consolidated income statement

in € thousands	cf. Note no	1/1/2016 to 30/6/2016	1/1/2015 to 30/6/2015
Income from financial assets available for sale		688 192	989 429
Expenses from financial assets available for sale		−224 587	−92 573
1. Net income from financial assets available for sale	13	**463 605**	**896 856**
Income from financial assets accounted for using the equity method		1 905	23 701
Expenses from financial assets accounted for using the equity method		—	—
2. Net income from financial assets accounted for using the equity method		**1 905**	**23 701**
Income from financial assets/liabilities at fair value through profit or loss		851 156	1 001 769
Expenses from financial assets/liabilities at fair value through profit or loss		−924 010	−1 240 164
3. Net expense from financial assets/liabilities at fair value through profit or loss	14	**−72 854**	**−238 395**
Income from hedges		220 278	134 233
Expense from hedges		−140 281	−82 774
4. Net income from hedges		**79 997**	**51 459**
Income from receivables, liabilities and subordinated capital		829 898	834 509
Expense from receivables, liabilities and subordinated capital		−428 389	−394 478
5. Net income from receivables, liabilities and subordinated capital	15	**401 509**	**440 031**
Income from risk provision		55 143	68 936
Expense from risk provision		−53 251	−69 499
6. Net expense from risk provision	16	**1 892**	**−563**
7. Net financial result		**876 054**	**1 173 089**
Income from investment property		73 325	66 002
Expense from investment property		−32 187	−34 398
8. Net income from investment property		**41 138**	**31 604**
Commission income		124 114	109 180
Commission expense		−315 663	−305 245
9. Net commission expense	17	**−191 549**	**−196 065**
Earned premiums (gross)		2 048 336	1 979 044
Premiums ceded to reinsurers		−50 781	−78 446
10. Earned premiums (net)	18	**1 997 555**	**1 900 598**
Insurance benefits (gross)		−2 026 592	−2 252 541
Received reinsurance premiums		28 528	96 500
11. Insurance benefits (net)	19	**−1 998 064**	**−2 156 041**
Carryover		**725 134**	**753 185**

in € thousands	cf. Note no	1/1/2016 to 30/6/2016	1/1/2015 to 30/6/2015
Carryover		**725 134**	**753 185**
Personnel expenses		−296 371	−302 515
Materials costs		−203 072	−203 658
Depreciation/amortisation		−33 533	−35 557
12. General administrative expenses		**−532 976**	**−541 730**
Other operating income		104 822	109 311
Other operating expense		−116 407	−136 687
13. Net other operating expense		**−11 585**	**−27 376**
14. Consolidated earnings before income taxes from continued operations		**180 573**	**184 079**
15. Income taxes	20	**−59 614**	**−39 936**
16. Consolidated net profit		**120 959**	**144 143**
Result attributable to shareholders of W&W AG		120 084	142 024
Result attributable to non-controlling interests		875	2 119
17. Basic (= diluted) earnings per share, in €	21	**1,28**	**1,51**
Thereof from continued operations, in €		1,28	1,51

Consolidated statement of comprehensive income

in € thousands	1/1/2016 to 30/6/2016	1/1/2015 to 30/6/2015
Consolidated net profit	**120 959**	**144 143**
Other comprehensive income		
Elements not reclassified to the consolidated income statement:		
Actuarial gains/losses (–) from defined-benefit plans (gross)	–255 571	152 428
Provision for deferred premium refunds	20 954	–10 635
Deferred taxes	71 740	–43 357
Actuarial gains/losses (–) from defined-benefit plans (net)	**–162 877**	**98 436**
Elements subsequently reclassified to the consolidated income statement:		
Unrealised gains/losses (–) from financial assets available for sale (gross)	1 037 223	–797 326
Provision for deferred premium refunds	–650 307	491 478
Deferred taxes	–119 264	94 512
Unrealised gains/losses (–) from financial assets available for sale (net)	**267 652**	**–211 336**
Unrealised gains/losses (–) from financial assets accounted for using the equity method (gross)	78	–734
Provision for deferred premium refunds	—	—
Deferred taxes	–1	11
Unrealised gains/losses (–) from financial assets accounted for using the equity method (net)	**77**	**–723**

in € thousands	1/1/2016 to 30/6/2016	1/1/2015 to 30/6/2015
Unrealised gains/losses (–) from cash flow hedges (gross)	–21 562	–28 486
Provision for deferred premium refunds	—	—
Deferred taxes	6 593	8 710
Unrealised gains/losses (–) from cash flow hedges (net)	**–14 969**	**–19 776**
Currency translation differences of economically independent foreign units	**410**	**3 826**
Total other comprehensive income, gross	760 578	–670 292
Total provision for deferred premium refunds	–629 353	480 843
Total deferred taxes	–40 932	59 876
Total other comprehensive income, net	**90 293**	**–129 573**
Total comprehensive income for the period	**211 252**	**14 570**
Attributable to shareholders of W&W AG	206 759	13 892
Attributable to non-controlling interests	4 493	678

Consolidated statement of changes in equity

		Interests of W&W shareholders in paid-in capital	
		Share capital	Capital reserve
in € thousands	cf. Note no.		
Equity as at 1/1/2015		490 311	997 265
Consolidated net profit		—	—
Other comprehensive income		—	—
Total comprehensive income for the period		**—**	**—**
Dividends to shareholders	20	—	—
Changes in ownership interests without loss of control		—	—
Other		—	—
Equity as at 30/6/2015		490 311	997 265
Equity as at 1/1/2016		490 311	997 265
Consolidated net profit		—	—
Other comprehensive income		—	—
Total comprehensive income for the period		**—**	**—**
Dividends to shareholders	20	—	—
Changes in ownership interests without loss of control		–1 427	–2 511
Other		—	—
Equity as at 30/6/2016		488 884	994 754

Interests of W&W shareholders in earned capital						Equity attributable to W&W shareholders	Non-controlling interests in equity	Total equity
Retained earnings	Other reserves							
	Reserve for pension commitments	Reserve for financial assets available for sale	Reserve for financial assets accounted for using the equity method	Reserve for cash flow hedges	Reserve for currency translation			
1 940 540	–539 149	592 552	6 877	69 998	2 130	3 560 524	113 696	3 674 220
142 024	—	—	—	—	—	142 024	2 119	144 143
—	97 853	–208 386	–662	–19 776	2 839	–128 132	–1 441	–129 573
142 024	**97 853**	**–208 386**	**–662**	**–19 776**	**2 839**	**13 892**	**678**	**14 570**
–46 875	—	—	—	—	—	–46 875	—	–46 875
2 789	—	14 418	—	—	—	17 207	–42 259	–25 052
–41	—	—	—	—	—	–41	—	–41
2 038 437	–441 296	398 584	6 215	50 222	4 969	3 544 707	72 115	3 616 822
2 169 651	–488 719	422 313	6 509	24 919	3 683	3 625 932	17 810	3 643 742
120 084	—	—	—	—	—	120 084	875	120 959
—	–162 758	263 912	76	–14 969	413	86 674	3 618	90 293
120 084	**–162 758**	**263 912**	**76**	**–14 969**	**413**	**206 759**	**4 493**	**211 252**
–56 086	—	—	—	—	—	–56 086	—	–56 086
–1 364	—	—	—	—	—	–5 302	—	–5 302
–1 021	—	—	—	—	—	–1 021	—	–1 021
2 231 264	–651 477	686 225	6 585	9 950	4 096	3 770 281	22 303	3 792 584

Condensed consolidated cash flow statement

Cash flow from operating activities is determined using the indirect method.

The balance of cash and cash equivalents in the financial year consists of the item “Cash reserve” in the amount of €380.5 million (previous year: €155.9 million), bank deposits payable on demand in the amount of €841.3 million (previous year: €537.6 million) that are reported under the item “Other receivables”, and bank deposits payable on demand in the amount of €0.0 million (previous year: €1.1 million) that were reclassified to the item “Non-current assets held for sale and discontinued operations”. The cash reserve consists of cash on hand, deposits with central banks, and deposits with foreign postal giro offices.

Contained in “Cash flow from financing activities” are distributions in the amount of €6,872 thousand, which resulted from the repurchase of own shares. Own shares were sold from this in connection with an employee share ownership programme, triggering deposits in the amount of €1,145 thousand.

The W&W Group can freely dispose of its cash and cash equivalents.

As at 30 June 2016, the legally mandated balances with national central banks that are subject to reserve requirements amounted to €72.6 million (previous year: €76.1 million).

Condensed consolidated cash flow statement

in € thousands	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015
I. Cash flow from operating activities	–74 194	–135 555[1]
II. Cash flow from investing activities	517 763	195 640[1]
III. Cash flow from financing activities	–164 614	–81 780

in € thousands	2016	2015
Cash and cash equivalents as at 1 January	943 331	715 053
Net change in cash and cash equivalents (I.+II.+III.)	278 955	–21 695
Change in cash and cash equivalents attributable to the effects of exchange rates and the scope of consolidation	–553	1 241
Cash and cash equivalents as at 30 June	1 221 733	694 599

1 Previous year’s figure adjusted.

Selected explanatory notes to the consolidated financial statements

General accounting principles and application of IFRS

General information

In accordance with the provisions of Section 37w in conjunction with Section 37y, no. 2, of the German Securities Trading Act (WpHG), the half-year financial report of Wüstenrot & Württembergische AG consists of condensed consolidated interim financial statements, an interim group management report and the responsibility statement required under Section 297, para. 2, fourth sentence, and Section 315, para. 1, sixth sentence, of the German Commercial Code (HGB). The interim group management report is prepared in accordance with the applicable provisions of the WpHG and German Accounting Standard DRS 16.

The accounting policies applied were the same as those used for the consolidated annual financial statements as at 31 December 2015, as well as those applicable as of 1. January 2016 for the first time. The latter had no material impact on the assets, liabilities, financial position and financial performance of the Group.

The condensed consolidated interim financial statements of Wüstenrot & Württembergische AG – consisting of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the condensed consolidated cash flow statement and select notes – are presented in conformity with IAS 34 “Interim Financial Reporting”, were drawn up on the basis of Section 315a HGB in conformity with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and have a condensed scope of reporting compared with the consolidated annual financial statements as at 31 December 2015.

On 8 August 2016 the Management Board of W&W AG gave release to the publication of this consolidated interim report.

Employee share ownership programme

An employee share ownership programme was introduced in the first half-year of 2016. It enabled all employees of companies in the W&W Group to acquire up to 40 shares of W&W AG at a price of €13.43 per share, which represented a discount of €5.00 per share. They are required to hold these shares for at least three years.

For this programme 358,000 own shares have been repurchased. Of those, 85,220 shares have been ordered by W&W employees. Personnel expenses amounted to 0.4 million euro.

Consolidation

Changes to the scope of consolidation

Disposals from the scope of consolidation

In the first half-year of 2016, the Czech insurance companies Wüstenrot pojišťovna a.s. (TV), Prague, and Wüstenrot životní pojišt'ovna a. s. (TLV), Prague, as well as W&W Europe Life Limited, Dublin, were eliminated from the scope of consolidation.

The sale price of TV and TLV was in the low 8-figure range. A mid-7-figure profit resulted. This profit is shown in the consolidated income statement under "Net income from financial assets available for sale" and under "Net other operating income". These sales had no material influence on the net assets, financial position and financial performance of the W&W Group.

The deconsolidation of W&W Europe Life Limited had no material influence on the net assets, financial position and financial performance of the W&W Group.

Accounting policies: remarks concerning the consolidated balance sheet

Determining the fair value of financial instruments

The principles described in the following are used to determine the fair value of financial instruments, regardless of whether the fair value so determined is used for measurement purposes or for information in the notes.

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, they might not be available. However, the objective of fair value measurement in both cases is the same: to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date.

When no observable market transactions or market information is available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs.

To increase the comparability, consistency and quality of fair value measurements, the IFRSs establish a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

If fair value cannot be reliably determined, the carrying amount is used as an approximate value to measure fair value. This essentially relates to loans under home loan savings contracts from collective business due to the special features of home loan savings products and the variety of rate constructions. Loans under home loan savings contracts are allocated to the item “Receivables” and are accordingly measured for accounting purposes at amortised cost.

Level classification is to be used for all assets and liabilities that are measured regularly, once or for the purposes of preparing disclosures about fair value. The identical aforementioned standards and principles apply to this.

Only a few estimates by management are necessary in order to determine the fair value of assets and liabilities whose prices are quoted on an active market. Similarly, only a few subjective measurements or estimates are needed for assets and liabilities that are measured using models customary in the industry and all of whose inputs are quoted on active markets.

The required degree of subjective measurement and estimates by management has a higher weight for those assets and liabilities that are measured using special, complex models and for which some or all inputs are not observable. The values determined in this way are significantly influenced by the assumptions that have to be made.

Financial instruments that are traded on an active market are measured at the unadjusted quoted or market price for identical assets and liabilities (Level 1). If pricing is not available on active markets, fair value is derived from comparable financial instruments or determined through application of recognised measurements models using parameters that are directly or indirectly observable on the market (e.g. interest rate, exchange rate, volatility) (Level 2). If measurement is impossible, or not fully possible, using quoted or market prices or by means of a measurement model using input factors that are directly or indirectly observable on the market, factors based on non-observable market data (non-observable input factors) are used to measure financial instruments (Level 3).

Unadjusted quoted or market prices (Level 1) are used to measure securities – equity instruments as well as debt-financing instruments – under the items “Financial assets at fair value through profit or loss”, “Financial liabilities at fair value through profit or loss”, “Financial assets available for sale”, “Positive market values from hedges” and “Negative market values from hedges”. Derivatives traded on exchanges or on the market are likewise measured at their quoted or market price.

The measurement methods used for Levels 2 and 3 consist of generally accepted measurement models, such as the present-value method, under which anticipated future cash flows are discounted at current interest rates applicable to the relevant residual term to maturity, credit risks and markets. This method is used to measure securities with agreed cash flows under the items “Financial assets at fair value through profit or loss”, “Financial liabilities at fair value through profit or loss” and “Financial assets available for sale”. Furthermore, it is used to measure interest rate swaps and non-optional forward transactions (e.g. currency forwards), which are depicted under the items “Financial assets at fair value through profit or loss”, “Financial liabilities at fair value through profit or loss”, “Positive market values from hedges” and “Negative market values from hedges”.

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Segment reporting

In conformity with IFRS 8 “Operating Segments”, segment information is generated on the basis of internal reports that are regularly reviewed by the entity‘s chief operating decision maker in order to allocate resources to the segment and assess its performance (so-called “management approach”). In the W&W Group, the chief operating decision maker is the Management Board.

The reportable segments are identified on the basis of both products and services and according to regulatory requirements. In this context, individual operating segments are combined within the Life and Health Insurance segment and the Property/Casualty insurance segment. The following section lists the products and services through which revenue is generated by the reportable segments. There is no dependence on individual major accounts.

Home Loan and Savings Bank

The Home Loan and Savings Bank segment includes a broad range of home loan savings, as well as banking products primarily for private customers, e.g. home loan savings contracts, bridging loans, savings and investment products, current accounts, call money accounts, Maestro and credit cards, and mortgage and bank loans.

Life and Health Insurance

The Life and Health Insurance segment offers a variety of life and health insurance products for individuals and groups, including classic and unit-linked life and annuity insurance, term insurance, classic and unit-linked “Riester” and basic pensions, and occupational disability insurance, as well as full and supplementary private health insurance and nursing care insurance.

Property/Casualty Insurance

The Property/Casualty Insurance segment offers a comprehensive range of insurance products for private and corporate customers, including general liability, casualty, motor, household, residential building, legal protection, transport and technical insurance.

As in previous years, the performance of each segment was measured based on the segment earnings under IFRS. Transactions between the segments were carried out on an arm‘s length basis.

All other business activities of the W&W Group, such as central Group functions, asset management activities, property development and the marketing of home loan savings and banking products outside of Germany, are subsumed under “All other segments”.

The column “Consolidation/reconciliation” includes consolidation adjustments required to reconcile segment figures to Group figures.

The measurement principles for segment reporting correspond to the accounting policies applied to the IFRS condensed consolidated half-year financial statements.

Segment income statement

in € thousands	Home Loan and Savings Bank 1.1.2016 to 30.6.2016	Home Loan and Savings Bank 1.1.2015 to 30.6.2015	Life and Health Insurance 1.1.2016 to 30.6.2016	Life and Health Insurance 1.1.2015 to 30.6.2015
1. Net income from financial assets available for sale	101 476	113 853	340 970	720 188
2. Net income from financial assets accounted for using the equity method	—	—	497	10 886
3. Net income from financial assets/liabilities at fair value through profit or loss	−16 173	−105 555	−57 136	−114 074
4. Net income from hedges	79 997	51 459	—	—
5. Net income from receivables, liabilities and subordinated capital	70 361	147 487	307 642	246 803
6. Net income from risk provision	4 737	2 025	838	−1 354
7. Net financial result	**240 398**	**209 269**	**592 811**	**862 449**
8. Net income from investment property	**—**	**—**	**38 781**	**29 226**
9. Net commission income	**−5 558**	**−5 264**	**−66 500**	**−67 771**
10. Earned premiums (net)	**—**	**—**	**1 214 230**	**1 121 536**
11. Insurance benefits (net)	**—**	**—**	**−1 583 680**	**−1 731 129**
12. General administrative expenses[3]	**−187 302**	**−188 238**	**−129 735**	**−129 096**
13. Net other operating income	**1 644**	**8 521**	**−38 372**	**−56 210**
14. Segment net income before income taxes from continued operations	**49 182**	**24 288**	**27 535**	**29 005**
15. Income taxes	**−16 049**	**−4 297**	**−9 410**	**−10 119**
16. Segment net income after taxes	**33 133**	**19 991**	**18 125**	**18 886**
Other information				
Total revenue[4]	663 501	762 938	1 648 525	1 590 774
thereof with other segments	14 252	14 776	18 637	20 535
thereof with external customers	649 249	748 162	1 629 888	1 570 239
Segment assets[6]	34 105 848	35 111 344	34 163 358	33 010 994
Segment liabilities[6]	32 183 577	33 320 874	33 623 424	32 557 457
Financial assets accounted for using the equity method[6]	—	—	41 755	50 970

1 Includes amounts from proportional profit transfers eliminated in the Consolidation column.
2 The column "Consolidation/reconciliation" includes the effects of consolidation between segments.
3 Includes service revenues and rental income with other segments.
4 Interest, commission and rental income and earned premiums (net) from insurance business.
5 Includes cross-segment premiums ceded to reinsurers.
6 Values as at 31 December 2016 and 31 December 2015, respectively.

Property/Casualty Insurance		Total for reportable segments		All other segments[1]		Consolidation/ reconciliation[2]		Group	
1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015	1.1.2016 bis 30.6.2016	1.1.2015 to 30.6.2015	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015
7 247	57 712	449 693	891 753	112 083	103 689	−98 171	−98 586	463 605	896 856
497	10 886	994	21 772	911	1 929	—	—	1 905	23 701
34	−25 364	−73 275	−244 993	−3 821	5 468	4 242	1 130	−72 854	−238 395
—	—	79 997	51 459	—	—	—	—	79 997	51 459
7 823	25 454	385 826	419 744	6 912	18 215	8 771	2 072	401 509	440 031
−410	−153	5 165	518	−3 273	−1 081	—	—	1 892	−563
15 191	68 535	848 400	1 140 253	112 812	128 220	−85 158	−95 384	876 054	1 173 089
886	1 133	39 667	30 359	190	215	1 281	1 030	41 138	31 604
−102 228	−103 591	−174 286	−176 626	−22 049	−21 651	4 786	2 212	−191 549	−196 065
669 265	651 720	1 883 495	1 773 256	122 942	136 045	−8 882	−8 703	1 997 555	1 900 598
−344 901	−348 014	−1 928 581	−2 079 143	−78 175	−88 233	8 692	11 335	−1 998 064	−2 156 041
−165 196	−172 341	−482 233	−489 675	−43 826	−44 883	−6 917	−7 172	−532 976	−541 730
15 954	2 312	−20 774	−45 377	7 502	10 140	1 687	7 861	−11 585	−27 376
88 971	99 754	165 688	153 047	99 396	119 853	−84 511	−88 821	180 573	184 079
−32 666	−26 427	−58 125	−40 843	−28 912	−25 031	27 423	25 938	−59 614	−39 936
56 305	73 327	107 563	112 204	70 484	94 822	−57 088	−62 883	120 959	144 143
767 957	748 681	3 079 983	3 102 393	210 689	222 821	−123 504	−117 983	3 167 168	3 207 231
−88 410 5	−90 164 5	−55 521	−54 853	179 025	172 836	−123 504	−117 983	—	—
856 367	838 845	3 135 504	3 157 246	31 664	49 985	—	—	3 167 168	3 207 231
4 537 143	4 201 886	72 806 349	72 324 224	6 145 655	6 035 116	−3 913 188	−4 272 759	75 038 816	74 086 581
3 581 390	3 251 863	69 388 391	69 130 194	3 981 354	3 847 477	−2 123 513	−2 534 832	71 246 232	70 442 839
61 558	70 774	103 313	121 744	21 192	20 203	−19 803	−19 803	104 702	122 144

Information by region (Group)

in € thousands	Revenue from external customers[1]		Non-current assets[2]	
	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015	1.1.2016 to 30.6.2016	1.1.2015 to 31.12.2015
Germany	3 122 088	3 146 871	2 036 990	2 003 255
Czech Republic	43 768	58 995	8 366	9 026
Other countries	1 312	1 365	593	594
Total	**3 167 168**	**3 207 231**	**2 045 949**	**2 012 875**

1 Revenues were allocated to the operating units based on the country of registration, and they consist of interest, commission and rental income, and earned premiums (net) from insurance business.
2 Non-current assets include investment property, intangible assets with the exception of capitalised insurance portfolios, and property, plant and equipment.

Notes concerning the consolidated balance sheet

(1) Non-current assets held for sale and discontinued operations

Properties held for sale as at 30 June 2016 consisted of a commercial property for own use in Ravensburg, which is allocated to the Property/Casualty Insurance segment.

The property is being disposed of for reasons of diversification and thus serves to further optimise the asset portfolio in the W&W Group. It is slated to be disposed of in the course of 2016.

Non-current assets held for sale and discontinued operations as at 31 December 2015 consisted of the assets of two Czech subsidiaries in “All other segments”, a residential property in third-party use in Munich in the Life and Health Insurance segment and an investment in the Home Loan and Savings Bank segment, all of which were disposed of in the first half-year of 2016.

(2) Financial assets at fair value through profit or loss

in € thousands	30.6.2016	31.12.2015
Designated as financial assets at fair value	2 302 136	2 403 586
Equity instruments	44 580	50 191
Senior fixed-income securities	243 802	234 938
Structured products	569 920	607 660
Investments for the account and risk of holders of life insurance policies	1 443 834	1 510 797
Financial assets held for trading	1 030 499	839 685
Equity instruments	12 942	9 796
Derivative financial instruments	1 017 557	829 889
Financial assets at fair value through profit or loss	**3 332 635**	**3 243 271**

(3) Financial assets available for sale

in € thousands	Amortised cost 30.6.2016	Amortised cost 31.12.2015	Unrealised gains 30.6.2016	Unrealised gains 31.12.2015	Unrealised losses 30.6.2016	Unrealised losses 31.12.2015	Fair value/carrying amount 30.6.2016	Fair value/carrying amount 31.12.2015
Equity instruments	2 992 602	3 013 531	483 077	541 651	–80 068	–161 223	3 395 611	3 393 959
Investments	978 502	931 960	278 070	288 600	–26 425	–23 683	1 230 147	1 196 877
Equities	569 261	682 028	111 571	150 409	–35 083	–37 018	645 749	795 419
Fund units	1 444 839	1 399 543	93 436	102 642	–18 560	–100 522	1 519 715	1 401 663
Subordinated securities and receivables	1 232 432	1 242 373	19 305	20 288	–22 062	–29 069	1 229 675	1 233 592
Senior fixed-income securities	19 138 760	18 918 191	1 769 240	976 318	–33 583	–262 389	20 874 417	19 632 120
Financial assets available for sale	**23 363 794**	**23 174 095**	**2 271 622**	**1 538 257**	**–135 713**	**–452 681**	**25 499 703**	**24 259 671**

(4) Receivables

in € thousands	Carrying amount 30.6.2016	Carrying amount 31.12.2015	Fair value 30.6.2016	Fair value 31.12.2015
Subordinated securities and receivables	116 912	127 641	124 184	132 663
First-rank receivables from institutional investors[1, 2]	15 273 792	15 688 698	18 941 464	18 433 702
Building loans[2]	23 875 136	24 293 438	24 714 259	25 057 230
Other loans and receivables	2 914 090	2 588 786	2 917 115	2 590 830
Other liabilities[3]	2 499 180	2 195 584	2 502 237	2 197 374
Other receivables[4]	414 910	393 202	414 878	393 456
Receivables	**42 179 930**	**42 698 563**	**46 697 022**	**46 214 425**

1 Includes senior debenture bonds and registered bonds.
2 Includes portfolio hedge adjustment.
3 Receivables that constitute a class pursuant to IFRS 7.
4 Receivables that do not constitute a class pursuant to IFRS 7 and essentially contain receivables from insurance business with disclosure requirements pursuant to IFRS 4.

To enable a better understanding of the information, the following table provides a detailed breakdown of receivables:

in € thousands	30.6.2016	31.12.2015
Subordinated securities and receivables	116 912	127 641
First-rank receivables from institutional investors[1]	15 273 792	15 688 698
Credit institutions	10 613 951	10 998 698
Other financial companies	475 732	376 907
Other companies	50 289	198 805
Public authorities	4 129 568	4 117 141
Portfolio hedge adjustment	4 252	−2 853
Building loans	23 875 136	24 293 438
Loans under home loan savings contracts	2 402 582	2 565 412
Preliminary and interim financing loans	11 473 730	11 481 035
Other building loans	9 778 643	10 065 111
Portfolio hedge adjustment	220 181	181 880
Other loans and receivables	2 914 090	2 588 786
Other loans and advances[2]	2 499 180	2 195 584
to customers	379 602	399 563
to credit institutions	2 119 578	1 796 021
Other receivables[3]	414 910	393 202
Receivables from reinsurance business	67 914	77 039
Receivables from insurance agents	120 554	68 902
Receivables from policyholders	220 496	238 833
Miscellaneous other receivables	5 946	8 428
Receivables	**42 179 930**	**42 698 563**

1 Includes senior debenture bonds and registered bonds.
2 Receivables that constitute a class pursuant to IFRS 7.
3 Receivables that do not constitute a class pursuant to IFRS 7 and essentially contain receivables from insurance business with disclosure requirements pursuant to IFRS 4.

The carrying amount of receivables as a whole less impairments in the form of risk provision amounted to €41,986.7 million (previous year: €42,498.7 million).

The sub-item “Portfolio hedge adjustment” contains a measurement item from the interestrate-based measurement of loans and advances to customers, registered bonds and debenture bonds designated in connection with the portfolio fair value hedge. Recognised here was the change in the hedged item as relates to the hedged risk. The portfolio of derivatives that were included in the portfolio fair value hedge as at 30 June 2016 is contained in Notes 6 and 9.

(5) Risk provision

in € thousands	30.6.2016	31.12.2015
Subordinated securities and receivables	–15	–25
First-rate receivables from institutional investors	–993	–1 073
Building loans	–150 701	–157 854
Other loans and advances	–14 263	–13 034
Other receivables	–27 245	–27 859
Risk provision	–193 217	–199 845

(6) Positive market values from hedges

in € thousands	30.6.2016	31.12.2015
Cash flow hedges	19 813	24 342
Hedging of interest rate risk	19 813	24 342
Fair value hedges	17 593	33 630
Hedging of interest rate risk	17 593	33 630
Positive market values from hedges	**37 406**	**57 972**

(7) Investment property

The fair value of investment property amounted to €2,174.3 million (previous year: €2,124.2 million).

(8) Liabilities

	Carrying amount		Fair value	
in € thousands	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Liabilities evidenced by certificates	921 066	1 056 854	943 511	1 077 913
Liabilities to credit institutions	3 296 270	4 122 614	3 390 261	4 177 816
Liabilities to customers	25 350 621	25 335 037	25 579 836	25 555 608
Finance lease liabilities	26 359	28 413	27 359	28 322
Miscellaneous liabilities	1 255 583	1 285 386	1 255 174	1 284 910
Other liabilities[1]	391 535	377 286	391 237	376 810
Sundry liabilities[2]	864 048	908 100	863 937	908 100
Liabilities	30 849 899	31 828 304	31 196 141	32 124 569

1 Liabilities that constitute a class pursuant to IFRS 7.
2 Liabilities that do not constitute a class pursuant to IFRS 7 and essentially contain liabilities from insurance business with disclosure requirements pursuant to IFRS 4.

To enable a better understanding of the information, the following table provides a detailed breakdown of liabilities:

in € thousands	30.6.2016	31.12.2015
Liabilities evidenced by certificates	921 066	1 056 854
Liabilities to credit institutions	3 296 270	4 122 614
Liabilities to customers	25 350 621	25 335 037
Deposits from home loan savings business and savings deposits	18 328 745	18 257 833
Other liabilities	6 994 894	7 053 730
Down payments received	26 982	23 474
Finance lease liabilities	26 359	28 413
Miscellaneous liabilities	1 255 583	1 285 386
Other liabilities[1]	391 535	377 286
Sundry liabilities[2]	864 048	908 100
Liabilities from reinsurance business	141 616	127 085
Liabilities from direct insurance business	619 400	675 923
Other sundry liabilities	103 032	105 092
Liabilities	**30 849 899**	**31 828 304**

1 Liabilities that constitute a class pursuant to IFRS 7.
2 Liabilities that do not constitute a class pursuant to IFRS 7 and essentially contain liabilities from insurance business with disclosure requirements pursuant to IFRS 4.

(9) Negative market values from hedges

in € thousands	30.6.2016	31.12.2015
Cash flow hedges	4 035	12 000
Hedging of interest rate risk	4 035	12 000
Fair value hedges	526 303	532 643
Hedging of interest rate risk	526 303	532 643
Negative market values from hedges	**530 338**	**544 643**

Losses resulting from the measurement of the hedging instrument are offset by the effects from the interest-rate-based measurement of loans and advances to customers designated in connection with the portfolio fair value hedge (cf. Note 4, “Receivables”, sub-item “Portfolio hedge adjustment”).

(10) Technical provisions

in € thousands	Gross 30.6.2016	Gross 31.12.2015
Provision for unearned premiums	481 528	254 998
Provision for future policy benefits	28 425 606	28 059 448
Provision for outstanding insurance claims	2 504 520	2 505 739
Provision for premium refunds	2 667 270	2 007 923
Other technical provisions	32 450	32 430
Technical provisions	**34 111 374**	**32 860 538**

(11) Other provisions

in € thousands	30.6.2016	31.12.2015
Provisions for pensions and other long-term employee benefits	2 094 065	1 847 487
Miscellaneous provisions	1 121 562	1 064 091
Other provisions	**3 215 627**	**2 911 578**

The assumptions underlying the pension commitments that concern the actuarial interest rate were adjusted during the reporting period to conform to market conditions. As a result, the actuarial interest rate used to measure pension commitments fell from 2.00% as at 31 December 2015 to 1.25%. The adjustment of the interest rate was recognised as an actuarial loss, taking into account deferred taxes and the provision for deferred premium refunds, in the reserve for pension commitments and forms a part of other comprehensive income.

(12) Subordinated capital

	Carrying amount		Fair value	
in € thousands	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Subordinated liabilities	427 030	541 559	439 086	557 521
Profit participation certificates	27 808	28 642	30 360	32 333
Subordinated capital	454 838	570 201	469 446	589 854

In the first half of 2016, Württembergische Lebensversicherung made use of its right to early redeem its subordinated fixed to floating bearer note amounting to 86.6 million euro, according to art. 3 in connection with sect. 6 of the final terms.

Notes concerning the consolidated income statement

(13) Net income from financial assets available for sale

in € thousands	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015
Income from financial assets available for sale	688 192	989 429
Interest income	237 129	258 227
Dividend income	71 642	60 550
Income from sales	343 135	444 408
Income from currency translation	31 209	223 386
Income from the ending of fair value hedges	4 953	2 508
Receipts on written-down bonds and other fixed-income securities	124	350
Expenses from financial assets available for sale	−224 587	−92 573
Expenses from sales	−68 207	−44 263
Expenses from impairments	−59 201	−8 922
Expenses from currency translation	−74 662	−18 940
Expenses from repurchase agreements and securities lending transactions	−2	—
Expenses from the ending of fair value hedges	−22 515	−20 448
Net income from financial assets available for sale	**463 605**	**896 856**

(14) Net expense from financial assets/liabilities at fair value through profit or loss

in € thousands	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015
Income from financial assets/liabilities at fair value through profit or loss	851 156	1 001 769
Income from assets/liabilities designated as financial assets/liabilities at fair value through profit or loss	76 959	237 239
Interest income	6 139	7 298
Dividend income	301	102
Income from measurement at fair value	37 823	39 619
Income from sales	2 466	4 970
Income from investments for the account and risk of holders of life insurance policies	12 118	137 148
Income from currency changes	18 112	48 102
Income from financial assets/liabilities held for trading	774 197	764 530
Interest income	74 401	130 822
Dividend income	141	—
Income from measurement at fair value	429 361	336 192
Income from sales	68 118	41 880
Income from currency changes	202 176	255 636
Expenses from financial assets/liabilities at fair value through profit or loss	–924 010	–1 240 164
Expenses from assets/liabilities designated as financial assets/liabilities at fair value through profit or loss	–150 979	–61 638
Expenses from measurement at fair value	–38 632	–40 971
Expenses from sales	–1 067	–1 099
Expenses from investments for the account and risk of holders of life insurance policies	–92 426	–1 748
Expenses from currency changes	–18 854	–17 820
Expenses from financial assets/liabilities held for trading	–773 031	–1 178 526
Interest expenses	–143 397	–192 091
Expenses from measurement at fair value	–418 802	–384 737
Expenses from sales	–71 213	–38 223
Expenses from currency changes	–139 619	–563 475
Net expenses from financial assets/liabilities at fair value through profit or loss	**–72 854**	**–238 395**

(15) Net income from receivables, liabilities and subordinated capital

in € thousands	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015
Income from receivables, liabilities and subordinated capital	829 898	834 509
Interest income from receivables	667 116	737 597
Income from sales of receivables	155 296	6 925
Income from the ending of fair value hedges	1 376	1 670
Income from currency translation	6 110	88 317
Expense from receivables, liabilities and subordinated capital	−428 389	−394 478
Interest expenses for liabilities	−347 146	−311 177
Interest expenses for subordinated capital	−14 220	−17 026
Expenses from sales of receivables	−529	−525
Expenses from the disposal of liabilities	−235	−2
Expenses from the ending of fair value hedges	−32 477	−39 355
Expenses from currency translation	−33 782	−26 393
Net income from receivables, liabilities and subordinated capital	**401 509**	**440 031**

Interest expenses for subordinated capital contain €0.8 million (previous year: €1.8 million) for profit participation certificates and €13.4 million (previous year: €15.3 million) for subordinated liabilities.

(16) Net expense from risk provision

in € thousands	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015
Income from risk provision	55 143	68 936
Release of risk provision	40 256	53 666
Release of provisions in lending business, for irrevocable loan commitments, for financial guarantees	156	305
Receipts on written-down receivables	14 731	14 965
Expenses from risk provision	–53 251	–69 499
Additions to risk provision	–45 114	–62 072
Additions to provisions in lending business, for irrevocable loan commitments, for financial guarantees	–572	—
Direct depreciations	–7 565	–7 427
Net expense from risk provision	**1 892**	**–563**

(17) Net commission expense

in € thousands	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015
Commission income	124 114	109 180
from the conclusion of building savings contracts	62 494	49 815
from banking/building savings business	19 505	18 376
from reinsurance	8 710	8 936
from brokering activities	12 064	9 637
from investment business	17 564	18 346
from other business	3 777	4 070
Commission expense	–315 663	–305 245
from insurance	–196 212	–198 145
from banking/building savings business	–96 291	–82 808
from reinsurance	281	–12
from brokering activities	–3 815	–4 201
from investment business	–11 659	–11 331
from other business	–7 967	–8 748
Net commission expense	**–191 549**	**–196 065**

(18) Earned premiums (net)

Life and health insurance

in € thousands	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015
Gross premiums written	1 182 071	1 111 924
Change in the provision for unearned premiums	20 607	21 933
Premiums from the provision for premium refunds	16 441	25 465
Earned premiums (gross)	1 219 119	1 159 322
Premiums ceded to reinsurers	–13 676	–42 268
Earned premiums (net)	**1 205 443**	**1 117 054**

Property/casualty insurance and reinsurance

in € thousands	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015
Gross premiums written	1 076 354	1 060 226
Direct	1 073 114	1 056 536
Reinsurance	3 240	3 690
Change in the provision for unearned premiums	–247 137	–240 504
Earned premiums (gross)	829 217	819 722
Premiums ceded to reinsurers	–37 105	–36 178
Earned premiums (net)	**792 112**	**783 544**

(19) Insurance benefits (net)

Benefits under insurance contracts from direct business are shown without claim adjustment expenses. These are contained in general administrative expenses. Insurance benefits under reinsurance and the reinsurers' portion of insurance benefits may consist of both claim payments and adjustment expenses.

Shown under the item "Change in the provision for premium refunds" are additions to the provision for premium refunds, as well as the change in the provision for deferred premium refunds recognised in the income statement.

Life and health insurance

in € thousands	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015
Payments for insurance claims	–1 107 839	–1 100 674
Gross amount	–1 117 734	–1 156 718
Thereof to: reinsurers' portion	9 895	56 044
Change in the provision for outstanding insurance claims	224	–6 855
Gross amount	–189	–7 059
Thereof to: reinsurers' portion	413	204
Change in the provision for future policy benefits	–365 805	–447 820
Gross amount	–365 906	–476 600
Thereof to: reinsurers' portion	101	28 780
Change in the provision for premium refunds	–101 496	–167 196
Gross amount	–101 496	–167 196
Thereof to: reinsurers' portion	—	—
Change in other technical provisions	–20	—
Gross amount	–20	—
Thereof to: reinsurers' portion	—	—
Insurance benefits (net)	**–1 574 936**	**–1 722 545**
Gross amount, total	–1 585 345	–1 807 573
Thereof to (total): reinsurers' portion	10 409	85 028

Property/casualty insurance and reinsurance

in € thousands	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015
Payments for insurance claims	–409 514	–416 716
Gross amount	–434 320	–441 476
Thereof to: reinsurers' portion	24 806	24 760
Change in the provision for outstanding insurance claims	–13 252	–16 658
Gross amount	–6 565	–3 370
Thereof to: reinsurers' portion	–6 687	–13 288
Change in the provision for premium refunds	–131	–123
Gross amount	–131	–123
Thereof to: reinsurers' portion	—	—
Change in other technical provisions	–231	1
Gross amount	–231	1
Thereof to: reinsurers' portion	—	—
Insurance benefits (net)	**–423 128**	**–433 496**
Gross amount, total	–441 247	–444 968
Thereof to (total): reinsurers' portion	18 119	11 472

(20) Income taxes

in € thousands	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015
Current income taxes paid for the reporting period	–38 503	–49 482
Current taxes paid for other periods	888	4 463
Deferred taxes	–21 999	5 083
Income taxes	**–59 614**	**–39 936**

(21) Earnings per share

Basic earnings per share are determined by dividing the consolidated net profit by the weighted average number of shares:

		1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015
Result attributable to shareholders of W&W AG	in €	120 083 962	142 024 483
Number of shares at the beginning of the financial year	#	93 749 720	93 749 720
Issuance of new shares/conversion of options	#	–272 780	—
Weighted average number of shares	#	93 507 767	93 749 720
Basic (= diluted) earnings per share	in €	**1.28**	**1.51**

There currently are no potential shares that would have a diluting effect. Diluted earnings per share thus correspond to basic earnings per share.

(22) Appropriation of profit

On 9 June 2016, the Annual General Meeting of W&W AG resolved to distribute the dividend from the unappropriated surplus for the 2015 financial year as calculated in accordance with the HGB, which amounted to €61.5 million (previous year: €56.9 million), in the amount of €0.60 (previous year: €0.50) per share in cash.

Dividends totalling €56,086,164.00 were distributed on 10 June 2016.

Notes concerning financial instruments and fair value

(23) Disclosures concerning the measurement of fair value

This sentence will receive additional changes reporting date.

There were no reclassifications between Level 1 and Level 2 during the reporting year or the previous year.

Measurement hierarchy in 2016 (items that were measured at fair value)

	Level 1	Level 2	Level 3	Fair value/ carrying amount
in € thousands	30.6.2016	30.6.2016	30.6.2016	30.6.2016
Financial assets at fair value through profit or loss	18 672	3 310 046	3 917	3 332 635
Designated as financial assets at fair value through profit or loss	—	2 300 222	1 914	2 302 136
Equity instruments	—	44 580	—	44 580
Fund units	—	44 580	—	44 580
Senior fixed-income securities	—	243 802	—	243 802
Other companies	—	27 348	—	27 348
Public authorities	—	216 454	—	216 454
Structured products	—	569 920	—	569 920
Interest-rate-based structured products	—	196 299	—	196 299
Equity- and index-based structured products	—	373 621	—	373 621
Investments for the account and risk of holders of life insurance policies	—	1 441 920	1 914	1 443 834
Financial assets held for trading	18 672	1 009 824	2 003	1 030 499
Equity instruments	—	10 939	2 003	12 942
Fund units	—	10 939	2 003	12 942
Derivative financial instruments	18 672	998 885	—	1 017 557
Interest-rate-based derivatives	494	976 472	—	976 966
Currency-based derivatives	—	20 101	—	20 101
Equity- and index-based derivatives	18 178	2 312	—	20 490
Financial assets available for sale	610 738	23 578 335	1 310 630	25 499 703
Equity instruments	610 738	1 501 600	1 283 273	3 395 611
Investments, excluding alternative investments	—	—	261 027	261 027
Credit institutions	—	—	20 850	20 850
Other financial companies	—	—	5 201	5 201
Other companies	—	—	234 976	234 976

Measurement hierarchy in 2016 (items that were measured at fair value) (continued)

in € thousands	Level 1 30.6.2016	Level 2 30.6.2016	Level 3 30.6.2016	Fair value/ carrying amount 30.6.2016
Alternative investments, including private equity	—	—	969 120	969 120
Other financial companies	—	—	937 829	937 829
Other companies	—	—	31 291	31 291
Equities	610 738	—	35 011	645 749
Credit institutions	55 911	—	27 357	83 268
Other financial companies	51 566	—	7 654	59 220
Other companies	503 261	—	—	503 261
Fund units	—	1 501 600	18 115	1 519 715
Subordinated securities and receivables	—	1 202 318	27 357	1 229 675
Credit institutions	—	500 855	—	500 855
Other financial companies	—	363 547	27 357	390 904
Other companies	—	337 916	—	337 916
Senior fixed-income securities	—	20 874 417	—	20 874 417
Credit institutions	—	7 419 111	—	7 419 111
Other financial companies	—	1 644 144	—	1 644 144
Other companies	—	2 250 988	—	2 250 988
Public authorities	—	9 560 174	—	9 560 174
Positive market values from hedges	—	37 406	—	37 406
Total assets	629 410	26 925 787	1 314 547	28 869 744
Financial liabilities at fair value through profit or loss	8 671	977 685	—	986 356
Financial liabilities held for trading	8 671	977 685	—	986 356
Derivative financial instruments	8 671	977 685	—	986 356
Interest-rate-based derivatives	632	919 090	—	919 722
Currency-based derivatives	—	57 814	—	57 814
Equity- and index-based derivatives	7 862	781	—	8 643
Other derivatives	177	—	—	177
Negative market values from hedges	**—**	**530 338**	**—**	**530 338**
Total liabilities	**8 671**	**1 508 023**	**—**	**1 516 694**

Measurement hierarchy in 2015 (items that were measured at fair value)

in € thousands	Level 1 31.12.2015	Level 2 31.12.2015	Level 3 31.12.2015	Fair value/carrying amount 31.12.2015
Financial assets at fair value through profit or loss	21 001	3 222 270	—	3 243 271
Designated as financial assets at fair value through profit or loss	—	2 403 586	—	2 403 586
Equity instruments	—	50 191	—	50 191
Fund units	—	50 191	—	50 191
Senior fixed-income securities	—	234 938	—	234 938
Other companies	—	25 512	—	25 512
Public authorities	—	209 426	—	209 426
Structured products	—	607 660	—	607 660
Interest-rate-based structured products	—	189 687	—	189 687
Equity- and index-based structured products	—	417 973	—	417 973
Investments for the account and risk of holders of life insurance policies	—	1 510 797	—	1 510 797
Financial assets held for trading	21 001	818 684	—	839 685
Equity instruments	—	9 796	—	9 796
Fund units	—	9 796	—	9 796
Derivative financial instruments	21 001	808 888	—	829 889
Interest-rate-based derivatives	574	752 379	—	752 953
Currency-based derivatives	—	50 526	—	50 526
Equity- and index-based derivatives	20 427	5 983	—	26 410
Financial assets available for sale	759 676	22 226 459	1 273 536	24 259 671
Equity instruments	759 676	1 388 104	1 246 179	3 393 959
Investments, excluding alternative investments	—	—	264 495	264 495
Credit institutions	—	—	20 918	20 918
Other financial companies	—	—	4 164	4 164
Other companies	—	—	239 413	239 413

Measurement hierarchy in 2015 (items that were measured at fair value) (continued)

in € thousands	Level 1 31.12.2015	Level 2 31.12.2015	Level 3 31.12.2015	Fair value/ carrying amount 31.12.2015
Alternative investments, including private equity	—	—	932 382	932 382
Other financial companies	—	—	901 091	901 091
Other companies	—	—	31 291	31 291
Equities	759 676	—	35 743	795 419
Credit institutions	69 584	—	27 357	96 941
Other financial companies	95 290	—	8 386	103 676
Other companies	594 802	—	—	594 802
Fund units	—	1 388 104	13 559	1 401 663
Subordinated securities and receivables	—	1 206 235	27 357	1 233 592
Credit institutions	—	495 575	—	495 575
Other financial companies	—	377 100	27 357	404 457
Other companies	—	333 560	—	333 560
Senior fixed-income securities	—	19 632 120	—	19 632 120
Credit institutions	—	7 608 469	—	7 608 469
Other financial companies	—	1 365 905	—	1 365 905
Other companies	—	1 969 418	—	1 969 418
Public authorities	—	8 688 328	—	8 688 328
Positive market values from hedges	—	57 972	—	57 972
Total assets	780 677	25 506 701	1 273 536	27 560 914
Financial liabilities at fair value through profit or loss	4 262	748 149	—	752 411
Designated as financial liabilities at fair value through profit or loss	—	—	—	—
Financial liabilities held for trading	4 262	748 149	—	752 411
Derivative financial instruments	4 262	748 149	—	752 411
Interest-rate-based derivatives	233	719 858	—	720 091
Currency-based derivatives	—	24 505	—	24 505
Equity- and index-based derivatives	3 635	3 705	—	7 340
Loan-based derivatives	—	81	—	81
Other derivatives	394	—	—	394
Negative market values from hedges	—	544 643	—	544 643
Total liabilities	4 262	1 282 792	—	1 297 054

The following depicts the changes in the fair value of financial instruments classified in Level 3 for both the reporting period and the comparable period in the previous year.

Changes in Level 3

	Financial assets at fair value through profit or loss	Financial assets			
	Capital investments for the account and risk of holders of life insurance policies	Equity instruments			
		Fund units	Investments, excluding alternative investments		
			Credit institutions	Other financial companies	Other companies
in € thousands					
As at 1 January 2015	—	—	22 422	4 979	233 265
Total comprehensive income for the period	—	—	41	25	–1 526
Income and expenses recognised in the consolidated income statement	—	—	—	—	–161
Unrealised gains/losses (–) from financial assets available for sale (gross)	—	—	41	25	–1 365
Purchases	—	—	—	—	22
Sales	—	—	—	–842	–4 284
Transfers to Level 3	—	—	—	—	3 235
As at 30 June 2015	—	—	22 463	4 162	230 712
Income statement as at 30 June[1]	—	—	—	—	–151
As at 1 January 2016	—	—	20 918	4 164	239 413
Total comprehensive income for the period	–108	–192	–68	65	–1 063
Income and expenses recognised in the consolidated income statement	–108	–192	—	—	–387
Unrealised gains/losses (–) from financial assets available for sale (gross)	—	—	–68	65	–676
Purchases	—	—	—	—	2
Sales	—	—	—	—	–3 376
Transfers to Level 3	2 022	2 195	—	845	—
Changes in the scope of consolidation	—	—	–	127	—
As at 30 June 2016	1 914	2 003	20 850	5 201	234 976
Income statement as at 30 June[1]	–108	–192	—	—	–387

1 Net income includes period income and expenses for assets still in the portfolio at the end of the reporting period.

Financial assets available for sale						Total
				Equity instruments	Subordinated securities and receivables	
investments, including private equity			Equities	Fund units		
Other financial companies	Other companies	Credit institu-tions	Other financial companies		Other financial companies	
737 926	30 885	35 467	11 006	36 692	32 111	1 144 753
52 726	3 188	—	213	1 728	—	56 395
−4 799	—	—	—	−332	—	−5 292
57 525	3 188	—	213	2 060	—	61 687
128 153	—	—	—	—	—	128 175
−78 931	—	—	—	—	—	−84 057
—	—	—	—	862	—	4 097
839 874	34 073	35 467	11 219	39 282	32 111	1 249 363
−4 799	—	—	—	−332	—	−5 282
901 091	31 291	27 357	8 386	13 559	27 357	1 273 536
−19 611	—	—	−601	852	—	−20 726
−7 027	—	—	—	−1 242	—	−8 956
−12 584	—	—	−601	2 094	—	−11 770
97 536	—	—	—	—	—	97 538
−41 187	—	—	−131	—	—	−44 694
—	—	—	—	3 704	—	8 766
—	—	—	—	—	—	127
937 829	31 291	27 357	7 654	18 115	27 357	1 314 547
−7 027	—	—	—	−1 242	—	−8 956

Realised gains and losses in the individual classes of financial instruments are shown in the net income from financial assets available for sale.

The transfer to Level 3 results from the use of non-observable measurement parameters due to the lack of directly or indirectly observable market data in comparison to the previous reporting period.

Effects of alternative assumptions for financial instruments in Level 3

Nearly all of the securities in Level 3 consist of unquoted interests in investments that are not fully consolidated or not accounted for using the equity method, alternative investments or private equity funds in the direct portfolio. Their fair values are normally determined by each company's management, primarily on the basis of net asset value, in the amount of €927.8 million (previous year: €728.0 million). Of this, €23.4 million (previous year: €24.9 million) was attributable to "Investments, excluding alternative investments", and €904.3 million (previous year: €703.1 million) to "Alternative investments, including private equity". They were determined on the basis of specific information that is not publicly available, to which the W&W Group does not have access. Thus, it was not possible to subject them to a sensitivity analysis.

In the W&W Group, net asset values (2015: €166.2 million; previous year: €168.9 million) are measured for Group property investments that are assigned to "Investments, excluding alternative investments". These are based on discount rates that essentially determine the property's fair value. A change in discount rates by +100 basis points in connection with a sensitivity analysis leads to a reduction in fair value to €147.7 million (previous year: €157.7 million), while a change in discount rates by –100 basis points leads to an increase to €170.8 million (previous year: €181.1 million).

All changes in fair value are reflected in "Other comprehensive income".

The most significant measurement parameter for interests measured using the capitalised earnings method (2016: €58.5 million; previous year: €62.3 million) is the risk-adjusted discount rate. A material increase in the discount rate reduces fair value, whereas a decline increases fair value. However, a change by 10% has only a minor influence on the presentation of the net assets, financial position and financial performance of the W&W Group.

In addition, for certain interests, fair value is either deemed to be approximated by the amount of invested capital or is determined by outside appraisers. In this case as well, a sensitivity analysis is not possible due to lack of the specific parameters used.

The measurement methods used are listed in the following table "Quantitative information about the measurement of fair value in Level 3".

Quantitative information about the measurement of fair value in Level 3

	Fair value		Measurement method	Non-observable input factors	Range, in %	
in € thousands	30.6.2016	31.12.2015			30.6.2016	31.12.2015
Financial assets at fair value through profit or loss	3 917	—				
Designated as financial assets at fair value through profit or loss	1 914					
Investments for the account and risk of holders of life insurance policies	1 914	—	Net asset value	n/a	n/a	n/a
Assets held for trading	2 003					
Equity instruments	2 003	—				
Fund units	2 003	—	Net asset value	n/a	n/a	n/a
Financial assets available for sale	1 310 630	1 273 536				
Equity instruments	1 283 273	1 246 179				
Investments, excluding alternative investments	261 027	264 495				
	27 567	27 635	Capitalised earnings method	Discount rate	6.23-10.37	6.23-10.37
	59 629	60 437	Approximation method	n/a	n/a	n/a
	173 831	176 423	Net asset value	Discount rate	5.77-7.19	5.77-7.19
Alternative investments, including private equity	969 120	932 382				
	30 940	30 940	Capitalised earnings method	Discount rate	4.94	4.94
	33 888	20 784	Approximation method	n/a	n/a	n/a
	904 292	880 658	Net asset value	n/a	n/a	n/a
Equities	35 011	35 743				
	27 357	27 357	Approximation method	n/a	n/a	n/a
	7 654	8 386	Net asset value	n/a	n/a	n/a
Fund units	18 115	13 559				
	13 787	13 114	Approximation method	n/a	n/a	n/a
	4 328	445	Net asset value	n/a	n/a	n/a
Subordinated securities and receivables	27 357	27 357				
	27 357	27 357	Approximation method	n/a	n/a	n/a

Other disclosures

(24) Contingent liabilities and other liabilities

in € thousands	30.6.2016	31.12.2015
Contingent liabilities	737 648	652 276
from deposit protection funds	295 245	295 160
from sureties and warranties	325	329
from capital contribution calls not yet made	440 396	356 157
Other contingent liabilities	1 682	630
Other obligations	999 130	954 782
Irrevocable loan commitments	979 311	933 271
Financial guarantees	19 819	21 511
TOTAL	**1 736 778**	**1 607 058**

The nominal value of irrevocable loan commitments corresponds to the potential remaining obligations under loans and credit lines that have been granted but not yet drawn down or fully drawn down. It constitutes a reasonable approximation of fair value.

(25) Related party disclosures

Group parent company

The parent company of Wüstenrot & Württembergische AG is Wüstenrot Holding AG, Ludwigsburg, Germany, which is wholly owned by the non-profit Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e.V., Ludwigsburg, Germany.

Transactions with related persons

Natural persons considered to be related parties pursuant to IAS 24 are members of the key management personnel (the Management Board and Supervisory Board of W&W AG), the members of the Executive Board and Supervisory Board of the parent company, and their close family members.

Transactions with related persons of W&W AG were carried out in connection with the normal business activity of Group companies. This mainly had to do with business relationships in the areas of home loan and savings business, banking business, and life, health and property insurance.

All transactions were at arm’s length and/or took place at preferential terms customary in the industry.

As at 30 June 2016, receivables from related persons amounted to €370.4 thousand (previous year: €357.6 thousand), and liabilities to related persons amounted to €2,678.2 thousand (previous year: €2,366.7 thousand). In the first half-year of 2016 interest income from related persons that resulted from granted loans amounted to €5.7 thousand (previous year: €1.1 thousand), and interest expenses for savings deposits from related persons amounted to €1.0 thousand (previous year: €1.7 thousand). In the first half-year of 2016, premiums in the amount of €20.3 thousand (previous year: €36.6 thousand) were paid by related persons for insurance policies in the areas of life, health and property insurance.

Transactions with related companies

Wüstenrot Holding AG

Wüstenrot Holding AG as parent company and W&W AG are parties to a brand name transfer and use agreement. As at 30 June 2016, a financial liability was owed to Wüstenrot Holding AG under this agreement in the amount of €20.6 million (previous year: €22.2 million). W&W AG makes fixed annual amortisation payments (principal and interest) to Wüstenrot Holding AG in the amount of €2.5 million, plus value-added tax.

Beyond this, business relations between the W&W Group and Wüstenrot Holding AG are essentially limited to making use of the banking services of Wüstenrot Bank AG Pfandbriefbank and services in the areas of IT and other services.

The transactions were at arm's length.

Unconsolidated subsidiaries of W&W AG and other related companies

The W&W Group is a party to various services agreements with unconsolidated W&W AG subsidiaries and other related W&W AG companies. In addition, unconsolidated W&W AG subsidiaries and other related W&W AG companies made use of banking services. In 2015 W&W AG purchased a bond of V-Bank AG for the price of €6.5 million. It received interest income from the bond in the amount €259 thousand. Pensionskasse der Württembergischen VVaG is recognised under "Other related companies" as the post-employment benefit plan for the benefit of employees.

The transactions were at arm's length.

As at the reporting date, the open balances from transactions with related companies were as follows:

in € thousands	30.6.2016	31.12.2015
Unconsolidated subsidiaries	188	188
Associated companies and joint ventures	5 103	—
Other related companies	24 294	24 953
Loans and advances to customers	29 585	25 141
Wüstenrot Holding AG	32	52
Unconsolidated subsidiaries	58 953	50 970
Associated companies and joint ventures	1	—
Other related companies	1 545	34
Other loans and receivables	60 531	51 056
Receivables from related companies	90 116	76 197
Associated companies and joint ventures	33	63
Liabilities to credit institutions	33	63
Wüstenrot Holding AG	5 359	4 426
Affiliated undertakings	2	—
Unconsolidated subsidiaries	34 983	35 106
Other related companies	13 408	14 476
Liabilities to customers	53 752	54 008
Wüstenrot Holding AG	20 569	22 204
Affiliated undertakings	—	3
Unconsolidated subsidiaries	40 273	32 312
Associated companies and joint ventures	26 505	—
Other related companies	143	28 875
Miscellaneous liabilities	87 490	83 394
Liabilities to related companies	141 275	137 465

Income and expenses from transactions with related companies were as follows:

in € thousands	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015
Wüstenrot Holding AG	60	120
Unconsolidated subsidiaries	16 100	16 199
Associated companies and joint ventures	264	—
Other related companies	1 028	886
Income from transactions with related companies	17 452	17 205
Wüstenrot Holding AG	–685	–1 463
Unconsolidated subsidiaries	–17 391	–17 755
Associated companies and joint ventures	–195	—
Other related companies	–14 895	–6 546
Expenses from transactions with related companies	–33 166	–25 764

(26) Number of employees

In terms of full-time equivalents, the number of employees of the W&W Group as at 30 June 2016 was 7,101 (previous year: 7,331). As at the reporting date, the number of employees was 8,528 (previous year: 8,763).

The average headcount in the last 12 months was 8,696 (previous year: 8,935). This average is calculated as the arithmetic mean of the end-of-quarter headcounts as at the reporting date between 30 September 2015 and 30 June 2016 and during the corresponding prior-year period and is distributed over the individual segments as follows:

Number of employees by segment on annual average

	30.6.2016	31.12.2015
Home Loan and Savings Bank	2 445	2 533
Life and Health Insurance	1 006	965
Property/Casualty Insurance	3 746	3 813
All other segments	1 499	1 624
Total	**8 696**	**8 935**

(27) Events after the reporting date

It was decided after the reporting date to make a partial sale of a credit institution in “All other segments”, which is accounted for using the equity method. The sale was made for strategic reasons and is expected to close during the 2016 financial year.

In addition it has been decided after the reporting date to sale a real estate property used by third parties. This sale is designed to further improve the asset portfolio of the W&W Group and the sale shall be finally closed by the end of 2016.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles for interim reporting, the condensed consolidated interim financial statements present a true and accurate view of the Group's net assets, financial position and financial performance, and the interim group management report provides a true and accurate presentation of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the financial year remaining.

Stuttgart, 8 August 2016

Dr. Alexander Erdland

Dr. Michael Gutjahr

Jürgen A. Junker

Jens Wieland

Auditor‘s review report

To Wüstenrot & Württembergische AG, Stuttgart

We have reviewed the condensed consolidated interim financial statements – consisting of the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, condensed consolidated cash flow statement, and select notes – and the interim group management report of Wüstenrot & Württembergische AG, Stuttgart, for the period from 1 January to 30 June 2016, which form part of the half-year financial report pursuant to Section 37w German Securities Trading Act (WpHG). The preparation of the condensed consolidated interim financial statements in accordance with IFRS applicable to interim reporting, as adopted by the EU, and of the interim group management report in accordance with the provisions of the WpHG applicable to interim group management reports is the responsibility of the company’s management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with generally accepted German standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the review in such a way that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements were not prepared in all material respects in accordance with the IFRSs applicable to interim reporting, as adopted by the EU, and that the interim group management report was not prepared in all material respects in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to the questioning of company employees and analytical procedures and therefore does not provide the assurance attainable through an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit of financial statements, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements were not prepared in all material respects in accordance with the IFRSs applicable to interim reporting, as adopted by the EU, or that the interim group management report was not prepared in all material respects in accordance with the provisions of the WpHG applicable to interim group management reports.

Stuttgart, 12 August 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Frank Ellenbürger
Wirtschaftsprüfer
(German public auditor)

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