Interim Report

Wüstenrot & Württembergische AG.
Interim Report as at 30 June 2019.

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

w&w gruppe

Wüstenrot & Württembergische AG
Key figures of W&W Group

W&W Group (according to IFRS)

Consolidated balance sheet		30/6/2019	31/12/2018
Total assets	€ bn	75.8	72.0
Capital investments	€ bn	49.1	45.9
Senior fixed-income securities	€ bn	13.4	13.8
Senior debenture bonds and registered bonds	€ bn	23.8	21.3
Building loans	€ bn	23.4	23.1
Liabilities to customers	€ bn	23.8	23.6
Technical provisions	€ bn	37.6	34.7
Equity	€ bn	4.8	4.2
Equity per share	€	51.26	45.51

Consolidated profit and loss statement		1/1.2019 to 30/6/2019	1/1.2018 to 30/6/2018
Net financial result (after credit risk adjustments)	€ mn	1,514.7	935.6
Premiums/contributions earned (net)	€ mn	2,119.4	1,980.9
Insurance benefits (net)	€ mn	−2,582.9	−2,036.0
Earnings before income taxes from continued operations	€ mn	251.6	165.7
Consolidated net profit	€ mn	175.8	116.4
Total comprehensive income	€ mn	661.0	−28.7
Earnings per share	€	1.87	1.24

Other information	30/6/2019	31/12/2018
Employees (Germany)[1]	6,485	6,540
Employees (Group)[2]	8,013	8,129

Key sales figures		1/1.2019 to 30/6/2019	1/1.2018 to 30/6/2018
Group			
Gross premiums written	€ mn	2,434.0	2,277.2
New construction financing business (including brokering for third parties)	€ mn	3,393.6	2,973.9
Sales of own and third-party investment funds	€ mn	243.1	239.1
Home Loan and Savings Bank			
New home loan savings business (gross)	€ mn	6,911.9	6,734.2
New home loan savings business (net)	€ mn	5,238.8	5,251.0
Life and Health Insurance			
Gross premiums written	€ mn	1,183.0	1,092.6
New premiums	€ mn	368.2	280.3
Property/Casualty Insurance			
Gross premiums written	€ mn	1,255.5	1,188.0
New premiums (measured in terms of annual contributions to the portfolio)	€ mn	159.9	151.5

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

Wüstenrot & Württembergische AG
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Macroeconomic environment

Although the German economy grew surprisingly strongly in the first quarter at 0.4%, the industrial sector and foreign trade posted further declines in the first half of 2019. In this regard, economic activity suffered from the modest global demand for German goods. Also acting as a brake was increased uncertainty as a result of trade disputes that continue to simmer, as well as persistent structural problems in key sectors of the German economy.

Capital markets

Bond markets

Interests rates on the German bond market continued their downward trend in the first half of 2019. For instance, the yield on 10-year German government bonds fell from 0.24% at the end of 2018 to −0.33% at the end of the first half of 2019 – a new record low. This development was triggered by increasingly cloudy growth prospects in Germany. Inflation remained low, offering no support for interest rates. For instance, the core inflation rate in the EMU remained stuck at around 1%, which was considerably lower than the target set by the European Central Bank (ECB). Short-term interest rates also fell to new lows. For instance, the interest rate on two-year German government bonds slid from −0.61% at the end of 2018 to −0.75% at the end of the reporting period.

Equity markets

After recording significant price declines in the second half of 2018, European equities posted impressive price increases in the first half of 2019. Index growth rates of 15.7% for the Euro STOXX 50 and 17.4% for DAX are among the highest that those indexes have ever achieved in the first half of a year. This gratifying trend on the equity markets came as somewhat of a surprise to many market participants, since conditions in the economic and political environment were rather unfavourable in the first half of 2019. For instance, a variety of important economic data (particularly, forward-looking confidence indicators) in leading economic nations weakened considerably, which cast a pall on the economic outlook, and thus the profit forecast, of companies. Moreover, while there was hope at the start of the year that pressing political problems (e.g. Brexit and global trade disputes) might be resolved quickly and constructively, this did not come to pass. Ultimately, however, these adverse factors were offset by a lack of investment alternatives in view of record-low interest rates and by signs of new easing measures by leading central banks in the second half of 2019.

The SDAX, which reflects trends in the stock prices of 70 smaller German companies, rose by 19.7% in the first half of 2019. Thus, the smaller SDAX companies, which in most cases are less dependent on foreign trade than large companies, outperformed the DAX.

Industry trends

New home loan savings business for the first half of 2019 is expected to surpass the results for the previous year, both in terms of gross new business and paid-in new business. New business in private residential construction financing in the first half of 2019 was above the level of the previous year. Private households took out roughly €128 billion (previous year: roughly €121 billion) in building loans.

The main drivers for construction financing business are favourable mortgage interest rates, which fell once again, and continued strong demand for housing. Rising property prices in desirable locations – and in many cases, across the country as well – likewise contributed to growth in a property price cycle. The good financing conditions are also resulting in existing properties changing hands more frequently, as well as in upgrade and renovation work. By contrast, the market suffered somewhat from bottlenecks in the supply of building land and existing properties and at many locations from a lack of building and trade capacities. Also, in view of the potential that property prices may suffer a setback, leading institutions were somewhat more conservative in their lending practice. For the year 2019 as a whole, we expect rising new business volume for the market for private residential construction financing.

The following information is based on preliminary industry figures for the first half of 2019 published by the German Insurance Association (GDV).

With respect to life insurance companies and pension funds, new premiums rose in the first half of 2019 by 28.9% to €20.4 million (previous year: €15.8 million). In this regard, new business with payment of regular premiums rose 12.7% and new single-premium business, 31.9%.

Gross premiums written increased year on year by 9.5% to €49.1 billion (previous year: €44.9 billion).

Property/casualty insurance showed growth similar to that in 2018. The German Insurance Association (GDV) expects that by the end of the year, gross premium income will increase noticeably by about 2.9% compared with the previous year. At the same time, it is anticipated that claims expenses will rise by 2.8% for the financial year.

W&W stock

After closing at €16 at the end of 2018, the W&W stock price continued its upward trend virtually without interruption in the first half of 2019, reaching €18.92 at the end of the reporting period, just shy of the €19 mark. In addition to the fact that equity markets in general continued to perform well, the W&W stock price benefited from strong company reports and positive comments by analysts. The capital market thus also appears to be increasingly acknowledging the forward-looking digitalisation strategy of the W&W Group. As a result, the price of W&W stock rose by 18.3% in the first half of 2019. Taking into account the dividend distribution of €0.65, overall performance was 22.3% for the reporting period.

Outlook

The economic outlook for the EMU and for Germany continued to worsen in the first half of 2019. In particular, still simmering political problems, namely the UK's imminent disorderly exit from the EU and persistent global trade disputes, are increasingly acting as a drag on economic activity and company confidence. This is shown by the ifo Business Climate Index, which has been falling for nearly a year. By contrast, the construction sector continues to enjoy positive prospects. Owing to interest rates that have fallen to record lows, sustained high demand for housing and the good household income situation, it appears likely that the construction industry will remain a growth driver. Consumer demand from private households will also stabilise economic development in Germany in the coming months. In short, we anticipate positive economic growth, albeit somewhat less dynamic.

We expect that the historic phase of low interest rates on the European bond markets will persist for some time to come. A slow-down in economic activity and very low inflation, as well as the renewed willingness of central banks to resume an expansionary course, make it unlikely that interest rates will rise appreciably in the foreseeable future.

Following significant price gains registered during the first half of the year, we believe that more modest trends should be expected on the European equity markets. For instance, corporate profits will be kept in check by a slow-down in economic growth. Moreover, persistent political problems are making investors more risk-averse. At the same time, investors lack attractive investment alternatives. New easing measures by leading central banks will benefit stock prices. In all, moderate price gains are the most likely scenario. However, if political risks escalate, or if the economic outlook unexpectedly takes a significant turn for the worse, it cannot be ruled out that stock prices will undergo a sharp correction from their current level.

Ratings

In July 2019, Standard & Poor's (S&P) again confirmed the ratings with a stable outlook. Thus the core companies in the W&W Group continue to have a rating of A-, while the holding company Wüstenrot & Württembergische AG maintained its BBB+ rating.

The short-term rating of Wüstenrot Bausparkasse AG remains at A-1.

The German mortgage covered bonds issued by Wüstenrot Bausparkasse AG once again possess the top rating of AAA with a stable outlook.

The exchange-listed subordinated bonds issued by Wüstenrot Bausparkasse AG and Württembergische Lebensversicherung AG continue to be rated BBB.

Development of business and Group position

Development of business

As at 30 June 2019, the W&W Group posted a record after-tax net profit of €175.8 million (previous year: €116.4 million), which exceeded our expectations. The largest contributor to results was once again the Property/Casualty Insurance segment. But the Housing segment and all other segments also contributed to the increase.

Composition of consolidated net profit

in € million	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
Home Loan and Savings Bank segment[1]	39.0	30.0
Life and Health Insurance segment	12.6	14.7
Property/Casualty Insurance segment	105.7	62.1
All other segments	18.5	9.6
Consolidated net profit	**175.8**	**116.4**

1 We have modified the names of our business activities in order to better express their diversity. From 2019 they are called Housing (formerly Home Loan and Savings Bank), Insurance, and brandpool.

Construction financing business rose markedly to €3,393.6 million (previous year: €2,973.9 million). New business in property/casualty insurance and in life insurance also performed well. Gross premiums written increased in both segments. New home loan savings business (gross) likewise rose in the first half of the year.

New business key figures (Group)

	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018	Change
	in € million	in € million	in %
Gross premiums property/casualty/insurance	1,255.5	1,188.0	5.7
Gross premiums life and health/insurance	1,183.0	1,092.6	8.3
Construction financing business (including brokering for third parties)	3,393.6	2,973.9	14.1
New home loan savings business (gross)	7,150.7	6,914.0	3.4

Wüstenrot & Württembergische AG sold its subsidiary Wüstenrot Bank AG Pfandbriefbank to Oldenburgische Landesbank AG (legal successor to Bremer Kreditbank AG). At the same time, the W&W Group agreed with Oldenburgische Landesbank AG to establish a broad sales collaboration to enable the reciprocal provision of financial products and to further increase sales strength. Following the granting of official approvals in May 2019, the new owner took control of the bank with effect on 1 June 2019. The collaboration agreement also entered into effect at that time.

The sale of Wüstenrot Bank AG Pfandbriefbank resulted in a deconsolidation gain of €5.3 million.

Executive Board

Effective 1 July 2019, Wüstenrot & Württembergische AG (W&W AG) expanded its Executive Board. Jürgen Steffan assumed responsibility for a newly created remit, which consists of the departments Risk, Compliance and Data Management, Group Controlling and Cost Controlling. The previous three-member Executive Board was expanded to four members due in part to the significant expansion of business in recent years. In this way, the W&W Group is also highlighting the importance that it attributes to the issues of capital investments, risk management, regulatory matters and compliance.

W&W Besser!

In the first half of 2019, the W&W Group tenaciously implemented the strategic projects relating to the W&W Besser! initiative.

The new activities, which are grouped together in W&W brandpool, are now servicing more than 100,000 customers. Of these, 60,000 customers are from our digital brand Adam Riese.

Wüstenrot Wohnwelt was successfully integrated into the wuestenrot.de website. Current and potential customers can obtain information on the portal about all matters involving the home.

Württembergische introduced surety insurance, including a digital application process.

The W&W campus at the Ludwigsburg/Kornwestheim location is being further expanded. The second phase of construction work started on schedule in May 2019.

Changes in accounting policies

On 13 January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17. IFRS 16 was adopted into EU law on 9 November 2017. The W&W Group began applying the new IFRS 16 standard on 1 January 2019. The core concept underlying the new standard is that generally all of a lessee's leases and the associated contractual rights and obligations are to be recognised in the balance sheet. The distinction previously made under IAS 17 between finance leases and operating leases thus no longer applies, and in future a lessee is instead required to recognise a right-of-use asset and a lease liability at the commencement of each lease.

The initial application of IFRS 16 had no material influence on the presentation of the net assets, financial position and financial performance or the earnings per share of the W&W Group. The application of IFRS 16 led to an increase in assets and liabilities in the balance sheet, but this did not have any impact on consolidated equity.

Other effects can be found in the section "IFRS 16 'Leases'" in the general part of the notes.

Earnings performance

Consolidated income statement

As at 30 June 2019, consolidated after-tax net profit rose to €175.8 million (previous year: €116.4 million). This was attributable both to increased net financial income and to improved net technical income.

Net financial income increased significantly, coming in at €1,514.7 million (previous year: €935.6 million).

- Current net income fell to €597.5 million (previous year: €640.6 million). In particular, interest income declined as interest rates continued their downward trend.
- The net expense from risk provision amounted to –€13.6 million (previous year: net income of €13.4 million). This was related to the increased portfolio of construction loans and to diminished economic expectations with regard to bonds.
- The net measurement gain rose significantly by €566.8 million to €462.72 million (previous year: net measurement loss of –€104.1 million). In particular, investments for unit-linked life insurance policies increased considerably in value. Net income from them amounted to €246.0 million (previous year: net expense of –€17.1 million). In the case of insurance benefits, this is credited to customers. The valuation of fixed-income securities and equity instruments also developed positively. This was attributable to interest rates, which fell in the first half of 2019, as well as to the recovery on the equity markets. On whole, since the application of IFRS 9, a greater number of securities are measured at fair value through profit or loss. This results in increased volatility in net financial income and, in particular, the net measurement gain/loss.
- Net income from disposals increased to €468.1 million (previous year: €385.7 million). Income from bearer bonds rose. Moreover, some of the individual results shifted as a result of the deconsolidation gain recognised with the sale of Wüstenrot Bank AG Pfandbriefbank. Net income from disposals benefited in the amount of +€48.4 million from the reclassification of the Fair-Value-OCI reserve to the income statement. By contrast, net other operating income fell by –€43.1 million.

The net commission expense amounted to –€221.1 million (previous year: –€201.2 million). This was primarily due to higher service commissions as a result of the by and large gratifying increase in the property insurance portfolio.

Net premiums earned rose by €138.5 million to €2,119.4 million (previous year: €1,980.9 million). Both Property/Casualty Insurance and Life and Health Insurance saw significant increases.

Net insurance benefits rose €546.9 million to €2,582.9 million (previous year: €2,036.0 million). This increase mainly stemmed from Life and Health Insurance, where additions to the provision for premium refunds and the provision for unit-linked life insurance policies rose markedly. Owing to our profitable insurance portfolio, Property/Casualty Insurance once again posted very good claims development.

General administrative expenses rose to €532.9 million (previous year: €523.3 million). This was attributable in part to the shortening of the remaining useful life of various buildings in own use due to the construction of the W&W campus in Kornwestheim. In addition, more was invested in the brand identity/image.The application of IFRS 16 resulted in lower expenses for materials but higher depreciation/amortisation. In all, this had no appreciable impact on results.

The net other operating expense amounted to –€45.6 million (previous year: net other operating income of €9.7 million) as a result of the described deconsolidation of Wüstenrot Bank AG Pfandbriefbank.

Tax expenses amounted to €75.7 million (previous year: €49.3 million). This increase was attributable, in particular, to the rise in pre-tax net income compared with the previous period.

Consolidated statement of comprehensive income

As at 30 June 2019, total comprehensive income stood at €661.0 million (previous year: –€28.7 million). It consists of consolidated net profit and other comprehensive income (OCI).

As at 30 June 2019, OCI stood at €485.2 million (previous year: –€145.1 million). The extent of this result was predominantly an expression of the sensitivity of our investments to changes in interest rates. Because interest rates fell in the first half of 2019 (in the previous year, they rose slightly), we posted significant measurement gains. Therefore, after additions to the provision for deferred premium refunds and to deferred taxes, unrealised net income from these investments amounted to €643.6 million (previous year: net expense of –€154.9 million). However, lower interest rates had the opposite effect, including in the form of actuarial losses from defined benefit plans for pension schemes. The interest rate used for measuring pension commitments fell from 1.7% to 0.9%. As a result, –€160.9 million (previous year: €13.3 million) was recognised in other comprehensive income.

Housing segment

Segment net income stood at €39.0 million (previous year: €30.0 million). New construction financing business rose significantly. The segment's total assets amounted to €29.7 billion (previous year: €29.4 billion).

New business

Gross new business in terms of total home loan savings contracts came in at €6,911.9 million, which exceeded the figure for the previous year (€6,734.2 million).

New own construction financing business continued to focus on more profitable offers and increased significantly to €1,857.2 million (previous year: €1,474.9 million). In terms of total new construction financing business, taking into account brokering for third parties and disbursements of loans under home loan savings contracts, an increase to €3,072.1 million (previous year: €2,649.1 million) was achieved.

New business key figures

	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018	Change
	in € million	in € million	in %
Gross new business	6,911.9	6,734.2	2.6
New construction financing business (approval)	1,857.2	1,474.9	25.9
Construction financing business (including brokering for third parties)	3,072.1	2,649.1	16.0

Earnings performance

Net income in the Housing segment rose to €39.0 million (previous year: €30.0 million). This was mainly due to higher net financial income and lower general administrative expenses.

Net financial income increased to €208.4 million (previous year: €202.8 million). This was due to the following aspects:

- Current net income decreased to €113.8 million (previous year: €142.2 million). Lower interest rates had a negative impact, in particular, on interest income from construction financing business. Interest expenses for home loan savings deposits were also able to be lowered thanks to active portfolio management, but only to a limited extent.

- The net expense from risk provision came in at –€4.6 million (previous year: net income from risk provision of €13.4 million). This change was attributable, on the one hand, to higher new construction financing business and, on the other, to diminished economic expectations with regard to bonds.

- The net measurement gain amounted to €23.4 million (previous year: net measurement loss of –€25.2 million). The lower level of interest rates had a positive impact on the net measurement gain from securities, as well as on the interest rate swaps concluded to reduce the risks associated with changes in interest rates. By contrast, there was a drop in net income from the discounting of provisions for home loan savings business (bonus provisions).

General administrative expenses fell to €168.6 million (previous year: €173.3 million). Both personnel expenses and material costs fell.

Life and Health Insurance segment

Segment net income stood at €12.6 million (previous year: €14.7 million). New premiums rose considerably by 31.4%. The segment's total assets increased to €37.8 billion (previous year: €34.9 billion).

New business/premium development

Total premiums for new life insurance business rose by 8.8% to €1,722.0 million (previous year: €1,583.4 million). Particularly in the area of occupational pension schemes, which we are targeting for growth, we posted a large increase of 26.2%.

New premiums in the Life and Health Insurance segment rose by 31.4% to €368.2 million (previous year: €280.3 million). In particular, single-premium income increased to €317.0 million (previous year: €231.3 million). We pay attention here to impairment and collectively acceptable impact. Significant growth was also posted in health insurance.

New business key figures

	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018	Change
	in € million	in € million	in %
New premiums	**368.2**	**280.3**	**31.4**
Single premiums	317.0	231.3	37.1
Regular premiums	46.1	44.7	3.1
Annual premium health	5.1	4.3	18.6

Gross written premiums rose to €1,183.0 million (previous year: €1,092.6 million), mainly due to higher single premiums.

Earnings performance

Segment net income stood at €12.6 million (previous year: €14.7 million). Increased net financial income also resulted in higher benefits under insurance contracts.

Net financial income in the Life and Health Insurance segment rose sharply to €1,138.3 million (previous year: €681.9 million). The following income components were responsible for this:

- Current net income decreased to €403.7 million (previous year: €430.9 million). This was mainly attributable to lower interest income as a result of lower capital market interest rates for new investments and reinvestments.
- The net measurement gain rose by €467.2 million to €402.4 million (previous year: net measurement loss of –€64.8 million). Interest rates fell further, and this had a positive impact on the measurement of interest-bearing securities, while trends on the equity markets contributed to growth in the value of equities and investment fund units. Investments for unit-linked life insurance policies also benefited from this.
- Net income from disposals increased to €338.1 million (previous year: €313.1 million). This was mainly due to higher net income from bonds.

Net premiums earned rose to €1,220.2 million (previous year: €1,122.1 million), mainly owing to single-premium insurance policies.

Net insurance benefits stood at €2,120.3 million (previous year: €1,582.1 million). This significant rise was related to movements in net financial income, which resulted in high additions to the provision for premium refunds and to the provision for unit-linked life insurance. Additions to the additional interest reserve amounted to €180.9 million (previous year: €451.5 million). The amount of the additions is primarily determined by the reference interest rate. The way in which it is calculated was changed at the end of 2018 (corridor method), therefore resulting in significantly lower additions to the additional interest rate reserve in the first half of 2019 compared with the previous year period. Nevertheless, the additional interest reserve as a whole rose to €2,382.0 million (end of the previous year: €2,201.1 million).

General administrative expenses rose to €132.7 million (previous year: €126.6 million), an increase that was disproportionately lower than that for premiums. Whereas personnel expenses fell, materials costs increased. Nevertheless, the administrative expense ratio fell to 2.2% (previous year: 2.5%).

Property/Casualty Insurance segment

Segment net income increased to €105.7 million (previous year: €62.1 million). New business in the Property/Casualty Insurance segment rose once again. Total assets stood at €5.1 billion (previous year: €4.7 billion).

New business/premium development

New business developed positively, coming in at €159.9 million (previous year: €151.5 million). The area of corporate and retail customers grew significantly. In this regard, our digital brand “Adam Riese” was very successful in terms of sales and thus outperformed our expectations.

New business key figures

	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018	Change
	in € million	in € million	in %
New business	**159.9**	**151.5**	**5.5**
Motor	110.1	110.7	–0.5
Corporate customers	26.0	23.0	13.0
Retail customers	23.8	17.8	33.7

Gross premiums written increased further by €67.5 million (+5.7%) to €1,255.5 million (previous year: €1,188.0 million). An increase was once again posted in all business segments.

Gross premiums written

	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018	Change
	in € million	in € million	in %
Segment total	**1,255.5**	**1,188.0**	**5.7**
Motor	594.3	571.5	4.0
Corporate customers	304.9	281.0	8.5
Retail customers	356.3	335.5	6.2

Earnings performance

Segment net income increased significantly to €105.7 million (previous year: €62.1 million). Both net financial income and net technical income developed extremely positively.

Net financial income increased to €82.7 million (previous year: €34.3 million). It consists of the following components:

- Current net income stood at €39.1 million (previous year: €38.7 million). Dividend income rose slightly.
- The net measurement gain increased significantly, coming in at €40.1 million (previous year: net measurement loss of –€5.4 million). It benefited strongly from measurement gains associated with interest-bearing securities as a consequence of the lower interest rate level, as well as with equities due to the recovery of the equities market in the first half of the year.
- Net income from disposals also increased slightly to €4.7 million (previous year: €1.8 million). This was due to higher income from the sale of bonds.

The net commission expense stood at –€130.2 million (previous year: –€119.1 million). The larger insurance portfolio and increased new business led to higher sales and service commissions.

Net premiums earned continued to trend positively. They rose by €35.6 million to €768.4 million (previous year: €732.8). All business segments made a contribution to this.

Net insurance benefits increased €6.1 million to €387.2 million (previous year: €381.1 million) due to the significantly larger insurance portfolio. Claims development was on whole very encouraging. Expenses for natural disaster claims were significantly lower compared with the previous year. On the other hand, our settlement results decreased. The loss ratio (gross) dropped to a very good 60.6% (previous year: 63.1%). The combined ratio (gross) fell to 88.0% (previous year: 90.2%).

General administrative expenses rose slightly to €182.7 million (previous year: €179.2 million). This was due, inter alia, to the shortening of the remaining useful life of the Feuersee site.

All other segments

"All other segments" covers the divisions that cannot be allocated to any other segment. This mainly includes W&W AG, W&W Asset Management GmbH, the Czech subsidiaries and the Group's internal service providers. The total assets of all other segments amounted to €7.6 billion (previous year: €7.4 billion). After-tax net income stood at €115.6 million (previous year: €35.4 million). This was composed, among other things, of the following: W&W AG €104.7 million (previous year: €26.9 million), W&W Asset Management GmbH €8.7 million (previous year: €9.5 million) and the Czech subsidiaries €8.2 million (previous year: €11.5 million).

Net financial income stood at €182.4 million (previous year: €55.1 million). The following income components contributed to the development:

- Current net income rose significantly to €161.6 million (previous year: €70.0 million). This increase was primarily due to a higher intra-group profit transfer by Württembergische Versicherung to W&W AG. This is eliminated in the consolidation/reconciliation column in order to obtain values for the Group.
- The net measurement gain also trended positively, coming in at €22.2 million (previous year: net measurement loss of –€11.2 million). This was attributable to measurement gains relating to equities and fund units as a result of the positive trends on the equity markets.

Earned premiums rose to €141.3 million (previous year: €135.9 million). The volume ceded by Württembergische Versicherung AG to W&W AG for reinsurance within the Group increased as a result of positive premium development. As this relates to quota share reinsurance, the insurance benefits increased as well, to €85.7 million (previous year: €81.5 million).

Other operating expense stood at –€0.9 million (previous year: other operating income of €13.0 million). This was related, inter alia, to the creation of a higher provision for construction costs yet to be incurred.

Net assets

Asset structure

The W&W Group's total assets amounted to €75.8 billion (previous year: €72.0 billion). Assets mainly consist of building loans of €23.4 billion (previous year: €23.1 billion) and capital investments of €49.1 billion (previous year: €45.9 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).

The W&W Group maintains valuation reserves primarily for building loans in the amount of €523.1 million (previous year: €393.0 million) and for investment properties in the amount of €497.1 million (previous year: €485.4 million).

Valuation reserves for senior fixed-income securities and for senior debenture bonds and registered bonds have decreased significantly as a result of the recategorisation of a large portion of the “at cost” portfolios to the category “at fair value through other comprehensive income”.

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 of €2.0 billion (previous year: €1.7 billion) – totalled €37.6 billion (previous year: €34.7 billion). This includes €29.6 billion (previous year: €29.0 billion) for the provision for future policy benefits, €4.8 billion (previous year: €2.9 billion) for the provision for premium refunds, and €2.6 billion (previous year: €2.5 billion) for the provision for outstanding insurance claims. Liabilities primarily relate to liabilities to customers in the amount of €23.8 billion (previous year: €23.6 billion). They largely consist of deposits from home loan savings business amounting to €19.5 billion (previous year: €19.3 billion).

Liquidity

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

The cash flow statement shows inflows of cash amounting to €341.8 million (previous year: €315.8 million) from operating activities and outflows of cash amounting to €472.9 million (previous year: €321.7 million) for investing activities, including capital investments. Financing activities resulted in an outflow of cash of €81.2 million (previous year: €46.8 million). This resulted in a net change in cash of –€212.3 million in the reporting year.

Equity

As at 30 June 2019, the W&W Group’s equity stood at €4,837.7 million, compared with €4,236.3 million as at 31 December 2018.

This includes consolidated net profit as at 30 June 2019, as well as net income included in equity totalling €661.0 million. In addition, equity was reduced by the dividend payment of €60.9 million. Other effects increased equity by €1.3 million.

Related party disclosures

Detailed related party disclosures are found 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.

The market opportunities derived from this are discussed with management and then 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.

Risk report

Risk reporting in the W&W Group’s Half-Year Financial Report is carried out in compliance with Section 115 in conjunction with Section 117, no. 2 of the German Securities Trading Act (WpHG) and German Accounting Standard 16.

Risk management

W&W AG is the ultimate parent company of the financial conglomerate (W&W Group), the Solvency II Group and the financial holding group. The objectives and principles of risk management described in the 2018 Annual Report continued to apply in the W&W Group as at 30 June 2019. The planned enhancements of risk models and risk governance processes are continuously pursued. These include, inter alia, modifications to conform to new and changing regulatory requirements and to realign/enhance risk-bearing capacity concepts and models, including measures for ensuring risk-bearing capacity, the promotion of a Group-wide risk culture and process and data optimisation.

The organisational and operational structure of our risk management system as at 30 June 2019 corresponds to that described in the 2018 Annual Report, with the exception of the changes described below. Effective 1 July 2019, Wüstenrot & Württembergische AG expanded its Executive Board. Jürgen Steffan assumed responsibility for a newly created remit, which consists of the departments Risk, Compliance and Data Management, Group Controlling and Cost Controlling.

Wüstenrot & Württembergische AG sold its subsidiary Wüstenrot Bank AG Pfandbriefbank to Oldenburgische Landesbank AG (legal successor to Bremer Kreditbank AG). Following the granting of official approvals in May 2019, the new owner took control of the bank with effect on 1 June 2019. With the transfer of control, Wüstenrot Bank AG was removed from the scope of risk consolidation.

As described in the 2018 Annual Report, Wüstenrot Bausparkasse AG concluded a contract at the end of 2018 to purchase Aachener Bausparkasse AG. Change of control is currently expected to take place in the course of the 2019 financial year. Following change of control to Wüstenrot Bausparkasse AG, Aachener Bausparkasse AG will be included in the Group-wide risk management system as a participation of Wüstenrot Bausparkasse AG.

Basic conditions

Macroeconomic developments are described in the section “Business environment” in this Half-Year Financial Report.

Please see the section “Outlook” with respect to anticipated developments.

As part of the risk strategy, the W&W Group strives for an economic risk-bearing capacity ratio of greater than 145% (based on a confidence level of 99.5%). For the financial holding group, the target ratio is greater than 125% (based on a confidence level of 99.9%), and for W&W AG, greater than 125% (based on a confidence level of 99.5%). In this regard, within the financial holding group, the confidence level for the presentation of the risk capital requirements of Wüstenrot Bausparkasse AG was increased to 99.9% in accordance with the guidelines on risk-bearing capacity issued by BaFin (Federal Financial Supervisory Authority). Accordingly, the confidence level and the target ratio were adjusted for the financial holding group.

Our calculations show that risk-bearing capacity exceeded these target ratios as at 30 June 2019.

Current risk situation

The risk areas depicted in the 2018 Annual Report remained valid without change as at 30 June 2019:

- Market price risks,
- Counterparty credit risks,
- Underwriting risks,
- Operational risks,
- Business risks,
- Liquidity risks.

Compared with the risk report contained in the 2017 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

Persistently 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 interest-rate-dependent capital investments. When interest rates drop, long-term obligations experience more severe changes in value than do shorter-term investments that are sensitive to interest rates. This results in a decreased amount of economic own funds, which also puts pressure on the risk-bearing capacity of, inter alia, Württembergische Lebensversicherung AG, Karlsruher Lebensversicherung AG and Wüstenrot Bausparkasse AG. Similarly, falling discounting rates for pension provisions put pressure on economic own funds also with respect to W&W AG and Württembergische Versicherung AG. Persistently low interest rates pose a risk to earnings, as new investments and reinvestments can be made only at lower interest rates, while previously assured interest rates and interest obligations still need to be fulfilled for customers. If interest rates remain low, they would also continue to have an increasing negative impact on valuation reserves.

The persistent level of low interest rates also poses great challenges for pension funds, including Allgemeine Rentenanstalt Pensionskasse AG, in terms of building up the additional interest reserve and interest rate reinforcement.

There continue to be growing uncertainties resulting from geopolitical crises and developments (particularly developments in the Middle East and Asia, sovereign debt in the EU and Brexit), which could lead to turmoil on the financial markets. In addition, a weakening economic environment is causing concerns with respect to the further development of the world economy (e.g. because of U.S. trade policies).

The objectives and risk governance measures described in the 2018 Annual Report for the risk area “Market price risks” remain valid.

Counterparty credit risks

As described in the 2018 Annual Report, we continue to emphasise ensuring high creditworthiness for our bond portfolio, as well as a good collateral structure. Nevertheless, as a result of our portfolio being concentrated on financial securities and government bonds, which is a consequence of our business model, the W&W Group is exposed both to the associated systemic risk and to the counterparty credit risk that exists at the level of the individual issuer.

Because of the continuing uncertainty relating to Brexit and to Italian sovereign debt, downgrades cannot be ruled out, and this may have an impact on the counterparty credit risk of investments.

The economic outlook worsened in the first half of 2019. No significant changes are expected for counterparty credit risks in the customer lending business of Wüstenrot Bausparkasse AG.

The objectives and risk governance measures described in the 2018 Annual Report for the risk area “Counterparty credit risks” remain valid.

Underwriting risks

Claims relating to natural disasters in the first half of 2019 were significantly lower than the claims made in the previous year. The lower number of claims is attributable to the absence of serious storms, such as Cyclone Friederike in the previous year. Subject to the occurrence of severe storms, we expect that in the second half of the year, claims development will be similar to that for the first half of 2019.

The persistent level of low interest rates, coupled with long-term customer guarantees, also has a negative impact on underwriting risk in life insurance and with regard to pension funds.

The objectives and risk governance measures described in the 2018 Annual Report for the risk area “Underwriting risks” remain applicable.

Business risks

Business risks arise in connection with the W&W Group’s general business activities, including new business models, and from changes in the industry environment.

Financial performance within the W&W Group continues to be marked by continuing low interest rates and the still challenging market situation for new business, particularly for new home loan savings and construction financing business.

In the W&W Group, strategy is implemented in connection with “W&W Besser!” In this regard, the focus is on digital transformation in all segments. With this in mind, we designed “W&W Besser!” to be comprehensive. The W&W Group pushed ahead with its “W&W Besser!” projects in the first half of 2019, as described in the section “Development of business”.

In addition, unfavourable developments in the political, economic or legal environment may create further, possibly significant risk potentials.

Summary

Despite the renewed drop in interest rates, the W&W Group and W&W AG at all times had sufficient economic and supervisory risk-bearing capacity in the first half of 2019. Pursuant to our economic risk-bearing capacity model, we had sufficient risk capital in order to be able to cover the assumed risks with a high degree of confidence. For the assessment of the overall risk profile of the W&W Group and W&W AG, please see the 2018 Group Management Report.

The W&W Group has a risk management system in place that is capable of identifying existing and foreseeable 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. In July 2019 S&P confirmed the ratings of the core W&W companies. The confirmation also reflects, inter alia, the positive assessment of the risk management system of the W&W Group, particularly with respect to the implemented risk controls and strategic risk management.

Outlook

With respect to financial performance, we see risks and opportunities, in particular, in connection with trends on the capital markets and in interest rates, as well as with claims development.

Overall, the positive development in the first half of 2019 makes us very confident that we will achieve consolidated net income within the long-term target range of €220 to €250 million for the full 2019 financial year. From today's perspective, we expect a result in the upper range of the range. In 2018, consolidated net income amounted to €215 million.

We expect the Home Loan and Savings Segmant‘s Result at the end of 2019 to be significantly lower than the previous year's result due to presumably no special effects in connection with investment activities. For the property/casualty segment, earnings are significantly higher than in the previous year. This is mainly attributable to the positive development of the underwriting result, but also to an improved IFRS valuation result of financial instruments.

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 business operations of the companies, the actual results may differ from those currently anticipated.

Therefore, the company does not assume any liability for the forward-looking statements. There is no obligation to adjust forward-looking statements to conform to actual events or to update them.

Consolidated balance sheet

Assets

in € thousands	cf. Note no[1]	30/6/2019	31/12/2018
Cash reserves		**85,639**	**83,898**
Non-current assets held for sale and discontinued operations	1	**—**	**1,236,580**
Financial assets at fair value through profit or loss	2	**7,670,329**	**6,778,739**
Thereof sold under repurchase agreements or lent under securities lending transactions		–	29,606
Financial assets at fair value through other comprehensive income	3	**36,956,668**	**32,044,702**
Thereof sold under repurchase agreements oder lent under securities lending transactions		**114,219**	**—**
Financial assets at amortised cost	4	**26,789,972**	**28,102,415**
Subordinated securities and receivables		165,089	133,380
Senior debenture bonds and registered bonds		74,926	1,087,957
Senior fixed-income securities		149,416	1,054,900
Building loans		23,401,026	23,098,798
Other loans and receivables		2,999,515	2,727,380
Positive market values from hedges	5	**347,482**	**61,686**
Financial assets accounted for using the equity method		**88,328**	**93,016**
Investment property	6	**1,920,592**	**1,827,055**
Reinsurers' portion of technical provisions		**305,729**	**297,212**
Other assets		**1,684,849**	**1,513,938**
Intangible assets		97,118	99,701
Property, plant and equipment		391,032	287,461
Inventories		185,692	190,254
Current tax assets		17,899	37,372
Deferred tax assets		938,117	825,619
Other assets		54,991	73,531
Total assets		**75,849,588**	**72,039,241**

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

Liabilities

in € thousands	cf. Note no	30/6/2019	31/12/2018
Liabilities under non-current assets classified as held for sale and discontinued operations	1	**—**	**952,652**
Financial liabilities at fair value through profit or loss		**374,685**	**455,318**
Liabilities	7	**27,890,435**	**27,585,077**
Liabilities evidenced by certificates		1,227,890	1,286,568
Liabilities to credit institutions		1,578,878	1,454,518
Liabilities to customers		23,786,027	23,580,660
Finance lease liabilities		86,198	20,133
Miscellaneous liabilities		1,211,442	1,243,198
Negative market values from hedges	8	**591,592**	**126,449**
Technical provisions	9	**37,602,188**	**34,728,212**
Other provisions	10	**2,974,028**	**2,653,801**
Other liabilities		**1,145,335**	**865,925**
Current tax liabilities		206,010	262,460
Deferred tax liabilities		926,991	570,313
Other liabilities		12,334	33,152
Subordinated capital	11	**433,646**	**435,476**
Equity	12	**4,837,679**	**4,236,331**
Interests of W&W shareholders in paid-in capital		1,486,514	1,485,595
Interests of W&W shareholders in earned capital		3,316,636	2,725,867
Retained earnings		2,955,163	2,855,048
Other reserves (other comprehensive income)		361,473	−129,181
Non-controlling interests in equity		34,529	24,869
Total liabilities		**75,849,588**	**72,039,241**

Consolidated income statement

in € thousands	cf. Note no	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
Current net income	13	**597,468**	**640,567**
Net interest income		467,474	513,797
Interest income		755,765	811,017
Thereof calculated using the effective interest method		691,512	747,117
Interest expenses		–288,291	–297,220
Dividend income		99,388	99,121
Other current net income		30,606	27,649
Net income/expense from risk provision	14	**–13,574**	**13,414**
Income from risk provision		53,806	60,285
Expenses from risk provision		–67,380	–46,871
Net measurement gain/loss	15	**462,663**	**–104,129**
Measurement gains		1,177,940	654,641
Measurement losses		–715,277	–758,770
Net income/expense from disposals	16	**468,100**	**385,699**
Income from disposals		479,162	428,399
Expenses from disposals		–11,062	–42,700
Thereof gains/losses from financial assets at amortised cost		47	–528
Net financial result		**1,514,657**	**935,551**
Thereof net income/expense from financial assets accounted for using the equity method		709	1,420
Net commission expense	17	**–221,064**	**–201,191**
Commission income		127,769	133,803
Commission expenses		–348,833	–334,994
Earned premiums (net)	18	**2,119,378**	**1,980,868**
Earned premiums (gross)		2,185,829	2,042,162
Premiums ceded to reinsurers		–66,451	–61,294
Insurance benefits (net)	19	**–2,582,897**	**–2,035,965**
Insurance benefits (gross)		–2,612,608	–2,073,690
Received reinsurance premiums		29,711	37,725

in € thousands	cf. Note no	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
General administrative expenses		**–532,881**	**–523,301**
Personnel expenses		–309,956	–293,305
Materials costs		–185,555	–200,469
Depreciation/amortisation		–37,370	–29,527
Net other operating income/expense		**–45,628**	**9,699**
Other operating income		117,881	96,816
Other operating expenses		–163,509	–87,117
Consolidated earnings before income taxes from continued operations		**251,565**	**165,661**
Of which are sales revenues[1]		3,524,492	3,428,583
Income taxes	20	–75,735	–49,269
Consolidated net profit		**175,830**	**116,392**
Result attributable to shareholders of W&W AG		175,393	115,748
Result attributable to non-controlling interests		437	644
Basic (= diluted) earnings per share, in €	21	**1.87**	**1.24**
Thereof from continued operations, in €		1.87	1.24

1 Interest, dividends, provisions, rental income and income from real estate business and gross premiums of insurance business

Consolidated statement of comprehensive income

in € thousands		1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
Consolidated net profit		**175,830**	**116,392**
Other comprehensive income			
Elements not reclassified to the consolidated income statement:			
Actuarial gains/losses (–) from pension commitments (gross)		–247,795	22,794
Provision for deferred premium refunds		16,056	–3,697
Deferred taxes		70,860	–5,841
Actuarial gains/losses (—) from pension commitments (net)		**–160,879**	**13,256**
Elements subsequently reclassified to the consolidated income statement:			
Unrealised gains/losses (–) from financial assets at fair value through other comprehensive income (gross)		2,592,410	–617,434
Thereof from the reclassification of financial assets (gross)	12	304,918	—
Provision for deferred premium refunds		–1,665,432	406,980
Deferred taxes		–283,426	55,602
Unrealised gains/losses (–) from financial assets at fair value through other comprehensive income (net)		**643,552**	**–154,852**
Unrealised gains/losses (–) from financial assets accounted for using the equity method (gross)		28	–164
Provision for deferred premium refunds		—	—
Deferred taxes		—	3
Unrealised gains/losses (–) from financial assets accounted for using the equity method (net)		**28**	**–161**

in € thousands	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
Unrealised gains/losses (-) from cash flow hedges (gross)	104	938
Provision for deferred premium refunds	—	—
Deferred taxes	−32	−287
Unrealised gains/losses (-) from cash flow hedges (net)	**72**	**651**
Currency translation differences of economically independent foreign units	**2,418**	**−3,975**
Total other comprehensive income, gross	2,347,165	−597,841
Total provision for deferred premium refunds	−1,649,376	403,283
Total deferred taxes	−212,598	49,477
Total other comprehensive income, net	**485,191**	**−145,081**
Total comprehensive income for the period	**661,021**	**−28,689**
Result attributable to shareholders of W&W AG	651,361	−27,274
Result attributable to non-controlling interests	9,660	−1,415

Consolidated statement of changes in equity

		Interests of W&W shareholders equity	
		Share capital	Capital reserve
in € thousands	cf. Note no.		
Equity as at 1 January 2017		**489,271**	**995,374**
Effect from the initial application of IFRS 9		–	–
Effect from the initial application of IFRS 15		–	–
Equity as at 1 January 2018		**489,271**	**995,374**
Consolidated net profit		–	–
Other comprehensive income		–	–
Total comprehensive income for the period		**–**	**–**
Dividends to shareholders	12	–	–
Treasury shares		377	573
Other		–	–
Equity as at 30 June 2018		**489,648**	**995,947**
Equity as at 1 January 2019		**489,648**	**995,947**
Changes to the scope of consolidation		–	–
Consolidated net profit		–	–
Other comprehensive income		–	–
Total comprehensive income for the period		**–**	**–**
Dividends to shareholders	12	–	–
Treasury shares		381	538
Other		–	–
Equity as at 30 June 2019		**490,029**	**996,485**

						Equity attributable to W&W shareholders	Non-controlling interests in equity	Total equity
					Interests of W&W shareholders in equity			
Retained earnings					Other reserves			
	Reserve for pension commitments	Reserve from fixed-income financial assets accounted for at fair value directly in equity (OCI)	Reserve for financial assets accounted for using the equity method	Reserve for cash flow hedges	Reserve for currency translation			
2,544,484	**–574,252**	**464,985**	**7,594**	**–1,126**	**17,837**	**3,944,167**	**20,691**	**3,964,858**
154,833	–	221,403	–7,395	–	–	368,841	7,950	376,791
1,993	–	–	–	–	–	1,993	–	1,993
2,701,310	**–574,252**	**686,388**	**199**	**–1,126**	**17,837**	**4,315,001**	**28,641**	**4,343,642**
115,748	–	–	–	–	–	115,748	644	116,392
–	13,236	–152,773	–161	651	–3,975	–143,022	–2,059	–145,081
115,748	**13,236**	**–152,773**	**–161**	**651**	**–3,975**	**–27,274**	**–1,415**	**–28,689**
–60,855	–	–	–	–	–	–60,855	–	–60,855
360	–	–	–	–	–	1,310	–	1,310
–154	–	202	–	–	–	48	–396	–348
2,756,409	**–561,016**	**533,817**	**38**	**–475**	**13,862**	**4,228,230**	**26,830**	**4,255,060**
2,855,048	**–558,568**	**413,314**	**41**	**–153**	**16,185**	**4,211,462**	**24,869**	**4,236,331**
–14,686	14,686	–	–	–	–	–	–	–
175,393	–	–	–	–	–	175,393	437	175,830
–	–160,789	634,239	28	72	2,418	475,968	9,223	485,191
175,393	**–160,789**	**634,239**	**28**	**72**	**2,418**	**651,361**	**9,660**	**661,021**
–60,902	–	–	–	–	–	–60,902	–	–60,902
364	–	–	–	–	–	1,283	–	1,283
–54	–	–	–	–	–	–54	–	–54
2,955,163	**–704,671**	**1,047,553**	**69**	**–81**	**18,603**	**4,803,150**	**34,529**	**4,837,679**

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 €85.6 million (previous year: €151.7 million), the cash reserve held for disposal in the amount of €0 (previous year: €344.6 million) and bank deposits payable on demand in the amount of €1,139.6 million (previous year: €843.1 million) that are reported under the item "Other receivables". The cash reserve consists of cash on hand, deposits with central banks and deposits with foreign postal giro offices.

Included in "Cash flow from financing activities" are deposits in the amount of €919 thousand (previous year: €949 thousand) from the sale of treasury shares in connection with an employee share ownership programme. The W&W Group can freely dispose of its cash and cash equivalents. As at 30 June 2019, the legally mandated balances with national central banks that are subject to reserve requirements amounted to €52.5 million (previous year: €55.3 million).

Condensed consolidated cash flow statement

in € thousands	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
Consolidated net profit	**175,830**	**116,392**
Increase (–)/decrease (+) in building loans	–395,535	171,605
Increase (+)/decrease (–) in liabilities evidenced by certificates	84,439	53,326
Increase (+)/decrease (–) in liabilities to credit institutions	213,458	25,725
Increase (+)/decrease (–) in liabilities to customers	965,365	–184,690
Other changes	–701,717	133,464
I. Cash flow from operating activities	**341,840**	**315,822**
Cash receipts from the disposal of intangible assets and property, plant and equipment	994	291
Cash payments for investments in intangible assets and property, plant and equipment	–77,721	–24,517
Cash receipts from the disposal of financial assets	7,249,029	7,450,986
Cash payments for investments in financial assets	–7,655,026	–7,748,175
Cash receipts from the loss of control over subsidiaries	9,812	—
Cash receipts from the disposal of interests in financial assets accounted for using the equity method	15	—
Cash payments for investments in financial assets accounted for using the equity method	—	–256
II. Cash flow from investing activities	**–472,947**	**–321,671**
Dividend payments to shareholders	–60,902	–60,855
Transactions between shareholders	919	600
Change in funds resulting from subordinated capital	–10,000	15,159
Interest payments on subordinated capital	–2,122	—
Cash payments towards lease liabilities	–9,080	–1,690
III. Cash flow from financing activities	**–81,185**	**–46,786**

in € thousands	2019	2018
Cash and cash equivalents as at 1 January	**1,437,128**	**1,391,890**
Net change in cash and cash equivalents (I.+II.+III.)	–212,292	–52,635
Change in cash and cash equivalents attributable to the effects of exchange rates and the scope of consolidation	379	190
Cash and cash equivalents as at 30 June	**1,225,215**	**1,339,445**

Selected explanatory notes

General accounting principles and application of IFRS

General information

In accordance with the provisions of Section 115 in conjunction with Section 117, 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 (2) sentence 4 and Section 315 (1) sentence 5 of the German Commercial Code (HGB). The interim group management report is prepared in accordance with the applicable provisions of the WpHG and the 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 2018, as well as those applicable from 1 January 2019 for the first time. The material effects on the presentation of the assets, financial position and financial performance resulting from the initial application of IFRS 16 are explained in the following.

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 315e HGB in conformity with the International Financial Reporting Standards (IFRSs), 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 2018.

The Executive Board of Wüstenrot & Württembergische AG authorised publication of the consolidated half-year financial report on 5 August 2019.

Employee share ownership programme

An employee share ownership programme was again offered in the first half of 2019. It enabled all employees of companies in the W&W Group who were entitled to participate to acquire up to 40 shares of W&W AG at a price of €12.62 per share, which represented a discount of €5.00 per share. The employees are required to hold these shares for at least three years.

Treasury shares in the portfolio were used for this programme. Employees acquired a total of 72,840 of these shares. Thus, as at 30 June 2019, W&W AG holds 53,886 treasury shares. This resulted in personnel expenses of €0.4 million.

Utilisation of discretionary judgments and estimates

The discretionary judgments made in connection with the initial application of IFRS 16 "Leases" are depicted in the section "IFRS 16 'Leases'".

In addition, there were no material changes in connection with the utilisation of discretionary judgments and estimates.

Accounting policies

Changes in accounting policies

International Financial Reporting Standards (IFRSs) to be applied for the first time in the reporting period

With the exception of the standards described below, which were required to be applied for the first time, the same accounting policies were applied as in the consolidated financial statements as at 31 December 2018.

- IFRS 16 with initial application for financial years starting on or after 1 January 2019,
- Amendments to IAS 28 with initial application for financial years starting on or after 1 January 2019,
- Amendments to IAS 19 with initial application for financial years starting on or after 1 January 2019,
- Amendments to IFRS 9 (“Prepayment Features with Negative Compensation”) with initial application for financial years starting on or after 1 January 2019,
- Annual Improvements to IFRSs 2015–2017 Cycle (IFRS 3, IFRS 11, IAS 12, IAS 23) with initial application for financial years starting on or after 1 January 2019 and IFRIC 23 with initial application for financial years starting on or after 1 January 2019.

The initial application of IFRS 16 had no material effects on the presentation of the net assets, financial position and financial performance of the W&W Group as at the time of initial application. The other described changes likewise had no material effects on the presentation of the net assets, financial position and financial performance of the W&W Group.

IFRS 16 “Leases”

In general
On 13 January 2016, the IASB issued IFRS 16, which replaces IAS 17. IFRS 16 was adopted in EU law on 9 November 2017. The W&W Group began applying the new IFRS 16 standard on 1 January 2019.

The core concept underlying the new standard is that generally all of a lessee’s leases and the associated contractual rights and obligations are to be recognised in the balance sheet. The distinction previously made under IAS 17 between finance leases and operating leases thus no longer applies, and in future a lessee is instead required to recognise a right-of-use asset and a lease liability at the commencement of each lease and measure them on an ongoing basis. A lessor may continue to classify its leases as operating leases or finance leases and to account for those two types of leases differently. The accounting model under IFRS 16 does not materially differ from that under IAS 17.

We applied the modified retrospective method on the date of initial application, meaning that we did not adjust the information for 2018 under IAS 17. In connection with initial application, we did not identify any material effects as lessee and lessor that led to an adjustment of the balance sheet value of retained earnings under this method.

W&W Group as lessee
As lessee, the W&W Group is affected, in particular, in connection with the leasing of properties and vehicles. Most of these leases were previously accounted for as operating leases, with only lease expenses being recognised in general administrative expenses. As a result of the new standard, assets and liabilities for these leases are being accounted for in the consolidated balance sheet for the first time. With regard to the consolidated income statement, lease expenses in the 2018 financial year were recognised in general administrative expenses under the sub-item “Materials costs”. Now, from the 2019 financial year, depreciation/amortisation will be recognised in general administrative expenses under the sub-item “Depreciation/amortisation”, and interest expenses for lease liabilities will be recognised in current net income under the sub-item “Interest expenses”. Leases previously depicted as finance leases under IAS 17 will be accounted for identically under IFRS 16. A central system solution was implemented for the purposes of recognising leases and accounting for right-of-use assets and the associated lease liabilities.

The W&W Group made the following material elections and adopted the following practical expedients in the course of initial application of IFRS 16:

- IFRS 16 is not being applied to intangible assets.
- Short-term leases with a term of up to one year are, as in the past, recognised as an expense in the income statement on a straight-line basis over the lease term. This also applies to leases whose term ends within 12 months of the date of initial application.
- Leases whose underlying asset is of low value (€6 thousand) are, as in the past, recognised as an expense in the income statement on a straight-line basis over the lease term.

- We have adopted the practical expedient that we will not reassess whether a contract is, or contains, a lease as at the date of initial application.
- Furthermore, for the purposes of measuring the right-of-use asset for leases that were previously classified as operating leases under IAS 17, we elected to apply an amount equal to the future lease liability.

In connection with the initial application of IFRS 16, we exercised the following material discretionary judgments:

- In the case of leases with an indefinite term in the area of leased properties, the term of the relevant lease is determined from either a legal or a financial perspective, taking into account the information currently available in each case, in order to specify the estimated expected term in such cases.
- The lease payments for each lease are discounted using our incremental borrowing rate, since the interest rate implicit in the lease normally cannot can be readily determined. The incremental borrowing rate means the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental interest rate is determined on the basis of an alternative borrowing in the form of an observable return over a period that corresponds to the term of the relevant lease. In addition, the lessee's credit default risk is taken into account in the interest rate, paying regard to term and creditworthiness.

As at the date of initial application on 1 January 2019, the W&W Group as lessee recognised the following rights-of-use assets and created the following lease liabilities in the balance sheet. This did not result in any differences between assets and liabilities, i.e. there was no conversion effect with respect to equity.

Reconciliation of net balances from IAS 17 to IFRS 16

in € thousands

Minimum lease payments for operating leases as at 31 December 2018	125,489[1]
Minimum lease payments (nominal value) for finance lease liabilities as at 31 December 2018	21,266
Practical expedient for short-term leases	–120
Non-exercise of the option to apply IFRS 16 to leases of intangible assets (IFRS 16.4)	–40,945
Gross lease liabilities as at 1 January 2019	**105,690**
Discounting	–12,198
Lease liabilities as at 1 January 2019	**93,492**
Present value of finance lease liabilities as at 31 December 2018	20,133
Additional lease liabilities from the initial application of IFRS 16 as at 1 January 2019	**73,359**

1 Previous year's figure adjusted.

The W&W Group applied its incremental borrowing rate as at 1 January 2019 for the measurement of liabilities under leases. The weighted average value of the incremental borrowing rate amounted to 2.07%.

The W&W Group recognises its right-of-use assets under the same balance sheet items as for the assets that it actually owns. Right-of-use assets that meet the definition of investment property are recognised there. The carrying amounts of right-of-use assets are as follows:

Carrying amounts of right-of-use assets

in € thousands	30/6/2019	1/1/2019
Right-of-use assets – Investment property	**9,133**	**9,408**
Right-of-use assets – Property, plant and equipment	**75,409**	**82,960**
Right-of-use assets – Property for own use	70,495	76,772
Right-of-use assets – Motor vehicles	2,694	3,436
Right-of-use assets – IT hardware	2,220	2,752
Total	**84,542**	**92,368**
Carrying value of right-of-use assets under finance leases as at 31 December 2018		-19,009
Additional right-of-use assets from the initial application of IFRS 16		**73,359**

W&W Group as lessor
The W&W Group leases out its investment property. These leases were classified as operating leases under IAS 17 and continue to be classified this way under IFRS 16. The accounting policies to be applied under IFRS 16 as lessor are essentially identical to those under IAS 17.

The initial application of IFRS 16 did not result in any material adjustments to the accounting policies as lessor.

Consolidation

Changes to the scope of consolidation

Additions to the scope of consolidation

In the first half of 2019, the fund LBBW AM REA-Fonds, Stuttgart, was added to the scope of consolidation.

Disposals from the scope of consolidation

In the first half of 2019, Wüstenrot Bank AG Pfandbriefbank, Ludwigsburg, W&W Produktion GmbH i.L., Berlin and the fund LBBW-AM 93, Stuttgart, were eliminated from the scope of consolidation.

The initial consolidation of the fund LBBW AM REA-Fonds and the deconsolidation of W&W Produktion GmbH i.L. and the fund LBBW-AM 93 had no material impact on net assets, financial position and financial performance.

Further information about the disposal of Wüstenrot Bank AG Pfandbriefbank can be found in Note 1 “Non-current assets held for sale and discontinued operations”.

Accounting policies

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 a 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 are available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs.

If, however, 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. These loans are allocated to the item “Financial assets at amortised cost” and are accordingly measured for accounting purposes at amortised cost.

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).

The level to which the financial instrument is assigned in its entirety is determined on the basis of the lowest level input factor in the hierarchy that is significant to the entire measurement of fair value. For this purpose, the significance of an input factor is evaluated in relation to fair value in its entirety. In evaluating the significance of a given input factor, the specific features of the asset or liability are analysed and regularly reviewed during the reporting period.

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 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 measurement models using parameters that are directly or indirectly observable on the market (e.g. interest rate, exchange rate, volatility, prices offered by third parties) (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). The level utilised in the respective balance sheet items can be found in Note 22.

Unadjusted quoted or market prices (Level 1) are used to measure financial instruments under the items “Financial assets at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss”.

The measurement methods used for determining fair value in 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” and “Financial assets at fair value through other comprehensive income”. 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”. Fund units and capital investments for the account and risk of holders of life insurance policies are mainly allocated to Level 2.

Level 3 for the item “Financial assets at fair value through profit or loss” is characterised by non-exchange-traded equities, as well as investments, including alternative investments. Fair value is largely determined on the basis of the net asset value (NAV). If no information is available, amortised cost is used as an approximate value for fair value. Level 3 for items that are not measured at fair value mainly consists of construction loans.

The fair value of options not traded on an exchange is calculated using generally accepted option-pricing models that correspond to each option's type and the generally accepted underlying assumptions on which they are based. The value of options is determined, in particular, by the value of the underlying asset and its volatility, the agreed base price, interest rate or index, the risk-free interest rate and the contract's residual term to maturity. Options measured using option-pricing models are found in the class "Derivative financial instruments", which is derived from the items "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss".

A CVA/DVA estimate was performed for OTC derivatives. The result obtained from this assessment was recognised in the consolidated half-year financial report as at 30 June 2019. Most concluded derivatives are collateralised, meaning that the counterparty risk is nearly eliminated.

The fair values of the classes of financial instruments derived from the items "Financial assets at amortised cost", "Liabilities" and "Subordinated capital" and their fair values listed in the notes to the consolidated financial statements are in general likewise measured using the present-value method.

Applicable to all classes is that liquidity and rating spreads observable on the financial market are taken into account when measuring financial instruments. The measurement spread is determined by comparing reference curves with the financial instrument's corresponding risk-free money market and swap curves. Maturity-dependent spreads are used for the purposes of measurement, which also take into account the quality of the issuer within the various issuer groups within a rating class.

The fair value of cash and cash equivalents corresponds to the carrying amount, which is primarily due to the short term of these instruments. These financial instruments are recognised in the class "Cash reserves" and in the risk category "Other loans and advances".

Measurement gains and losses are significantly influenced by the underlying assumptions, particularly by the determination of cash flows and discounting factors.

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, some business segments are combined within the Life and Health 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.

Housing

The reportable segment Housing consists of an (operational) business segment and includes a range of home loan savings and banking products primarily for retail customers, e.g. home loan savings contracts, bridging loans and mortgage loans. The segment was previously called Home Loan Savings Bank and also included Wüstenrot Bank AG Pfandbriefbank, which was sold in the second quarter of 2019.

Life and Health Insurance

The reportable segment Life and Health Insurance consists of various business segments, all of which have similar economic characteristics and are comparable in terms of the aggregation criteria in IFRS 8.

The reportable segment Life and Health Insurance 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 reportable segment Property/Casualty Insurance 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 segments

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”, since they are not directly related to the other reportable segments. It also includes interests in subsidiaries of W&W AG that are not consolidated in “All other segments” because they are allocated to another segment.

Consolidation/reconciliation

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

The valuation principles of the segment reporting correspond to the accounting and valuation methods used in the IFRS consolidated financial statements, with the following exceptions. In accordance with Group-wide reporting and management, IAS 17 continues to be applied to intragroup contractual leases. The shares in the subsidiaries of W&W AG that are not consolidated in All other segments are measured at fair in equity (in Other comprehensive income [OCI], which is not reclassified to the consolidated income statement).

Segment income statement

in € thousands	Home Loan and Savings Bank		Life and Health Insurance	
	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
Current net income	113,783	142,194	403,733	430,932
Net result from risk provision	–4,644	13,425	–5,949	2,687
Net measurement gain/loss	23,354	–25,181	402,365	–64,754
Net income from disposals	75,919	72,406	338,113	313,083
Net financial result	**208,412**	**202,844**	**1,138,262**	**681,948**
Net commission result	9,902	5,330	–67,118	–60,512
Earned premiums (net)	–	–	1,220,165	1,122,075
Insurance benefits (net)	–	–	-2,120,260	– 1,582,140
General administrative expenses[3]	–168,558	–173,310	–132,733	–126,579
Net other operating result	6,654	10,298	–17,164	–11,214
Segment net income before income taxes from continued operations	**56,410**	**45,162**	**21,152**	**23,578**
Income taxes	–17,374	–15,128	–8,577	–8,838
Segment net income after taxes	**39,036**	**30,034**	**12,575**	**14,740**
Other disclosures				
Total revenue[4]	473,622	530,637[5]	1,648,403	1,583,092[5]
thereof with other segments	11,329	11,298	16,363	19,481[5]
thereof with external customers	462,293	519,339[5]	1,632,040	1,563,611[5]
Segment assets[6]	29,693,479	29,436,647	37,813,412	34,911,322
Segment debts[6]	27,745,022	27,840,950	36,967,760	34,259,565
Financial assets accounted for using the equity method[6]	–	–	40,607	43,102

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 rental income with other segments and service revenues.
4 Interest, dividend, commission and rental income, as well as income from property development business and gross premiums written.
5 Previous year's figure adjusted.
6 Values as at 30 June 2019 and 31 December 2018, respectively.

	Property and casualty insurance		Total for reportable segments		All other segments[1]		Consolidation/ reconciliation[2]		Group	
	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
	39,059	38,701	556,575	611,827	161,598	69,976	−120,705	−41,236	597,468	640,567
	−1,056	−797	−11,649	15,315	−2,368	−2,065	443	164	−13,574	13,414
	40,050	−5,438	465,769	−95,373	22,173	−11,202	−25,279	2,446	462,663	−104,129
	4,690	1,789	418,722	387,278	947	−1,579	48,431	—	468,100	385,699
	82,743	**34,255**	**1,429,417**	**919,047**	**182,350**	**55,130**	**−97,110**	**−38,626**	**1,514,657**	**935,551**
	−130,223	−119,059	−187,439	−174,241	−29,461	−26,514	−4,164	−436	−221,064	−201,191
	768,360	732,800	1,988,525	1,854,875	141,332	135,901	−10,479	−9,908	2,119,378	1,980,868
	−387,232	−381,121	−2,507,492	−1,963,261	−85,739	−81,537	10,334	8,833	−2,582,897	−2,035,965
	−182,681	−179,211	−483,972	−479,100	−51,342	−45,599	2,433	1,398	−532,881	−523,301
	−4,060	193	−14,570	−723	−940	13,006	−30,118	−2,584	−45,628	9,699
	146,907	**87,857**	**224,469**	**156,597**	**156,200**	**50,387**	**−129,104**	**−41,323**	**251,565**	**165,661**
	−41,244	−25,800	−67,195	−49,766	−40,570	−15,026	32,030	15,523	−75,735	−49,269
	105,663	**62,057**	**157,274**	**106,831**	**115,630**	**35,361**	**−97,074**	**−25,800**	**175,830**	**116,392**
	1,375,243	1,303,602[5]	3,497,268	3,417,331[5]	525,784	415,420[5]	−498,560	−404,168[5]	3,524,492	3,428,583[5]
	74,522	71,512[5]	102,214	102,291[5]	396,346	301,877[5]	−498,560	−404,168[5]	—	—
	1,300,721	1,232,090[5]	3,395,054	3,315,040[5]	129,438	113,543[5]	—	—	3,524,492	3,428,583[5]
	5,102,662	4,686,166	72,609,553	69,034,135	7,570,864	7,382,713	−4,330,829	−4,377,607	75,849,588	72,039,241
	3,692,676	3,335,945	68,405,458	65,436,460	4,384,082	4,230,562	−1,777,631	−1,864,112	71,011,909	67,802,910
	60,411	54,404	101,018	97,506	7,113	6,812	−19,803	−11,302	88,328	93,016

Information by region (Group)

in € thousands	Revenue from external customers[1]		Non-current assets[2]	
	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018	30/6/2019	31/12/2018
Germany	3,477,541	3,385,997[3]	2,383,656	2,193,945
Czech Republic	46,278	42,117	10,659	5,256
Other countries	673	469	757	542
Total	**3,524,492**	**3,428,583[3]**	**2,395,072**	**2,199,743**

1 Revenue was allocated in accordance with the country in which the operational units are based. This has to do with interest, dividend, commission and rental income, as well as income from property development business and gross premiums written.
2 Non-current assets include investment property, intangible assets and property, plant and equipment.
3 Previous year's figure adjusted.

Notes concerning the consolidated balance sheet

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

in € thousands	30/6/2019	31/12/2018
Cash reserves	–	201,362
Financial assets at fair value through profit or loss	–	10,450
Financial assets at fair value through other comprehensive income (OCI)	–	898,281
Financial assets at amortised cost	–	105,149
Investment property	–	7,678
Other assets	–	13,660
Non-current assets held for sale and discontinued operations	**–**	**1,236,580**

in € thousands	30/6/2019	31/12/2018
Liabilities	–	874,967
Financial liabilities at fair value through profit or loss	–	24,929
Other provisions	–	33,247
Subordinated capital	–	5,813
Other liabilities	–	13,696
Liabilities under non-current assets classified as held for sale and discontinued operations	**–**	**952,652**

The disposal group held for sale as at 31 December 2018 includes the assets and debts of Wüstenrot Bank AG Pfandbriefbank, which was sold on 31 May 2019 and until then had been allocated to the Housing segment. The sale resulted in a deconsolidation gain of €5.3 million. This profit of €48.8 million (previous year: –€43.1 million) was shown in the consolidated income statement in "Net income/expense from disposals" under "Net financial income" and under "Net other operating income/expense".

The property held for sale as at 31 December 2018 has to do with a physical rehabilitation facility in third-party use allocated to the Life and Health Insurance segment. The sale of the physical rehabilitation facility resulted in a gain of €10.5 million, which was recognised in "Net income/expense from disposals".

The sales were made in the first half of 2019 for strategic reasons as well as for reasons of diversification.

The income statement for the subsidiary included in the disposal group, after consolidation, was as follows:

in € thousands	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
Current net income	**5,034**	**5,871**
Net interest income	5,034	5,871
Interest income	8,458	9,551
Interest expenses	−3,424	−3,680
Net expense from risk provision	**−1,799**	**−511**
Income from risk provision	409	372
Expenses from risk provision	−2,208	−883
Net measurement loss	**−27**	**−4,761**
Measurement gains	11,336	1,079
Measurement losses	−11,363	−5,840
Net income/expense from disposals	**5,511**	**−35**
Income from disposals	5,695	—
Expenses from disposals	−184	−35
Net financial income	**8,719**	**564**
Net commission income	**8,310**	**14,977**
Commission income	15,144	18,305
Commission expenses	−6,834	−3,328
General administrative expenses	**−10,712**	**−14,208**
Personnel expenses	−3,503	−5,294
Materials costs	−7,066	−8,914
Depreciation/amortisation	−143	—
Net other operating expense	**−372**	**−1,021**
Other operating income	482	915
Other operating expenses	−854	−1,936
Net income from the disposal group before income taxes	**5,945**	**312**
Income taxes	1,152	1,346
Net income from the disposal group after income taxes	**7,097**	**1,658**

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

in € thousands	30/6/2019	31/12/2018
Participations, shares, fund units	3,437,742	3,034,166
Fixed-income financial instruments that do not pass the SPPI test	1,401,390	1,181,283
Derivative financial instruments	146,559	167,782
Senior fixed-income securities	701,337	684,362
Capital investments for the account and risk of holders of life insurance policies	1,983,301	1,711,146
Financial assets at fair value through profit or loss	**7,670,329**	**6,778,739**

(3) Financial assets at fair value through other comprehensive income (OCI)

in € thousands	30/6/2019	31/12/2018
Subordinated securities and receivables	693,464	663,037
Senior debenture bonds and registered bonds	13,354,273	12,599,732
Senior fixed-income securities	22,908,931	18,781,933
Financial assets at fair value through other comprehensive income (OCI)	**36,956,668**	**32,044,702**

Risk provision by class for debt-financing instruments required to be measured at fair value through other comprehensive income (OCI)

in € thousands	30/6/2019	31/12/2018
Subordinated securities and receivables	–1,249	–640
Senior debenture bonds and registered bonds	–12,798	–7,931
Senior fixed-income securities	–29,518	–23,158
Risk provision	**–43,565**	**–31,729**

(4) Financial assets at amortised cost

	Carrying amount		Fair value	
in € thousands	30/6/2019	31/12/2018	30/6/2019	31/12/2018
Subordinated securities and receivables	165,089	133,380	194,651	141,391
Senior debenture bonds and registered bonds[1]	74,926	1,087,957	78,445	1,241,856
Senior fixed-income securities	149,416	1,054,900	188,375	1,173,253
Building loans[1]	23,401,026	23,098,798	23,924,103	23,491,811
Other loans and receivables	2,999,515	2,727,380	3,001,653	2,728,519
Other loans and advances[2]	2,626,569	2,423,689	2,628,707	2,424,828
Other receivables[3]	372,946	303,691	372,946	303,691
Financial assets at amortised cost	**26,789,972**	**28,102,415**	**27,387,227**	**28,776,830**

1 Includes portfolio hedge adjustment.
2 Receivables that constitute a class pursuant to IFRS 7.
3 Receivables that constitute a class pursuant to IFRS 7 but are not covered by the scope of IFRS 7 and essentially include 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 the carrying amounts of assets at amortised cost by risk provision:

in € thousands	30/6/2019	31/12/2018
Subordinated securities and receivables	**165,089**	**133,380**
Senior debenture bonds and registered bonds	**74,926**	**1,087,957**
Senior fixed-income securities	**149,416**	**1,054,900**
Construction loans	**23,401,026**	**23,098,798**
Loans under home loan savings contracts	1,816,067	1,868,170
Preliminary and interim financing loans	12,631,807	12,282,229
Other construction loans	8,818,509	8,852,120
Portfolio hedge adjustment	134,643	96,279
Other loans and receivables	**2,999,515**	**2,727,380**
Other loans and advances[1]	2,626,569	2,423,689
Miscellaneous receivables[2]	372,946	303,691
Financial assets at amortised cost	**26,789,972**	**28,102,415**

1 Receivables that constitute a class pursuant to IFRS 7.
2 Receivables that constitute a class pursuant to IFRS 7 but are not covered by the scope of IFRS 7 and essentially include receivables from insurance business with disclosure requirements pursuant to IFRS 4.

Included under “Other loans and advances” are loans and advances to credit institutions, not including risk provision, of €2,123.4 million (previous year: €1,943.4 million), of which €1,297.7 million (previous year: €1,289.6 million) were due on demand and €825.6 million (previous year: €653.7 million) were not due on demand.

The sub-item “Portfolio hedge adjustment” has to do with a measurement item from the interest-rate-based measurement of hedged items 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 as at 30 June 2019 resulted from former portfolio fair value hedges, as well as from portfolio fair value hedges that were newly designated in the first half of 2019. The main hedged items were construction loans, registered bonds and debenture bonds.

Risk provision by class for financial assets at amortised cost

in € thousands	30/6/2019	31/12/2018
Subordinated securities and receivables	–429	–145
Senior debenture bonds and registered bonds	–204	–741
Senior fixed-income securities	–118	–469
Building loans	–126,770	–128,293
Other loans and advances	–28,264	–29,623
Other receivables	–10,166	–10,634
Risk provision	**–165,951**	**–169,905**

(5) Positive market values from hedges

in € thousands	30/6/2019	31/12/2018
Fair value hedges	**347,482**	**61,686**
Hedging of interest rate risk	347,482	61,686
Positive market values from hedges	**347,482**	**61,686**

(6) Investment property

The fair value of investment property amounted to €2,417.7 million (previous year: €2,312.4 million).

(7) Liabilities

in € thousands	Carrying amount 30/6/2019	Carrying amount 31/12/2018	Fair value 30/6/2019	Fair value 31/12/2018
Liabilities evidenced by certificates	1,227,890	1,286,568	1,228,901	1,286,147
Liabilities to credit institutions	1,578,878	1,454,518	1,593,713	1,467,573
Liabilities to customers	23,786,027	23,580,660	23,883,209	23,671,757[1]
Finance lease liabilities	86,198	20,133	86,198	20,271
Miscellaneous liabilities	1,211,442	1,243,198	1,211,497	1,243,287
Other liabilities[2]	386,718	351,985	386,773	352,075[1]
Sundry liabilities[3]	824,724	891,213	824,724	891,212
Liabilities	**27,890,435**	**27,585,077**	**28,003,518**	**27,689,035**

1 Previous year's figure adjusted.
2 Liabilities that constitute a class pursuant to IFRS 7.
3 Liabilities that constitute a class pursuant to IFRS 7 but are not covered by the scope of IFRS 7 and essentially include 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	30/6/2019	31/12/2018
Liabilities evidenced by certificates	**1,227,890**	**1,286,568**
Liabilities to credit institutions	**1,578,878**	**1,454,518**
Liabilities to customers	**23,786,027**	**23,580,660**
Deposits from home loan savings business and savings deposits	19,496,254	19,299,783
Other liabilities	4,142,975	4,277,279
Down payments received	3,681	3,598
Portfolio hedge adjustment	143,117	–
Finance lease liabilities	**86,198**	**20,133**
Miscellaneous liabilities	**1,211,442**	**1,243,198**
Other liabilities[1]	386,718	351,985
Sundry liabilities[2]	824,724	891,213
Liabilities from reinsurance business	127,396	119,827
Liabilities from direct insurance business	577,396	639,377
Other sundry liabilities	119,932	132,009
Liabilities	**27,890,435**	**27,585,077**

1 Liabilities that constitute a class pursuant to IFRS 7.
2 Liabilities that constitute a class pursuant to IFRS 7 but are not covered by the scope of IFRS 7 and essentially include liabilities from insurance business with disclosure requirements pursuant to IFRS 4.

Liabilities to customers include a portfolio hedge adjustment. This has to do with a measurement item from the interest-rate-based measurement of liabilities 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 as at 30 June 2019 resulted from portfolio fair value hedges that were newly designated in the first half of 2019.

(8) Negative market values from hedges

in € thousands	30/6/2019	31/12/2018
Fair value hedges	**591,592**	**126,449**
Hedging of interest rate risk	591,592	126,449
Negative market values from hedges	**591,592**	**126,449**

(9) Technical provisions

		Gross
in € thousands	30/6/2019	31/12/2018
Provision for unearned premiums	528,267	242,680
Provision for future policy benefits	29,649,215	28,971,646
Provision for outstanding insurance claims	2,554,542	2,547,021
Provision for premium refunds	4,831,846	2,928,607
Other technical provisions	38,318	38,258
Technical provisions	**37,602,188**	**34,728,212**

(10) Other provisions

in € thousands	30/6/2019	31/12/2018
Provisions for pensions and other long-term employee benefits	1,801,797	1,558,842
Miscellaneous provisions	1,172,231	1,094,959
Other provisions	**2,974,028**	**2,653,801**

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 1.70% as at 31 December 2018 to 0.9%. 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 (OCI).

In the financial year, there were releases from “Miscellaneous provisions” totalling €7.6 million (previous year: €12.9 million).

(11) Subordinated capital

	Carrying amount		Fair value	
in € thousands	30/6/2019	31/12/2018	30/6/2019	31/12/2018
Subordinated liabilities	431,615	433,270	489,219	468,107
Profit participation certificates	2,031	2,206	2,548	2,685
Subordinated capital	**433,646**	**435,476**	**491,767**	**470,792**

(12) Equity

As at 1 January 2019, the W&W Group reclassified senior debenture bonds and registered bonds as well as senior bearer bonds from the business model “Hold to collect” to the business model “Hold to collect and sell”. As a result, portfolios in the category “Financial assets at amortised cost” with a carrying amount of €1,900.0 million were reclassified to the category “Financial assets at fair value through other comprehensive income” with a carrying amount/fair value of €2,206.0 million, with unrealised gains of €305.0 million, gross, being recognised in other comprehensive income (OCI). The business model was adjusted as a consequence of the changed objective (particularly due to the sale of Wüstenrot Bank AG Pfandbriefbank) of earning income in future on a regular basis from cash flows and from the sale of financial assets.

On 5 June 2019, the Annual General Meeting of W&W AG resolved to distribute a dividend in the amount of €0.65 (previous year: €0.65) per share from the unappropriated surplus for the 2018 financial year as calculated in accordance with the German Commercial Code (HGB), which amounted to €65.3 million (previous year: €65.2 million).

Dividends totalling €60,902,292.10 were distributed on 11 June 2019.

Notes concerning the consolidated income statement

(13) Current net income

in € thousands	30/6/2019	30/6/2018
Interest income	**755,765**	**811,017**
Subordinated securities and receivables	12,473	9,939
Fixed-income financial instruments that do not pass the SPPI test	24,058	21,292
Derivative financial instruments	35,171	36,920
Senior debenture bonds and registered bonds	143,369	186,100
Senior fixed-income securities	207,132	202,957
Construction loans	306,658	336,653
Other loans and receivables	23,463	12,672
Other loans and advances	10,684	7,835
Miscellaneous receivables	12,779	4,837
Other	3,441	4,484
Interest expenses	**–288,291**	**–297,220**
Liabilities evidenced by certificates	–6,158	–21,954
Deposit liabilities and other liabilities	–200,604	–198,990
Finance lease liabilities	–871	–189
Reinsurance liabilities	–1,278	–1,409
Miscellaneous liabilities	–1,360	–1,265
Subordinated capital	–10,450	–8,380
Derivative financial instruments	–47,702	–46,576
Other	–19,868	–18,457
Dividend income	**99,388**	**99,121**
Other current net income	**30,606**	**27,649**
Net income from financial assets accounted for using the equity method	709	1,435
Net income from investment property	29,896	26,214
Current net income	**597,468**	**640,567**

Net income from investment property includes income from leasing in the amount of €63.2 million (previous year: €59.1 million. In addition, it includes directly attributable operating expenses for repairs, maintenance and management, as well as depreciation. These expenses consisted of €32.2 million (previous year: €31.0 million) for rental units that generated rental income and €1.2 million (previous year: €1.9 million) for rental units that did not generate any rental income.

(14) Net income from risk provision

in € thousands	30/6/2019	30/6/2018
Income from risk provision	**53,806**	**60,285**
Release of risk provision	46,356	52,391
Subordinated securities and receivables	111	64
Senior debenture bonds and registered bonds	1,671	1,178
Senior fixed-income securities	8,654	5,297
Building loans	33,419	42,798
Other receivables	2,501	3,054
Other loans and advances	2,033	2,141
Miscellaneous receivables	468	913
Release of provisions in lending business, for irrevocable loan commitments, for financial guarantees	2,102	2,149
Write-ups/receipts on written-down securities and receivables	5,348	5,745
Expenses from risk provision	**–67,380**	**–46,871**
Additions to risk provision	–64,412	–44,067
Subordinated securities and receivables	–1,027	–225
Senior debenture bonds and registered bonds	–6,126	–1,825
Senior fixed-income securities	–15,301	–6,450
Building loans	–32,771	–32,680
Other receivables	–9,187	–2,887
Other loans and advances	–8,654	–1,913
Miscellaneous receivables	–533	–974
Additions to provisions in lending business, for irrevocable loan commitments, for financial guarantees	–2,968	–2,804
Net income from risk provision	**–13,574**	**13,414**

(15) Net measurement gain/loss

in € thousands	30/6/2019	30/6/2018
Net income/expenses from financial assets/liabilities at fair value through profit or loss	**573,053**	**−53,107**
Participations, shares, fund units	164,011	−23,386
Senior fixed-income securities	24,761	−6,597
Derivative financial instruments	86,645	13,730
Capital investments for the account and risk of holders of life insurance policies	246,038	−17,079
Fixed-income financial instruments that do not pass the SPPI test	51,598	−19,775
Net income from the discounting of provisions for home loan savings business	**−52,612**	**1,181**
Net income from hedges[1]	**−11,169**	**−24,565**
Impairments/reversals taken on investment property	**−580**	**1,597**
Net currency income	**−46,029**	**−29,235**
Participations, shares, fund units	6,559	23,328
Subordinated securities and receivables	91	480
Fixed-income financial instruments that do not pass the SPPI test	130	2,090
Senior fixed-income securities	19,179	77,595
Other loans and receivables	4,406	11,854
Derivative financial instruments	−77,972	−155,298
Capital investments for the account and risk of holders of life insurance policies	1,765	9,191
Liabilities	−187	1,525
Net measurement gain/loss	**462,663**	**−104,129**

1 Hedge accounting (hedged items and hedging instruments)

Net income/expense from financial assets/liabilities at fair value through profit or loss includes measurement gains in the amount of €755.6 million (previous year: €320.2 million) and measurement losses in the amount of €182.6 million (previous year: €373.3 million). Of this, measurement gains in the amount of €207.2 million (previous year: €119.8 million) and measurement losses in the amount of €120.5 million (previous year: €106.1 million) were attributable to derivatives, which mainly hedged interest-rate-dependent measurement gains and losses on capital investments.

Net currency expense includes gains in the amount of €100.7 million (previous year: €319.9 million) and losses in the amount of €146.8 million (previous year: €349.1 million). Of this, currency gains in the amount of €54.6 million (previous year: €137.9 million) and currency losses in the amount of €132.6 million (previous year: €293.2 million) were attributable to currency derivatives, which hedged currency gains and losses on capital investments.

For changes in the business environment or in the economic environment that affect the fair value of the entity’s financial assets and liabilities, please refer to the interim group management report.

(16) Net income from disposals

in € thousands	30/6/2019	30/6/2018
Income from disposals	**479,162**	**428,399**
Subordinated securities and receivables	1,793	2,054
Senior debenture bonds and registered bonds	261,580	302,811
Senior fixed-income securities	204,891	114,543
Construction loans	1	1
Investment property	10,897	8,990
Expenses from disposals	**−11,062**	**−42,700**
Subordinated securities and receivables	−874	−213
Senior fixed-income securities	−10,132	−41,956
Construction loans	—	−516
Financial assets accounted for using the equity method	—	−15
Investment property	−1	—
Other	−55	—
Net income from disposals	**468,100**	**385,699**

(17) Net commission result

in € thousands	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
Commission income	**127,769**	**133,803**
from the conclusion of building savings contracts	53,624	64,743
from banking/home loan savings business	18,836	19,220
from reinsurance	13,499	11,648
from brokering activities	23,297	16,755
from investment business	15,802	18,936
from other business	2,711	2,501
Commission expenses	**−348,833**	**−334,994**
from insurance	−232,236	−218,682
from banking/home loan savings business	−74,254	−86,579
from reinsurance	−16	−99
from brokering activities	−5,210	−5,306
from investment business	−16,373	−12,686
from other business	−20,744	−11,642
Net commission result	**−221,064**	**−201,191**

(18) Earned premiums (net)

Life and health insurance

in € thousands	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
Gross premiums written	1,172,517	1,082,735
Change in the provision for unearned premiums	14,881	18,845
Premiums from the provision for premium refunds	37,463	26,191
Earned premiums (gross)	**1,224,861**	**1,127,771**
Premiums ceded to reinsurers	–15,175	–15,604
Earned premiums (net)	**1,209,686**	**1,112,167**

Property/casualty insurance and reinsurance

in € thousands	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
Gross premiums written	1,261,436	1,194,460
Direct	1,255,537	1,188,057
Reinsurance	5,899	6,403
Change in the provision for unearned premiums	–300,468	–280,069
Earned premiums (gross)	**960,968**	**914,391**
Premiums ceded to reinsurers	–51,276	–45,690
Earned premiums (net)	**909,692**	**868,701**

(19) Insurance benefits (net)

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

Recognised 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	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
Payments for insurance claims	-1,084,369	-1,060,237
Gross amount	-1,092,396	-1,069,026
Thereof to: reinsurers' portion	8,027	8,789
Change in the provision for outstanding insurance claims	1,824	-8,424
Gross amount	1,319	-8,845
Thereof to: reinsurers' portion	505	421
Change in the provision for future policy benefits	-676,158	-624,955
Gross amount	-676,516	-625,100
Thereof to: reinsurers' portion	358	145
Change in the provision for premium refunds	-351,120	120,448
Gross amount	-351,120	120,448
Thereof to: reinsurers' portion	–	–
Change in other technical provisions	-60	–
Gross amount	-60	–
Thereof to: reinsurers' portion	–	–
Insurance benefits (net)	**-2,109,883**	**-1,573,168**
Gross amount, total	-2,118,773	-1,582,523
Thereof to (total): reinsurers' portion	8,890	9,355

Property/casualty insurance and reinsurance

in € thousands	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
Payments for insurance claims	-450,515	-452,062
Gross amount	-486,795	-483,576
Thereof to: reinsurers' portion	36,280	31,514
Change in the provision for outstanding insurance claims	-24,009	-9,206
Gross amount	-8,393	-7,452
Thereof to: reinsurers' portion	-15,616	-1,754
Change in the provision for premium refunds	-43	-139
Gross amount	-43	-139
Thereof to: reinsurers' portion	–	–
Change in other technical provisions	1,553	-1,390
Gross amount	1,396	–
Thereof to: reinsurers' portion	157	-1,390
Insurance benefits (net)	**-473,014**	**-462,797**
Gross amount, total	-493,835	-491,167
Thereof to (total): reinsurers' portion	20,821	28,370

(20) Income taxes

in € thousands	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
Current income taxes paid for the reporting period	-53,431	-82,637
Current taxes paid for other periods	-3,327	3,551
Deferred taxes	-18,977	29,817
Income taxes	**-75,735**	**-49,269**

(21) Earnings per share

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

		1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
Result attributable to shareholders of W&W AG	in €	175,393,569	115,748,050
Number of shares at the beginning of the financial year	#	93,622,994	93,550,955
Treasury shares on the reporting date	#	-53,886	-126,726
Weighted average number of shares	#	93,659,414	93,585,979
Basic (= diluted) earnings per share	in €	**1.87**	**1.24**

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

Notes concerning financial instruments and fair value

(22) Disclosures concerning the measurement of fair value

The level classification is determined monthly throughout the reporting period and leads to regroupings between levels as of the reporting date. There were no reclassifications between Level 1 and Level 2 during the reporting year or the previous year.

2019 measurement hierarchy (items that were measured at fair value)

in € thousands	Level 1 30/6/2019	Level 2 30/6/2019	Level 3 30/6/2019	Fair value/ carrying amount 30/6/2019
Financial assets at fair value through profit or loss	**653,171**	**5,151,083**	**1,866,075**	**7,670,329**
Participations, shares, fund units	635,232	976,260	1,826,250	3,437,742
Participations other than in alternative investments	–	–	234,025	234,025
Participations in alternative investments, including private equity	–	–	1,465,461	1,465,461
Equities	635,232	–	101,342	736,574
Fund units	–	976,260	25,422	1,001,682
Fixed-income financial instruments that do not pass the SPPI test	–	1,365,985	35,405	1,401,390
Derivative financial instruments	17,939	128,550	70	146,559
Interest-rate-based derivatives	–	83,471	–	83,471
Currency-based derivatives	–	40,730	–	40,730
Equity- and index-based derivatives	17,939	4,349	–	22,288
Other derivatives	–	–	70	70
Senior fixed-income securities	–	701,337	–	701,337
Capital investments for the account and risk of holders of life insurance policies	–	1,978,951	4,350	1,983,301
Financial assets at fair value through other comprehensive income	**–**	**36,956,668**	**–**	**36,956,668**
Subordinated securities and receivables	–	693,464	–	693,464
Senior debenture bonds and registered bonds	–	13,354,273	–	13,354,273
Credit institutions	–	9,018,245	–	9,018,245
Other financial companies	–	147,567	–	147,567
Public authorities	–	4,188,461	–	4,188,461
Senior fixed-income securities	–	22,908,931	–	22,908,931
Credit institutions	–	7,260,931	–	7,260,931
Other financial companies	–	988,997	–	988,997
Other companies	–	1,359,953	–	1,359,953
Public authorities	–	13,299,050	–	13,299,050
Positive market values from hedges	**–**	**347,482**	**–**	**347,482**
Total assets	**653,171**	**42,455,233**	**1,866,075**	**44,974,479**

2019 measurement hierarchy (items that were measured at fair value) (continued)

in € thousands	Level 1 30/6/2019	Level 2 30/6/2019	Level 3 30/6/2019	Fair value/ carrying amount 30/6/2019
Financial liabilities at fair value through profit or loss	**4,977**	**369,708**	**—**	**374,685**
Derivative financial instruments	4,977	369,708	—	374,685
Interest-rate-based derivatives	617	357,894	—	358,511
Currency-based derivatives	—	7,076	—	7,076
Equity- and index-based derivatives	4,360	4,738	—	9,098
Negative market values from hedges	**—**	**591,592**	**—**	**591,592**
Total liabilities	**4,977**	**961,300**	**—**	**966,277**

2018 measurement hierarchy (items that were measured at fair value)

in € thousands	Level 1 31/12/2018	Level 2 31/12/2018	Level 3 31/12/2018	Fair value/ carrying amount 31/12/2018
Financial assets at fair value through profit or loss	**571,820**	**4,520,935[1]**	**1,685,984[1]**	**6,778,739**
Participations, shares, fund units	527,264	857,329[1]	1,649,573[1]	3,034,166
Participations other than in alternative investments	–	–[1]	228,349[1]	228,349[1]
Participations in alternative investments, including private equity	–	–	1,333,043[1]	1,333,043[1]
Equities	527,264	–	63,574	590,838
Fund units	–	857,329	24,607	881,936
Fixed-income financial instruments that do not pass the SPPI test	–	1,145,446	35,837	1,181,283
Derivative financial instruments	44,556	123,226	–	167,782
Interest-rate-based derivatives	–	99,661	–	99,661
Currency-based derivatives	–	11,546	–	11,546
Equity- and index-based derivatives	44,556	12,006	–	56,562
Other derivatives	–	13	–	13
Senior fixed-income securities	–	684,362	–	684,362
Capital investments for the account and risk of holders of life insurance policies	–	1,710,572	574	1,711,146
Financial assets available for sale	**–**	**32,044,702**	**–**	**32,044,702**
Subordinated securities and receivables	–	663,037	–	663,037
Senior debenture bonds and registered bonds	–	12,599,732	–	12,599,732
Credit institutions	–	9,075,625	–	9,075,625
Other financial companies	–	132,293	–	132,293
Public authorities	–	3,391,814	–	3,391,814
Senior fixed-income securities	–	18,781,933	–	18,781,933
Credit institutions	–	6,288,274	–	6,288,274
Other financial companies	–	967,120	–	967,120
Other companies	–	1,243,873	–	1,243,873
Public authorities	–	10,282,666	–	10,282,666
Positive market values from hedges	**–**	**61,686**	**–**	**61,686**
Total assets	**571,820**	**36,627,323[1]**	**1,685,984[1]**	**38,885,127**

1 Previous year’s figure adjusted.

2018 measurement hierarchy (items that were measured at fair value) (continued)

in € thousands	Level 1 31/12/2018	Level 2 31/12/2018	Level 3 31/12/2018	Fair value/ carrying amount 31/12/2018
Financial liabilities at fair value through profit or loss	**1,000**	**454,318**	**—**	**455,318**
Derivative financial instruments	1,000	454,318	—	455,318
Interest-rate-based derivatives	435	431,131	—	431,566
Currency-based derivatives	—	20,797	—	20,797
Equity- and index-based derivatives	565	2,390	—	2,955
Negative market values from hedges	—	126,449	—	126,449
Total liabilities	**1,000**	**580,767**	**—**	**581,767**

Changes in Level 3

in €	Investments, excluding alternative investments	Alternative investments, including private equity	Shares
As at 1 January 2018	**233,758**	**1,131,428**	**29,418**
Total comprehensive income for the period	-5,583	49,014	-294
Income recognised in the consolidated income statement[1]	4,368	69,789	17
Expenses recognised in the consolidated income statement[1]	-9,951	-20,775	-311
Purchases	10,926	154,822	–
Sales	-6,397	-87,435	–
Transfers from Level 3	–	–	–
Transfers to Level 3	4,580	1,790	–
As at 30 June 2018	**237,284**	**1,249,619**	**29,124**
Income recognised in the consolidated income statement as at 30 June[2]	4,368	64,208	17
Expenses recognised in the consolidated income statement as at 30 June[2]	-9,861	-20,410	-311
As at 1 January 2019	**228,349**	**1,333,043**	**63,574**
Total comprehensive income for the period	6,560	20,598	-385
Income recognised in the consolidated income statement[1]	7,224	42,838	–
Expenses recognised in the consolidated income statement[1]	-664	-22,240	-385
Purchases	541	208,934	38,153
Sales	-1,456	-100,073	–
Reclassifications	–	2,959	–
Changes in the scope of consolidation	31	–	–
As at 30 June 2019	**234,025**	**1,465,461**	**101,342**
Income recognised in the consolidated income statement as at 30 June[2]	7,224	42,838	–
Expenses recognised in the consolidated income statement as at 30 June[2]	-664	-22,178	-385

1 Expenses and income are mainly included in the valuation result of the consolidated income statement.
2 Expenses and income for assets still held at the end of the reporting period. The result ist recognized in the profit and loss statement for the period.

	Financial assets at fair value through profit or loss				Total
	Fund units	Fixed-income financial instruments that do not pass the SPPI test	Derivative financial instruments	Capital investments for the account and risk of holders of life insurance policies	
	3,562	**35,004**	**11**	**4,172**	**1,437,353**
	–717	283	2	–664	42,041
	38	283	2	–	74,497
	–755	–	–	–664	–32,456
	–	–	–	1,145	166,893
	–461	–	–10	–1,095	–95,398
	–	–	–	–1,914	–1,914
	–	–	–	–	6,370
	2,384	**35,287**	**3**	**1,644**	**1,555,345**
	38	283	–	–	68,914
	–755	–	–	–564	–31,901
	24,607	**35,837**	**–**	**574**	**1,685,984**
	2,171	–	–	2,302	31,246
	2,310	–	–	2,302	54,674
	–139	–	–	–	–23,428
	2,212	–	72	1,633	251,545
	–609	–432	–2	–159	–102,731
	–2,959	–	–	–	–
	–	–	–	–	31
	25,422	**35,405**	**70**	**4,350**	**1,866,075**
	2,310	–	–	2,302	54,674
	–139	–	–	–	–23,366

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. Their fair values are normally determined by each company's management. The majority of these securities, amounting to €1,257.4 million (previous year: €1,186.6[1] million), were measured on the basis of net asset value. Of this amount, €3.2 million (previous year: €4.2[1] million) was attributable to "Participations other than in alternative investments", as well as unquoted equities and fund certificates, and €1,254.4 million (previous year: €1,182.4[1] million) to participations in alternative investments, including private equity. These values 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 (2019: €168.2 million; previous year: €149.0 million) are measured for Group property investments that are assigned to "Participations other than in 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 €153.4 million (previous year: €137.3 million), while a change in discount rates by –100 basis points leads to an increase to €184.4 million (previous year: €161.8 million).

All changes in fair values are reflected in the consolidated income statement.

The most significant measurement parameter for interests measured using the capitalised earnings method (2019: €59.2 million; previous year: €59.3 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 deemed to be approximated by amortised cost. 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".

1 Previous year's figure adjusted.

Quantitative information about the measurement of fair value in Level 3

	Fair value		Measurement method	Non-observable input factors	Range in %	
in € thousands	30/6/2019	31/12/2018			30/6/2019	31/12/2018
Financial assets at fair value through profit or loss	**1,866,075**	**1,685,984[1]**				
Participations, shares, fund units	1,826,250	1,649,573[1]				
Participations without alternative investments	234,025	228,349[1]				
	27,970	27,947[1]	Capitalised earnings method	Discount rate	6.85-11.70	6.85-11.70
	27,928	40,762[1]	Approximation method	n/a	n/a	n/a
	178,127	159,640[1]	Net asset value	Discount rate	2.33-7.64	2.49-8.91
Participations without alternative investments included private equities	1,465,461	1,333,043[1]				
	31,703	31,353	Capitalised earnings method	Discount rate	4.24	4.24
	96,212	75,306	Approximation method	n/a	n/a	n/a
	1,337,546	1,226,384[1]	Net asset value	n/a	n/a	n/a
Equities	101,342	63,574				
	26,004	26,004	Approximation method	n/a	n/a	n/a
	75,338	37,570	Net asset value	n/a	n/a	n/a
Funds units	25,422	24,607				
	1,441	1,328	Approximation method	n/a	n/a	n/a
	23,981	23,279	Net asset value	n/a	n/a	n/a
Fixed income fiancial instruments that do not pass the SPPI test	35,405	35,837	Approximation method	n/a	n/a	n/a
Derivative financial instruments	70	–	Black-Scholes Model	Index weighting, volatility	n/a	n/a
Capital investments for the account and risk of holders of life insurance policies	4,350	574	Net asset value	n/a	n/a	n/a

1 Previous year’s figure adjusted.

Other disclosures

(23) Revenues from contracts with customers

The following tables presents a breakdown of revenues by type, as well as a reconciliation with the respective reporting segment.

2019

in € thousands	Home Loan and Savings Bank 1/1/2019 to 30/6/2019	Life and Health Insurance 1/1/2019 to 30/6/2019	Property/ Casualty Insurance 1/1/2019 to 30/6/2019	All other segments 1/1/2019 to 30/6/2019	Consolidation/ reconciliation 1/1/2019 to 30/6/2019	Total 1/1/2019 to 31/12/2019
Commission revenue	**57,387**	**6,325**	**8,110**	**24,159**	**-35,335**	**60,646**
from banking/home loan savings business	15,611	–	–	3,233	-8	18,836
from brokering activities	25,982	6,325	8,110	676	-17,796	23,297
from investment business	13,738	–	–	19,595	-17,531	15,802
from other business	2,056	–	–	655	–	2,711
Net other operating income/expense	**3,561**	**244**	**2,679**	**49,521**	**-1,395**	**54,610**
Disposal revenue from inventories (property development business)	–	–	–	43,138	–	43,138
Other revenue	3,561	244	2,679	6,383	-1,395	11,472
Net income/expense from disposals	**–**	**18,148**	**–**	**4**	**-4**	**18,148**
Disposal revenue from investment property	–	18,148	–	4	-4	18,148
Total	**60,948**	**24,717**	**10,789**	**73,684**	**-36,734**	**133,404**
Type of revenue recognition						
satisfied at a point in time	37,752	24,717	10,789	24,222	-26,318	71,162
satisfied over time	23,196	–	–	49,462	-10,416	62,242
Total	**60,948**	**24,717**	**10,789**	**73,684**	**-36,734**	**133,404**

2018

in € thousands	Home Loan and Savings Bank 1/1/2018 to 30/6/2018	Life and Health Insurance 1/1/2018 to 30/6/2018	Property/ Casualty Insurance 1/1/2018 to 30/6/2018	All other segments 1/1/2018 to 30/6/2018	Consolidation/ reconciliation 1/1/2018 to 30/6/2018	Total 1/1/2018 to 31/12/2018
Commission revenue	**58,357**	**6,864**	**7,770**	**24,544**	**−40,123**	**57,412**
from banking/home loan savings business	15,503	–	–	3,720	-3	19,220
from brokering activities	23,971	6,864	7,770	689	-22,539	16,755
from investment business	16,726	–	–	19,791	-17,581	18,936
from other business	2,157	–	–	344	–	2,501
Net other operating income/expense	**4,048**	**294**	**2,684**	**53,130**	**−1,387**	**58,769**
Disposal revenue from inventories (property development business)	–	–	–	49,232	–	49,232
Other revenue	4,048	294	2,684	3,898	-1,387	9,537
Net income from disposals	**—**	**23,075**	**—**	**—**	**—**	**23,075**
Disposal revenue from investment property	**—**	**23,075**	**—**	**—**	**—**	**23,075**
Total	**62,405**	**30,233**	**10,454**	**77,674**	**−41,510**	**139,256**
Type of revenue recognition						
satisfied at a point in time	37,195	30,233	10,454	53,325	-30,851	100,356
satisfied over time	25,210	–	–	24,349	-10,659	38,900
Total	**62,405**	**30,233**	**10,454**	**77,674**	**−41,510**	**139,256**

(24) Contingent liabilities and other liabilities

in € thousands	30/6/2019	31/12/2018
Contingent liabilities	**1,961,814**	**1,493,894**
from deposit protection funds	360,641	360,446
from sureties and warranties	10,150	10,154
from capital contribution calls not yet made	1,178,651	873,050
Contractual obligations to acquire and construct investment property	129,112	243,615
sales proceeds from intangible assets	266,500	4,800
Other contingent liabilities	16,760	1,829
Other obligations	**1,511,918**	**1,395,115**
Irrevocable loan commitments	1,511,156	1,395,115
Financial guarantees	762	–
Total	**3,473,732**	**2,889,009**

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.

The provisions for irrevocable loan commitments amounted to €3.2 million as at 31 December 2018 and to €3.6 million as at 30 June 2019.

(25) Related party disclosures

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) 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 2019, receivables from related persons amounted to €592 thousand (previous year: €521 thousand), and liabilities to related persons amounted to €714 thousand (previous year: €1,247 thousand). In the first half of the year, interest income from loans made to related persons amounted to €10 thousand (previous year: €17 thousand), and interest expenses for savings deposits of related persons amounted to €1 thousand (previous year: €1 thousand). In the first half of 2019 premiums in the amount of €34 thousand (previous year: €70 thousand) were paid by related persons for insurance policies in the areas of life, health and property insurance.

Transactions with related companies

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. Wüstenrot Holding AG and W&W AG are parties to a brand name transfer and use agreement. As at 30 June 2019, a financial liability was owed to Wüstenrot Holding AG under this agreement in the amount of €15.1 million (previous year: €17.0 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.

Wüstenrot Stiftung Gemeinschaft der Freunde Deutscher Eigenheimverein e.V., which is a charitable foundation, as well as Wüstenrot Holding AG, WS Holding AG and Pensionskasse der Württembergischen VVaG are recognised under "Other related companies" as the post-employment benefit plan for the benefit of employees.

The transactions were at arm's length.

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

in € thousands	30/6/2019	31/12/2018
Financial assets with respect to related companies	**125,626**	**117,100**
Unconsolidated subsidiaries	98,132	90,282
Associates	107	101
Other related companies	27,387	26,717
Financial liabilities with respect to related companies	**150,356**	**166,595**
Affiliated undertakings	–	4
Unconsolidated subsidiaries	47,971	54,668
Associates	80,646	80,463
Other related companies	21,739	31,460

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

in € thousands	1/1/2019 to 30/6/2019	1/1/2018 to 30/6/2018
Income from transactions with related companies	**28,304**	**19,568**
Unconsolidated subsidiaries	27,208	18,560
Associates	40	2
Other related companies	1,056	1,006
Expenses from transactions with related companies	**−41,861**	**−26,781**
Unconsolidated subsidiaries	−28,637	−19,843
Associates	−161	−168
Other related companies	−13,063	−6,770

(26) Number of employees

In terms of full-time equivalents, the number of employees of the W&W Group as at 30 June 2019 was 6,783 (previous year: 6,842). As at the reporting date, the number of employees was 8,013 (previous year: 8,129).

The average headcount in the last 12 months was 8,080 (previous year: 8,092). This average is calculated as the arithmetic mean of the end-of-quarter headcounts as at the reporting date between 30 September 2018 and 30 June 2019 and during the corresponding prior-year period and is distributed over the individual segments as follows:

Number of employees by segment on annual average

	30/6/2019	31/12/2018
Home Loan and Savings Bank	2,211	2,207
Life and Health Insurance	860	931
Property/Casualty Insurance	3,569	3,475
All other segments	1,440	1,479
Total	**8,080**	**8,092**

(27) Events after the reporting date

No material events that require reporting occurred after the reporting date.

W&W Group
Responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles for half-year financial 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, 5 August 2019

Jürgen A. Junker

Dr. Michael Gutjahr

Jürgen Steffan

Jens Wieland

W&W Group
Auditor‘s review report

To Wüstenrot & Württembergische AG, Stuttgart

We have reviewed the condensed consolidated half-year 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 2019, which form part of the half-year financial report pursuant to Section 115 of the German Securities Trading Act (WpHG). The preparation of the condensed consolidated half-year 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 half-year financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated half-year 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 half-year 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 half-year 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, 9 August 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Hasenburg	Eisele
Wirtschaftsprüfer	Wirtschaftsprüfer
(German public auditor)	(German public auditor)

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In case of any divergences, the German original is legally binding.

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