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Solvency and Financial Condition Report (SFCR)

Wüstenrot & Württembergische AG

w&w gruppe

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Summary

With this Solvency and Financial Condition Report, Wüstenrot & Württembergische AG (W&W AG) is increasing the transparency of its economic condition and providing insight into its net assets and solvency condition. In summary, the individual chapters focus on:

Business and business results

W&W AG, headquartered in Stuttgart, Germany, is the strategic management holding company of the W&W Group. It sets standards and manages capital. As an individual entity, W&W AG operations are almost exclusively restricted to reinsuring the insurance underwritten by the Group. In addition, it provides services for the entire Group in the areas of personnel, law, audit, cost controlling and communication. W&W AG is a publicly traded company.

In the 2020 financial year, it posted net profit of €100,278 thousand (previous year: €90,008 thousand).

Governance system

The key governing bodies of W&W AG are the Executive Board and the Supervisory Board. The Executive Board of W&W AG runs the company in its own responsibility and represents it in transactions with third parties. The Supervisory Board of W&W AG advises the Executive Board in running W&W AG and monitors its management.

The company has established four key functions: the compliance function, the independent risk controlling function, the actuarial function and internal audit. This group of persons is subject to certain fit and proper requirements specified by regulation.

As a result of the integration of the Organisation and IT Management unit into the Group Development and Company Organisation section, the Executive Board's business allocation plan was modified effective 1 January 2020. In connection with the retirement of Dr Michael Gutjahr and the appointment of Alexander Mayer, member of the Executive Board of Württembergische Versicherung AG and Württembergische Lebensversicherung AG, as his successor on the Executive Board of W&W AG, the Supervisory Board enacted a further modification of the Executive Board's business allocation plan effective 1 September 2020.

Risk profile

The risk profile of W&W AG consists of several risk areas, namely market price risks, counterparty credit risks, underwriting risks, operational risks, business risks and liquidity risks.

In accordance with the perspective applicable to the own-risk and solvency assessment, market price risks make up the largest share of risk capital requirements, specifically 85.3%. They are followed in the risk profile by counterparty credit risks at 9.1%, underwriting risks at 4.1% and operational risks at 1.5%.

In the financial year, the risks were at all times in line with the risk strategy, and the risk limits were at all times complied with.

Valuation for solvency purposes

As at the reporting date, the net assets of W&W AG valued in accordance with Solvency II requirements compared with HGB requirements were as follows:

Summary solvency overview

	Solvency II	HGB (carrying amount)
in € thousands	31.12.2020	31.12.2020
Assets, total	9,647,235	4,016,841
Liabilities, total	2,221,101	1,988,392
Excess of assets over liabilities	7,426,134	2,028,448

The largest share of assets, about 68%, consisted of holdings in related undertakings, including participations. The differences between Solvency II and the HGB are essentially attributable to the fact that an economic valuation is made under Solvency II. Moreover, under Solvency II, the carrying amounts for related undertakings include the Solvency II transitional measures used by the respective undertakings.

Capital management

The solvency condition of W&W AG is depicted with the solvency ratio. As at the reporting date, it amounted to 404.7%. W&W AG thus has sufficient eligible own funds to cover the Solvency Capital Requirement:

Solvency ratio

	Solvency II
in € thousands	31.12.2020
Eligible own funds	7,362,104
Solvency Capital Requirement (SCR)	1,819,316
Solvency ratio, in %	404.7

Other

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

However, the second quarter of 2020 was marked by a noticeable recovery on the capital markets. This positive development has so far continued to strengthen. Nevertheless, because uncertainties still remain, fluctuations and sharp volatility will have to be expected. Similarly, it cannot be ruled out that the coronavirus pandemic will have further effects on new business, premium trends and benefits expenses at the operational subsidiaries.

Depending on how things develop, the coronavirus pandemic may thus result in an income decline and a deterioration in the financial, assets and risk position, especially if the coronavirus pandemic should persist in 2021.

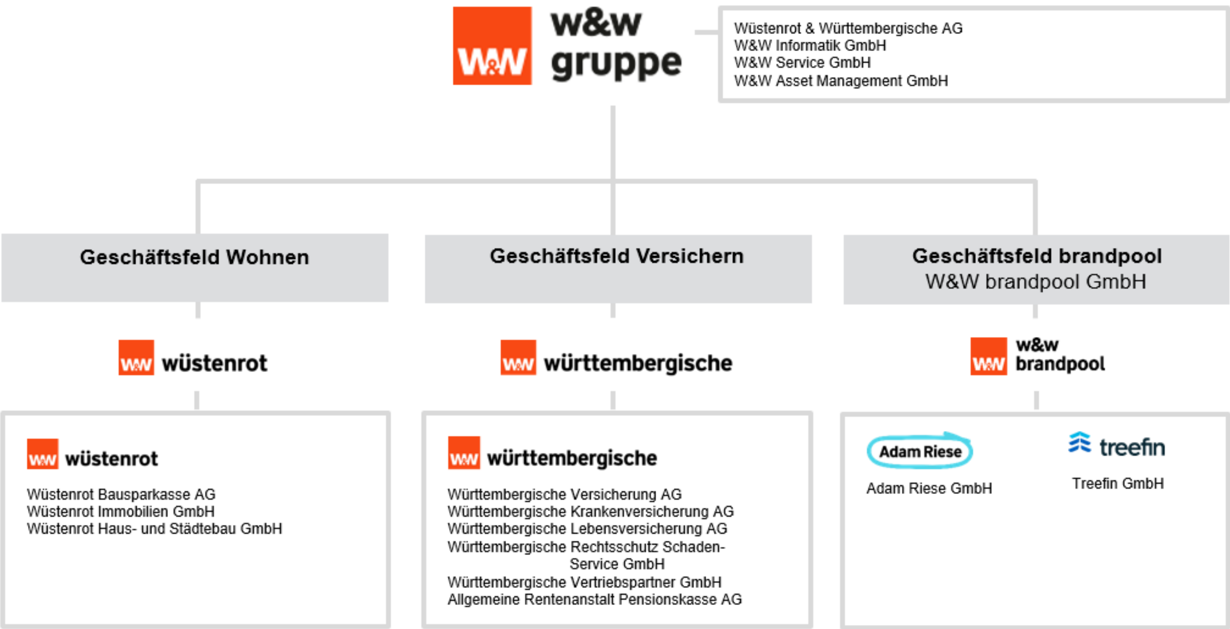
The Executive Board of W&W AG approved this Report and its public disclosure on 1 April 2021.

A Business and business results

A.1 Business

Overview of the Group and W&W AG

The W&W Group, which came into existence in 1999 as a result of the merger of the two long-standing companies Wüstenrot and Württembergische, consists today of the Housing, Insurance and brandpool divisions. It offers more than 6.5 million customers financial planning solutions that meet their needs. In doing so, the W&W Group focuses on omni-channel sales, ranging from its own mobile sales force to cooperation partners and sales agents, broker activities and digital initiatives. Today, approximately 13,000 people work as in-house staff or in the mobile sales force for the listed group headquartered in Stuttgart, Germany. The W&W Group operates almost exclusively in Germany and is represented there by two key offices in Stuttgart and Ludwigsburg/Kornwestheim.



W&W AG, headquartered in Stuttgart, Germany, is the strategic management holding company of the Group. It coordinates all activities, sets standards and manages capital. As an individual entity, its operations are almost exclusively restricted to reinsuring the insurance policies written by the Group. It also renders services for the Group as a whole. W&W AG is a publicly traded company.

The Management Board is the central steering body of the W&W Group. It concerns itself with, among other things, Group governance and with setting and developing the business strategy. In addition to the members of the Executive Board of W&W AG, the Management Board was composed of the division heads Bernd Hertweck (Housing), Thomas Bischof (Insurance) and Daniel Welzer (brandpool) in the 2020 financial year. Following the departure of Thomas Bischof, Zeliha Hanning will represent property insurance on the Management Board from 2021 and Jacques Wasserfall, life and health insurance. Operational and company-specific issues of the individual companies are handled at the divisional level.

In the Housing division, the focus is on the home loan savings business of Wüstenrot Bausparkasse AG, along with the construction financing that it offers. Other areas include the property development business of Wüstenrot Haus- und Städtebau GmbH and real estate brokerage by Wüstenrot Immobilien GmbH.

The change of ownership of Aachener Bausparkasse ABAG to Wüstenrot Bausparkasse AG took place on 1 January 2020 following successful conclusion of the ownership control procedures that were conducted by the authorities in November 2019. The purchase strengthens Wüstenrot Bausparkasse, Germany's most venerable home loan and savings bank, on its path to increased growth.

Effective 1 April 2020, W&W AG sold its Czech subsidiaries Wüstenrot stavební sporitelna a.s. and Wüstenrot hypotecní banka a.s. to MONETA Money Bank. In this connection, by letter of 22 July 2020, the German Federal Financial Supervisory Authority (BaFin) approved W&W AG's application for elimination of the financial holding group.

In the Insurance division, the W&W Group offers a wide range of life and health insurance products as well as property/casualty insurance products. The key undertakings in this division are Württembergische Versicherung AG, Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG.

The brandpool division oversees the digital brand Adam Riese and the digital activities of the W&W Group. It is also dedicated to financial planning and invests in other digital business models in the areas of housing, finance, health, family, education and mobility. The aim is to develop an ecosystem of independent, decentralised brands.

Holders of qualifying holdings in W&W AG

The W&W AG shareholder structure remained stable over the course of the year. Our key shareholder is the non-profit Wüstenrot Foundation. It maintains an indirect participation of 66.31% through two holding companies. Of this, 26.40% is held by WS Holding AG, Stuttgart and 39.91% by Wüstenrot Holding AG, Ludwigsburg.

The other major shareholder of W&W AG is FS W&W Holding GmbH, Munich (renamed in 2020; previously: Horus Finanzholding GmbH), with more than 10% of the shares. Approximately 9.2% (previous year: 11.0%) of all shares issued by W&W AG are held by foreign shareholders.

General information about the company

Name	Wüstenrot & Württembergische AG
Legal form	German stock corporation (Aktiengesellschaft)
Statutory auditor	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft Flughafenstraße 61 70629 Stuttgart
Shareholder	Wüstenrot Holding AG Wüstenrotstraße 1 71638 Ludwigsburg
Shareholder's shareholding	39.91%

Supervisory authority

German Federal Financial Supervisory Authority (BaFin)	Address" Graurheindorfer Str. 108 53117 Bonn
	Contact: Tel: 0228 / 4108-0 Fax: 0228 / 4108-1550 Email: poststelle@bafin.de De-Mail: poststelle@bafin.de-mail.de

Significant business or other events

The Executive Board of W&W AG experienced changes during the reporting year:

The Supervisory Board appointed Alexander Mayer to the Executive Board of the holding company W&W AG, effective 1 September 2020. He took the place of Dr Michael Gutjahr, who retired effective 1 September 2020 after 32 years with the W&W Group and its predecessor undertakings, including 21 years as a member of the Executive Board.

Alexander Mayer has been CFO of Württembergische Versicherungen AG and Württembergische Lebensversicherung AG since 1 January 2019 and managing director of W&W Asset Management GmbH since 1 August 2009. Effective 1 January 2015, he was appointed spokesman of the management of W&W Asset Management GmbH. He has additionally assumed the investments and accounting remit on the Executive Board of W&W AG.

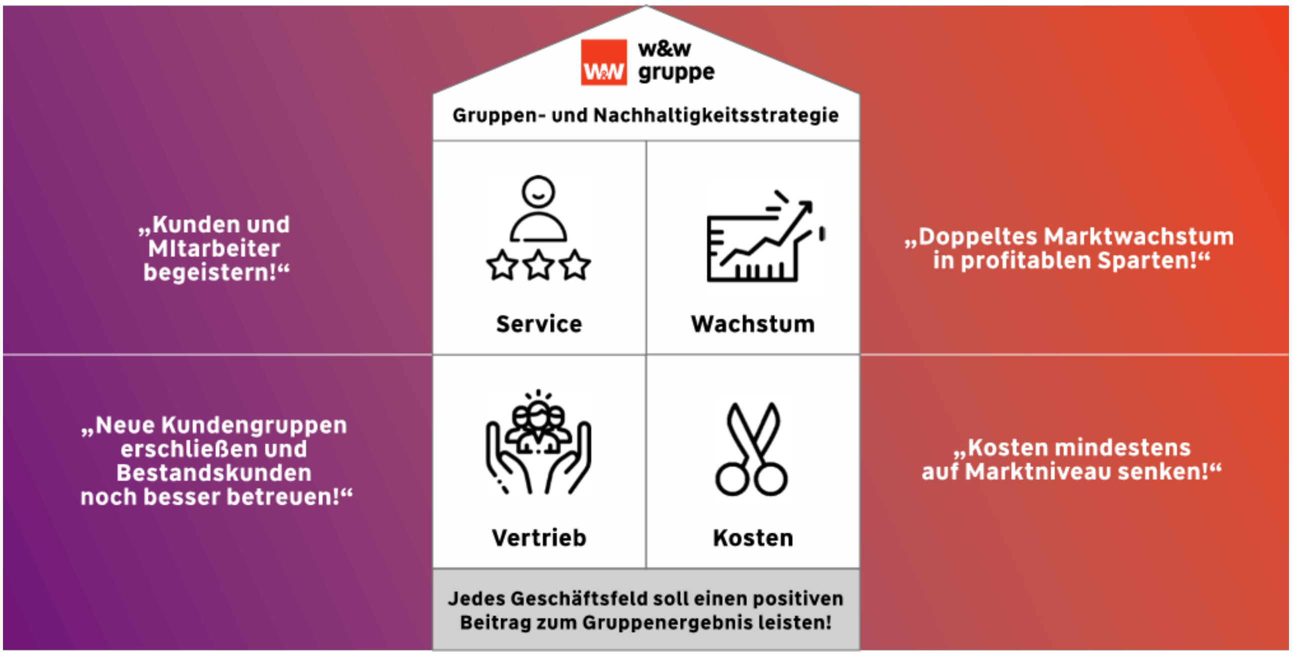
By building the new W&W campus at the Ludwigsburg/ Kornwestheim location, W&W AG, as builder-owner, is investing in the future of the corporate group. Employees moved into the first section of the building on schedule in late 2017, and work on the second section commenced in 2018. The entire project,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

"W&W Besser!" – Venture into new areas is bearing fruit!

The W&W Group strives for a high degree of stability and sustainable growth of its enterprise value. To achieve this, we are positioning ourselves as a company that makes it possible to obtain financial planning from a single source.

We have set ourselves the objective of becoming better every day. Therefore, we modified the strategic implementation of "W&W Besser!" in 2020 to conform to changed basic conditions and focus on four approaches:

W&W Besser!



"W&W Besser!" is not considered a rigid programme. Rather, it is an attitude that it intended to guide all actions of employees. With "W&W Besser!", the W&W Group succeeded in continuing to grow, despite the coronavirus pandemic, the persistent phase of zero and negative interest rates and increasing regulatory requirements.

The digital transformation of the W&W Group accelerated further as a result of the coronavirus crisis. The new communications media have enabled us to stay in close contact with our customers, particularly during these uncertain times. Our employees also have been able to use all digital options in a flexible manner. In this regard, they received support in the form of extensive informational and training offers (e.g. virtual leadership). In 2020 we scored high marks in terms of employee satisfaction.

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

The Housing division now represents not only home loan savings and construction financing but also residential housing construction and property brokerage. It is thus becoming more and more a point of contact for customers on the topic of housing. This is also made clear by the brand identity: Housing means Wüstenrot.

- Wüstenrot Bausparkasse AG, Germany's oldest home loan and savings bank, offered its customers the lowest loan interest rates in its history for home loan savings contracts.
- The merger of Aachener Bausparkasse AG into Wüstenrot Bausparkasse AG, retroactive to 1 January 2020, enabled the company to stay on track for continued growth and expand partnership business. As a result, we are reaching an even broader customer group.
- Wüstenrot also offers customers many services online. In this area, an online consumer survey was conducted by ServiceValue GmbH on behalf of the IT magazine Chip about customer satisfaction with services. Wüstenrot was awarded "Best Online Contract Conclusion" in the category "Applying for a home loan savings contract".
- Through Wüstenrot Immobilien GmbH, property showings can now be conducted contactlessly and virtually. In 2020 virtual tours were offered for more than 550 properties.

Despite the challenging year, the Insurance division continued to post growth in its segments.

- Württembergische Versicherung AG achieved double market growth in all profitable segments. The focus on SME partners – and associated with this, the expansion of underwriting capacities in corporate customer business – paid off.
- The tandem model – a special form of collaboration between our two tied-agents organisations – was expanded further. This sales format pools our home loan savings and insurance expertise under one roof at a customer advisory centre. The tandem model thus makes it possible to provide our customers with very good, comprehensive support. In 2020 active tandem partners were able to post sales figures that were 5% to 30% higher compared with the tied-agents organisation.
- In order to provide advice about occupational pension schemes in a more customer-oriented manner, Württembergische Lebensversicherung AG introduced "xbAV-Berater", a leading, cross-provider software tool. In addition, the xbAV manager portal relieves the administrative burden on corporate customers in terms of personnel accounting.
- Württembergische works with modern communication solutions provided by flexperto GmbH. Particularly in times of the coronavirus, this software for digital advice and digital sales is bolstering the mobile sales force.

As we chart our course into the digital future, our digital business models in the brandpool division are tapping into new customer groups and market segments.

- More than 164,000 customers are relying on the digital brand Adam Riese. In October 2020, the digital brand launched its fifth product for retail customers, a casualty insurance policy. Adam Riese's liability insurance policy for dog owners was awarded the Insurance Innovation Prize by Versicherungsmagazin and Morgen & Morgen. The jurors were particularly impressed by the AI-supported risk assessment.
- Adam Riese expanded its sales basis by creating products for collaboration partners, such as for kawaloo, a Berlin-based PropTech (property technology) undertaking. The digital insurance solutions are integrated in the offerings on the kawaloo platform.
- A series of awards demonstrate that customers are highly satisfied with our digital brand. For instance, Adam Riese was given the 2020 eKomi Award as best direct insurer. In addition, in the "Insurer of the Year 2020" study, which was produced by the German Institute for Service Quality (DISQ), Adam Riese placed third overall in terms of customer satisfaction and thus first among direct insurers. The satisfaction of our employees is just as high: According to magazine Focus and the online workplace rating platform Kununu, Adam Riese was selected in November 2020 as the most popular employer in the SME insurance industry.
- FinanzGuide now offers customers a digital overview of all contracts concluded with the W&W Group, i.e. Württembergische Versicherung AG, Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG, but also about Wüstenrot home loan savings contracts and loans. Users of the W&W financial assistant can thus receive and manage their electronic notifications conveniently and securely with their smartphone or tablet – from offers to contract documents to annual account statements.
- In 2020 W&W brandpool GmbH launched the app Rente.de, its own digital offering in the area of personal retirement planning.

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

List of related undertakings

W&W AG holds participations in the following undertakings:

List of ownership interests

Name and registered office of the company	Direct interest in capital, in %	Indirect interest in capital, in %[3]	Currency	Reporting date	Equity[1]	Net income/loss after taxes[1]
Germany						
3B Boden-Bauten-Beteiligungs-GmbH, Ludwigsburg	100.00		€	31.12.2019	63,337,941	1,349,982
Adam Riese GmbH, Stuttgart[2]		100.00	€	31.12.2019	25,000	–
Adveq Europe II GmbH, Frankfurt am Main		16.77	€	31.12.2019	989,780	–7,268
Adveq Opportunity II Zweite GmbH, Frankfurt am Main		29.31	€	31.12.2019	14,364,999	1,482,009
Adveq Technology V GmbH, Frankfurt am Main		16.50	€	31.12.2019	41,624,372	15,932,509
Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart		100.00	€	31.12.2019	47,525,555	9,230,148
Altmark Versicherungsmakler GmbH, Stuttgart		100.00	€	31.12.2019	2,969,382	551,470
Altmark Versicherungsvermittlung GmbH, Stuttgart		100.00	€	31.12.2019	382,266	65,645
Asendorfer Kippe ASK GmbH & Co. KG, Stuttgart		100.00	€	31.12.2019	2,777,701	–212,076
Atlantic Labs IV GmbH & Co. KG, Berlin		14.92	€	31.12.2019	11,179,934	–894,252
Auda Ventures GmbH & Co. Beteiligungs-KG, Munich		5.79	€	31.12.2019	2,014,136	–1,411,591
Bausparkasse Wüstenrot Immo GmbH, Stuttgart		100.00	New investment 1.1.2020			
Beteiligungs-GmbH der Württembergischen, Stuttgart		100.00	€	31.12.2019	3,310,146	138,555
BPE2 Private Equity GmbH & Co. KG, Hamburg		10.00	€	30.6.2020	795,700	305
BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart		35.00	€	31.12.2019	246,025,883	19,598,712
BWK Holding GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart		35.00	€	31.12.2019	11,416,484	852,614
City Immobilien GmbH & Co. KG der Württembergischen, Stuttgart		100.00	€	31.12.2019	103,502,585	3,950,438
City Immobilien II GmbH & Co. KG der Württembergischen, Stuttgart		100.00	€	31.12.2019	104,432,380	3,045,434
CROWN Premium Private Equity III GmbH & Co. KG, Grünwald		6.60	€	31.12.2019	15,010,676	653,646
DBAG Fund VI Feeder GmbH & Co. KG, Frankfurt am Main		30.71	€	31.12.2019	45,518,330	5,425,924
DBAG Fund VIII Feeder GmbH & Co. KG, Frankfurt am Main		44.25	New investment 25.9.2020			
Deutscher Solarfonds “Stabilität 2010” GmbH & Co. KG, Frankfurt am Main		17.77	€	31.10.2019	80,955,146	12,629,940
Domus Beteiligungsgesellschaft der Privaten Bausparkassen mbH, Berlin		28.73	€	31.12.2019	31,885	–4,008
Earlybird DWES Fund VI Affiliates GmbH & Co. KG, Munich		7.74	€	31.12.2019	84,818,324	–6,031,872
Elvaston Capital Fund III GmbH & Co. KG, Berlin	6.08	6.08	€	31.12.2019	125,277,554	190,734
Elvaston Capital Fund IV GmbH & Co. KG, Berlin	1.16	6.60	€	31.12.2019	53,843,722	–2,618,688
EquiVest II GmbH & Co. Zweite Beteiligungs KG Nr. 1 für Vermögensanlagen, Munich		8.47	€	31.12.2019	297,898	–33,050,220
European Sustainable Power Fund Nr. 2 GmbH & Co. KG, Grünwald	1.00	11.10	€	30.9.2019	448,339,782	21,897,412
familynet GmbH, Potsdam		5.89	€	31.12.2018	1,337,961	–1,474,358
Ganzer GmbH & Co. KG, Harrislee		100.00	€	31.12.2019	2,000,000	967,154
Gerber GmbH & Co. KG, Stuttgart		100.00	€	31.12.2019	264,234,695	1,926,589
Gestorf GmbH & Co. KG, Stuttgart		100.00	€	31.12.2019	472,024	32,930
GLL GmbH & Co. Messeturm Holding KG, Munich		5.97	€	31.12.2019	133,118	136,499
GMA Gesellschaft für Markt- und Absatzforschung mbH, Ludwigsburg		100.00	€	31.12.2019	2,028,403	207,581
Hinterbliebenenfürsorge der Deutschen Beamtenbanken GmbH, Karlsruhe		100.00	€	31.12.2019	113,641	–710

List of ownership interests (continuation)

Name and registered office of the company	Direct interest in capital, in %	Indirect interest in capital, in %[3]	Currency	Reporting date	Equity[1]	Net income/loss after taxes[1]
IVB - Institut für Vorsorgeberatung, Risiko- und Finanzierungsanalyse GmbH, Karlsruhe		100.00	€	31.10.2019	78,181	1,653
IVZ Immobilien Verwaltungs GmbH & Co. Südeuropa KG, Munich		10.00	€	31.12.2019	624,438	–250,591
Keleya Digital-Health Solutions GmbH, Hamburg		21.96	€	31.12.2019	416,438	–692,678
Kinderheldin GmbH, Berlin		10.00	€	31.12.2019	254,891	–289,715
KLV BAKO Dienstleistungs-GmbH, Karlsruhe		94.00	€	31.12.2019	231,418	8,519
KLV BAKO Vermittlungs-GmbH, Karlsruhe		77.10	€	31.12.2019	241,989	8,991
Miethaus und Wohnheim GmbH i.L., Ludwigsburg		100.00	€	31.12.2019	1,961,603	194,420
NORD KB Micro-Cap V GmbH & Co. KG, Hannover		10.21	€	31.12.2019	69,113,606	–2,611,801
Onshore Wind Portfolio 2012 GmbH & Co. KG, Frankfurt am Main	4.41	16.31	€	31.8.2020	96,605,871	5,168,397
Rente.de AV GmbH, Stuttgart[2] (formerly: Nist GmbH, Berlin)		100.00	€	31.12.2019	25,000	–
Schulenburg GmbH & Co. KG, Stuttgart		100.00	€	31.12.2019	116,391	–93,778
treefin GmbH, Munich[2]		100.00	€	31.12.2019	3,382,560	–
V-Bank AG, Munich		15.00	€	31.12.2019	48,591,247	3,748,858
VC Fonds Baden-Württemberg GmbH & Co. KG, Stuttgart		25.00	€	31.12.2019	1,859,465	–141,225
ver.di Service GmbH, Berlin		50.00	€	31.12.2019	157,912	7,636
VV Immobilien GmbH & Co. United States KG i.L., Munich		9.98	€	31.12.2018	10,000	–23,899
VV Immobilien GmbH & Co. US City KG i.L., Munich		23.10	€	31.12.2018	9,489	–17,009
W&W Asset Management GmbH, Ludwigsburg[2]	100.00		€	31.12.2019	11,261,185	–
W&W brandpool GmbH, Stuttgart[2]	100.00		€	31.12.2019	3,275,000	–
W&W Gesellschaft für Finanzbeteiligungen mbH, Stuttgart	100.00		€	31.12.2019	59,409,366	–26,341
W&W Informatik GmbH, Ludwigsburg[2]	100.00		€	31.12.2019	473,025	–
W&W Produktion GmbH i.L., Berlin[2]	100.00		€	31.12.2019	25,000	–
W&W Service GmbH, Stuttgart[2]	100.00		€	31.12.2019	100,153	–
Wellington Partners Life Sciences V Investment GmbH & Co. KG, Munich		5.75	€	31.12.2020	89,757,205	2,331,335
Windpark Golzow GmbH & Co. KG, Rheine		100.00	€	31.12.2019	7,917,096	–483,718
WL Erneuerbare Energien Verwaltungs GmbH, Stuttgart		100.00	€	31.12.2019	76,488	2,913
WL Renewable Energy GmbH & Co. KG, Stuttgart		100.00	€	31.12.2019	94,718,381	9,882,966
WL Sustainable Energy GmbH & Co. KG, Stuttgart		100.00	€	31.12.2019	81,236,893	9,896,865
Wohnimmobilien GmbH & Co. KG der Württembergischen, Stuttgart		100.00	€	31.12.2019	118,430,875	3,855,632
Württembergische Akademie GmbH, Stuttgart		100.00	€	31.12.2019	2,098,062	17,103
Württembergische Immobilien AG, Stuttgart		100.00	€	31.12.2019	120,257,087	673,389
Württembergische Kö 43 GmbH, Stuttgart		89.90	€	31.12.2019	22,808,270	511,806
Württembergische Krankenversicherung AG, Stuttgart	100.00		€	31.12.2019	49,048,122	5,600,000
Württembergische Lebensversicherung AG, Stuttgart	94.89		€	31.12.2019	473,511,724	35,000,000
Württembergische Logistik I GmbH & Co. KG, Stuttgart		100.00	€	31.12.2019	9,849,320	–1,505,415
Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart		100.00	€	31.12.2019	76,694	–

List of ownership interests (continuation)

Name and registered office of the company	Direct interest in capital, in %	Indirect interest in capital, in %[3]	Currency	Reporting date	Equity[1]	Net income/loss after taxes[1]
Württembergische Versicherung AG, Stuttgart[2]	100.00		€	31.12.2019	350,563,107	–
Württembergische Vertriebspartner GmbH, Stuttgart[2]		100.00	€	31.12.2019	74,481	–
Württembergische Verwaltungsgesellschaft mbH, Stuttgart		100.00	€	31.12.2019	36,739	1,285
Württfeuer Beteiligungs-GmbH, Stuttgart		100.00	€	31.12.2019	1,003,292	−33,368
WürttLeben Alternative Investments GmbH, Stuttgart[2]		100.00	€	31.12.2019	103,025,000	–
WürttVers Alternative Investments GmbH, Stuttgart[2]		100.00	€	31.12.2019	46,025,000	–
Wüstenrot Bausparkasse AG, Ludwigsburg	100.00		€	31.12.2019	830,563,506	30,238,795
Wüstenrot Grundstücksverwertungs-GmbH, Ludwigsburg	100.00		€	31.12.2019	2,057,024	10,082
Wüstenrot Haus- und Städtebau GmbH, Ludwigsburg	100.00		€	31.12.2019	106,351,452	11,397,405
Wüstenrot Immobilien GmbH, Ludwigsburg	100.00		€	31.12.2019	3,944,672	1,236,159
YIELCO Special Situations GmbH & Co. KG, Munich		8.01	€	31.12.2019	80,203,439	−918,354
Australia						
REI Head Trust, Sydney		100.00	AU$	30.6.2020	62,803,000	3,821,000
REI Property Sub Trust, Sydney		100.00	AU$	30.6.2020	62,636,000	3,903,000
Finland						
Kiinteistö Oy Porkkalankatu 5, Helsinki		100.00	€	31.12.2019	42,285,756	–
France						
Württembergische France Immobiliere SARL, Strasbourg		100.00	€	30.9.2020	15,573,530	1,453,507
Württembergische France Strasbourg SARL, Strasbourg		100.00	€	30.9.2020	45,854,772	1,941,761
Ireland						
BlackRock NTR Renewable Power Fund plc, Dublin		89.55	US$	31.12.2019	38,762,000	12,790,000
W&W Asset Management Dublin DAC, Dublin		100.00	€	31.12.2019	11,599,131	5,172,073
W&W Europe Life Limited i.L., Dublin	100.00		€	31.12.2014	18,834,772	−733,611
W&W Investment Managers DAC, Dublin		100.00	€	31.12.2019	8,541,199	3,753,168
White Oak Summit Fund ILP, Dublin		15.66	US$	31.12.2019	207,506,253	7,068,133
White Oak Yield Spectrum Feeder ICAV, Dublin		37.30	US$	31.12.2019	339,715,326	20,939,104
Luxembourg						
Alcentra European Credit Fund II SCSp, Luxembourg		9.44		New investment 30.9.2020		
Alcentra European Credit Fund III SCSp, Luxembourg		5.97	€	30.6.2020	772,601,768	−42,424,155
AMP Capital Infrastructure Debt Fund (EUR) III L.P., Luxembourg		9.63	€	31.12.2019	361,075,376	20,669,083
AMP Capital Infrastructure Debt Fund IV (EUR) L.P., Luxembourg		8.98	€	31.12.2019	223,130,065	7,724,716
Barings Global Credit Fund (LUX) SCSp, SICAV-SIF - Barings European Private Loan Fund II, Luxembourg		6.44	€	31.12.2019	30,888,361	74,295
BlackRock Euro Investment Grade Infrastructure Debt Fund SCSp, Luxembourg		22.50	€	31.12.2019	225,422,000	9,297,000
CI III Lux Feeder Fund FCP-RAIF, Luxembourg		35.88	€	31.12.2019	22,432,861	−155,480

List of ownership interests (continuation)

Name and registered office of the company	Direct interest in capital, in %	Indirect interest in capital, in %[3]	Currency	Reporting date	Equity[1]	Net income/loss after taxes[1]
Crescent Private Credit Partners Unitranche Fund (Ireland) L.P., Luxembourg		51.48	US$	31.12.2019	32,078,000	–18,000
Deerpath Capital SLP-RAIF, Luxembourg		25.81	US$	31.12.2019	105,748,071	1,682,694
First State European Diversified Infrastructure Feeder Fund II SCA, SICAV-SIF, Luxembourg		12.99	€	31.12.2019	285,274,939	27,266,538
HPS Speciality Loan Europe Fund V SCSp, Luxembourg		26.96	New investment 30.11.2020			
Idinvest Lux Fund, SICAV-SIF SCA – Idinvest Private Debt III, Luxembourg		23.80	€	31.12.2019	89,255,335	–4,314,304
Idinvest Private Debt V SCSp SICAV-RAIF, Luxembourg		19.96	€	31.12.2019	217,828,515	7,668,708
IKAV SICAV-FIS SCA – Ecoprime Energy, Luxembourg		18.81	€	30.9.2020	97,703,581	3,733,222
IKAV SICAV-FIS SCA – ecoprime TK I, Luxembourg		41.28	€	30.9.2020	38,968,689	2,685,281
IKAV SICAV-FIS SCA – Global Energy (Ecoprime III), Luxembourg	15.12	30.24	€	30.9.2020	27,875,165	3,681,244
IKAV SICAV-FIS SCA – Global PV Investments, Luxembourg		46.25	€	30.9.2020	22,103,081	1,526,158
Muzinich Pan-European Private Debt II, SCSp, Luxembourg		26.19	New investment 26.11.2020			
Rotonda Infrastructure 1 SCSp, Luxembourg		9.68	€	30.9.2019	117,548,988	–947,014
Secondary Opportunities SICAV-SIF – SOF II Feeder USD, Luxembourg		16.79	US$	31.12.2019	28,020,364	1,189,507
Secondary Opportunities SICAV-SIF – SOF III Feeder USD, Luxembourg		35.48	US$	31.12.2019	56,249,714	5,213,430
StepStone European Fund SCS, SICAV-FIS – StepStone Capital Partners III, Luxembourg	7.15	20.41	US$	31.12.2019	680,342,087	71,281,318
Whitehelm European Infrastructure Fund II, Luxembourg		25.62	€	30.6.2020	93,274,262	–1,284,841
WhiteOak Yield Spectrum (Luxembourg) Feeder Fund V SCSp, Luxembourg		19.11	New investment 21.9.2020			
Austria						
G6 Zeta Errichtungs- und VerwertungsGmbH & Co OG, Vienna		99.90	€	31.12.2019	24,202,338	2,712,744
SAMARIUM drei GmbH & Co OG, Vienna		100.00	€	31.12.2019	9,623,088	595,235
Hungary						
Fundamenta-Lakáskassza-Lakástakarékpénztár Zrt., Budapest	11.47		HUF	31.12.2019	63,600,000,000	7,004,000,000
United Kingdom						
ASF VI Infrastructure L.P., Edinburgh		5.45	US$	31.12.2019	250,342,796	1,396,208
Asper Renewable Power Partners 2 L.P., London		29.53	€	31.12.2019	59,458,756	–7,987
Brookfield Capital Partners Fund III (NR A) L.P., George Town		12.20	US$	31.12.2019	562,181,000	450,214,000
Capital Dynamics Clean Energy and Infrastructure III L.P., Birmingham		16.21	£	31.12.2019	71,215,125	919,788
Capital Dynamics Clean Energy and Infrastructure Feeder L.P., Edinburgh		30.21	US$	31.12.2019	141,842,687	–16,189,558
Carlyle Cardinal Ireland Fund L.P., George Town		5.83	€	31.12.2019	158,675,000	–2,973,000
EIG Global Private Debt (Europe UL) L.P., London		29.67	US$	31.12.2019	131,121,000	7,228,000
Glennmont Clean Energy Fund Europe 1 ‘A’ L.P., London		11.52	€	31.12.2019	83,267,412	64,716,727

List of ownership interests (continuation)

Name and registered office of the company	Direct interest in capital, in %	Indirect interest in capital, in %[3]	Currency	Reporting date	Equity[1]	Net income/loss after taxes[1]
Global Infrastructure Partners III-C2, L.P., London		9.60	US$	31.12.2019	467,608,176	21,979,753
Kennet III A L.P., St Peter Port		6.73	€	31.12.2019	101,680,117	11,858,303
Kennet IV L.P., St Peter Port		18.83	€	31.12.2019	199,834,722	–1,997,296
Landmark Infrastructure Partners II Offshore, L.P., George Town		7.80	New investment 2.9.2020			
Partners Group Emerging Markets 2007 L.P., Edinburgh		9.38	US$	31.12.2019	74,838,000	4,140,000
Project Glow Co-Investment Fund, L.P., George Town		51.72	CA$	31.12.2019	896,345	32,790,435
United States of America						
ARDIAN North America Fund II L.P., Wilmington	2.56	8.19	US$	31.12.2019	130,383,704	–8,928,711
BR Guthrie LLC, Wilmington[4]		100.00		–	–	–
BR US Holdings I LLC, Wilmington		100.00	US$	31.12.2019	38,030,214	–1,250,644
BR US Holdings II LLC, Wilmington		100.00	US$	31.12.2020	1,897,112	–2,888
Guthrie Property Owner LP, Wilmington		100.00	US$	30.11.2020	37,239,928	1,119,950
H.I.G. Whitehorse Offshore Loan Feeder Fund L.P., Miami		11.06	US$	31.12.2019	231,150,526	26,954,957
ISQ Global Infrastructure Fund (EU) L.P., Wilmington		5.19	US$	31.12.2019	2,687,861,249	137,857,386
Project Finale Co-Investment Fund Holdings LLC, Wilmington		30.00	US$	31.12.2019	44,535,893	1,466,916

1 The figures relate to the most recent annual financial statements available on the reporting date.
2 Profit and loss transfer agreement in place.
3 Pursuant to Section 16 (4) of the German Stock Corporation Act (AktG), the indirect interest (or: ownership interest; or: ownership share) consists of interests that belong to a dependent undertaking or to another undertaking for the account of the undertaking or one dependent on it.
4 Information not available; consolidated in 2019.

A.2 Underwriting performance

The insurance business of AG is essentially characterised by the business ceded by the Group subsidiary Württembergische Versicherung AG. Approximately 98% of net premiums earned originate from this Group reinsurance and thus mainly from the Federal Republic of Germany. In addition, W&W AG underwrites a portion of a German market pool (pharma pool) and settles the legacy business of non-Group companies, which was mainly underwritten up to 2002.

Net underwriting income before the claims equalisation provision amounted to €6,719 thousand (previous year: €6,510 thousand) and was thus slightly higher than the previous year's level. The good result once again from underwriting performance was due to settlement gains both from non-Group legacy business and from business within the Group.

Gross premiums written rose by 4.4% to €406,983 thousand, due to an increase in the premium income of Württembergische Versicherung AG, and thus in the volume of reinsurance business ceded. Net premiums written increased by 4.9% to €296,961 thousand. Growth was posted in key business lines. In particular, in the area of fire and other damage to property insurance, we recorded a significant growth rate of 9.7%. Solid growth rates were also posted in the business lines of income protection insurance (2.6%), motor vehicle liability insurance (3.0%) and other motor insurance (3.7%). In the general liability insurance segment, premium income rose by 1.8% and in the business line legal expenses insurance by 5.6%. Among the less significant business lines, premium income in the life insurance business segment fell by –14.5%.

Net claims incurred, which were mainly driven by benefits paid to the German Group company Württembergische Versicherung AG through the above-mentioned quota share reinsurance, stood at €162,256 thousand, which was above the level of the previous year (€153,125 thousand).

The year-on-year rise claims incurred was due to poorer claims development at Württembergische Versicherung AG in the financial year, particularly in the business lines general liability insurance and fire and other damage to property insurance. In addition, in the latter business line, there was a decline in settlement gains from claims made in the previous year, which in sum resulted in a rise in claims incurred to €36,890 thousand (previous year: €32,683 thousand). Claims incurred in the segment Other (life and non-life) rose by 126.0% to €16,503 thousand (previous year: €7,303 thousand) and in the business line legal expenses insurance by 12.1% to €10,606 thousand (previous year: €9,463 thousand). Claims incurred also rose in income protection insurance by 3.2% to €7,902 thousand (previous year: €7,665 thousand). By contrast, claims expenses in the business line motor liability insurance fell to €45,523 thousand (previous year: €49,161 thousand) due to improved claims development at Württembergische Versicherung AG. In the segment other motor insurance, expenses also declined, coming in at €33,125 thousand (previous year: €35,919 thousand).

The net loss ratio stood at 63.2% (previous year: 64.2%). Expenses for insurance business for own account increased by €11,264 thousand to €107,414 thousand, mainly due to reinsurance commissions under a proportional reinsurance contract within the Group. Therefore, the net cost ratio also rose from 34.1% to 36.3%.

The combined ratio increased from 98.2% in the previous year to 99.4% in the reporting year.

Pursuant to the conditions, €4,257 thousand (previous year: €7,515 thousand) was required to be added to the claims equalisation provision. Overall, the claims equalisation provision stood at a continued comfortable amount of €106,326 thousand (previous year: €102,069 thousand). This corresponds to 35.9% (previous year: 36.2%) of net premiums earned. After additions to the claims equalisation provision, the net underwriting gain stood at €22,462 thousand (previous year: net underwriting loss of €1,005 thousand). The key business lines had the following amounts of technical income and expenses:

Technical income and expenses

	Written premium income		Claims incurred		Change in other technical provisions	
in € thousands	2020	2019	2020	2019	2020	2019
Income protection insurance	22,126	21,557	7 902	7 655	–18	–30
Motor vehicle liability insurance	71,809	69,723	45,523	49 161	341	–156
Other motor insurance	54 949	52 995	33 125	35 919	228	–166
Fire and other damage to property insurance	81 199	74 004	36 890	32 693	242	12
General liability insurance	34,050	33,464	11,977	10,931	121	–32
Legal expenses insurance	19,953	18,903	10,606	9,463	–26	–22
Other (life and non-life)	12,875	12,438	16,503	7,303	4,521	1,851
Total	**296,961**	**283,084**	**162,526**	**153,125**	**5,409**	**1,457**

A complete breakdown of technical income and expenses by line of business is provided in the Annex to this Report with Template S.05.01.02.

A.3 Investment performance

Capital markets

In the reporting period, the capital markets were once again marked by persistently low interest rates. In the first quarter of the reporting year, the equity markets posted considerable price losses due to the coronavirus pandemic. These were largely recouped in the further course of the year and in some cases exceeded.

Investment result

Despite the fact that interest rates for new investments and reinvestments remained extremely low, the total net result from investments (per the HGB) of W&W AG rose in the reporting period from €228,047 thousand to €237,662 thousand. It consisted of current income, including income from profit transfer agreements, of €193,425 thousand (previous year: €246,736 thousand), current expenses, including expenses from loss assumptions, of €12,042 thousand (previous year: €18,599 thousand), the net amount of disposal gains and losses of €69,550 thousand (previous year: –€3,880 thousand) and the net amount of write-ups and write-downs of €13,271 thousand (previous year: €3,790 thousand).

Presentation of the investment result

	Net result		Proportion	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	in € thousands	in € thousands	in %	in %
Property, plant and equipment held for own use	**2,367**	**1,483**	**1.0%**	**0.7%**
Investments	**237,636**	**228,696**	**100.0%**	**100.3%**
Properties (other than for own use)	0	0	**0.0%**	0.0%
Holdings in related undertakings, including participations	217,155	193,700	**91.4%**	84.9%
Equities	–254	2,824	**–0.1%**	1.2%
Equities – listed	0	0	**0.0%**	0.0%
Equities – unlisted	–254	2,824	**–0.1%**	1.2%
Bonds	24,000	24,268	**10.1%**	10.6%
Government bonds	8,259	7,838	**3.5%**	3.4%
Corporate bonds	15,741	16,430	**6.6%**	7.2%
Structured notes	0	0	**0.0%**	0.0%
Collateralised securities	0	0	**0.0%**	0.0%
Collective investment undertakings	–1,086	9,138	**–0.5%**	4.0%
Derivatives	–119	–2,024	**–0.1%**	–0.9%
Deposits other than cash equivalents	–2,060	790	**–0.9%**	0.3%
Other investments	0	0	**0.0%**	0.0%
Loans and mortgages	**0**	**0**	**0.0%**	**0.0%**
Loans on policies	0	0	**0.0%**	0.0%
Loans and mortgages to individuals	0	0	**0.0%**	0.0%
Other loans and mortgages	0	0	**0.0%**	0.0%
Deposits to cedants	**853**	**1,190**	**0.4%**	**0.5%**
Cash and cash equivalents	**0**	**0**	**0.0%**	**0.0%**
Other income/expenses	**–3,195**	**–3,322**	**–1.3%**	**–1.5%**
Total	**237,661**	**228,047**	**100.0%**	**100.0%**

The net result from investments was dominated by the result from holdings in related undertakings, including participations. The result rose owing to the rise in disposal gains at related undertakings. By contrast, the net result fell considerably for collective investment undertakings. This was attributable to the rise in write-downs for this asset class.

Other expenses for investments mainly included material and personnel expenses for the management of investments.

The company had no gains and losses recognised directly in equity.

The presented investment result corresponds to the investment result published in the 2020 annual report of W&W AG.

Securitisations

In the case of a securitisation, the seller assigns certain asset positions (receivables) to an SPV, which obtains refinancing by issuing securities on the capital market. As at the reporting date, there were no securitisations in the direct portfolio of W&W AG.

A.4 Change in other results

The following overview shows the company's other results.

Other results

	HGB (carrying amount)	HGB (carrying amount)
in € thousands	31.12.2020	31.12.2019
Other income	64,352	8,875
Other expenses	136,287	164,022
Income taxes	66,910	56,223
Other taxes	147	–526

The following provides details about the individual items.

Other income

In addition to service income of €53,375 thousand (previous year: €77,276 thousand), this item includes income from the release of provisions created in previous years in the amount of €1,871 thousand (previous year: €528 thousand), exchange rate gains of €1,350 thousand (previous year: €434 thousand), interest income under Section 233a KSt. AO of €2,273 thousand (previous year: €1,599 thousand) and interest income under Section 233a GewSt. AO of €3,739 thousand (previous year: €892 thousand).

Other expenses

At €100,025 thousand (previous year: €130,496 thousand), general administrative expenses was the largest item, and it included expenses for provided services of €53,375 thousand (previous year: €77,276 thousand). Other material items were interest expenses in the amount of €34,610 thousand (previous year: €30,927 thousand) and exchange rate losses in the amount of €213 thousand (previous year: €481 thousand). Interest expenses consisted of interest due on credit accounts resulting from the assumption of joint liability for pension commitments in the amount of €12,393 thousand (previous year: €14,729 thousand), the interest expenditure for pension provisions in the amount of €13,001 thousand (previous year: €14,861 thousand) and currency expenses in the amount of €213 thousand (previous year: €481 thousand).

With respect to phased-in early retirement agreements, expenses from compounding in the amount of €3.0 thousand (previous year: €6.0 thousand) and income from discounting with respect to the assets to be offset in the amount of €36.8 thousand (previous year: €43.1 thousand) were offset against each other pursuant to Section 246 (2) sentence 2 HGB. Similarly, expenses from the compounding of the pension provision in the amount of €12,393.0 thousand (previous year: €14,861.0 thousand) and income from the discounting of assets under reinsurance policies in the amount of €106.0 thousand (previous year: €115.6 thousand) were offset against each other pursuant to Section 246 (2) sentence 2 HGB.

Income taxes

Taxes on income showed expenses of €66,910 thousand as at 31 December 2020 (previous year: €56,223 thousand). Tax expenses rose by €10,686 thousand. The increase resulted both from higher net income as calculated in accordance with German commercial law and from current account tax effects. The increase was tempered by effects from the tax-free sale of interests in capital companies and income from prior-year taxes.

Deferred tax assets and deferred tax liabilities resulted from the carrying amounts for land, land-type rights and buildings, which differ from one another under commercial law and tax law accounting rules, and from shares, interests or shares in investment assets and other variable-yield securities, the provision for outstanding insurance claims and provisions for pensions. Deferred taxes were calculated using a tax rate of 30.4%. Expected future tax charges and tax relief are netted when calculating the tax amounts to be deferred. We made use of the option in Section 274 (1) sentence 2 HGB not to recognise deferred tax assets in the balance sheet that exceed the netted amount.

Material leasing agreements

W&W AG does not have any material leasing agreements.

A.5 Other information

Other than the facts and circumstances presented in the foregoing sections, there is no other material information.

B System of governance

B.1 General information about the system of governance

Executive Board

As at 31 December 2020, the Executive Board had four members. This number of Executive Board members was set by the Supervisory Board. The minimum number of Executive Board members is met.

The Supervisory Board has stipulated a diversity plan for the Executive Board. In this regard, it has resolved to have women make up at least 15% of the members of the Executive Board and set a target deadline for this of 30 June 2022. As a result, the Supervisory Board is seeking to place at least one woman on the Executive Board. In addition, attention must be paid to compliance with the age limit of 65 provided for as a target requirement in the Executive Board bylaws. The age limit is being complied with. As at 31 December 2020, the responsibilities on the Executive Board were allocated as follows:

Composition of the Executive Board

Name	Position	Responsibilities	Substitute
Jürgen A. Junker (Executive Board Chairman)	Chief Executive Officer (CEO)	Group Legal, Group Audit, Communication, Group Development (strategy, M&A, strategic brand management and corporate identity, customer data) and Company Organisation, Group Board Sales	Alexander Mayer
Alexander Mayer	Chief Finance Officer (CFO)	Group Accounting, Financial Management, Retained Organisation, Reinsurance*	Jürgen A. Junker
Jürgen Steffan	Chief Risk Officer (CRO) / Spokesman for Human Resources	Risk and Compliance (money laundering/securities compliance), Group Controlling, Cost Controlling, Group Personnel, Group Board Risk	Jens Wieland, other than Group Personnel: Jürgen A. Junker
Jens Wieland	Chief Information Officer (CIO)	Enterprise IT Management, Customer Data Protection and Operational Security, Production and Services	Jürgen Steffan

* Including investment management reinsurance; reinsurance business has been outsourced to Württembergische Versicherung AG

The Executive Board is responsible for managing the business with the aim of creating sustainable value in the interest of W&W AG, and it sets the corporate policy and the principles of the business policy. The main tasks have to do with strategic alignment and governance of the company, including maintaining and monitoring an efficient risk management system. The Executive Board is also responsible for ensuring a suitable and effective internal auditing and control system. It sets the business strategy and a consistent, appropriate risk strategy, and it ensures that W&W AG has an organisational and operational structure that is suitable and transparent. The Executive Board of W&W AG represents the company in transactions with third parties.

The Executive Board is accountable in its entirety. A resolution must be adopted by the Executive Board:

- on all matters for which adoption of a resolution by the Executive Board is mandated by law, the Articles of Association or the Executive Board bylaws that the Supervisory Board adopts for it,
- for setting and, if necessary, modifying the business and risk strategy and other fundamental issues of Group planning, as well as the annual and multi-year planning of the company and the W&W Group,
- on matters that are not assigned to a specific Executive Board member by the business allocation plan and
- on all other matters that are presented to the Executive Board by the Executive Board Chairman or a member for adoption of a resolution.

The key governance bodies of the W&W Group are the Management Board, the division boards and the Group boards. The Management Board of W&W AG is composed of the members of the Executive Board, along with the heads of the Housing, Insurance and brandpool divisions. The Management Board is the central steering body of the W&W Group.

The Management Board concerns itself with, among other things, Group governance and the definition and development of the business strategy for the W&W Group. In addition, it facilitates the exchange of information between the Executive Board and the division heads with regard to the integration of the divisions into the Group strategy. The Management Board holds regular meetings, which are to take place at least twice per month. Those meetings are simultaneously considered to be meetings of the W&W AG Executive Board.

The division boards – i.e. the Housing division board and the Insurance division board – coordinate and decide on division-specific issues. They meet at least twice per month, and those meetings are simultaneously considered to be meetings of the executive boards of the individual companies. The Group boards coordinate cross-division initiatives in the areas of sales, risk and investments.

The Chairman of the Executive Board is in charge of the collaboration between the Executive Board and the Supervisory Board. He is in regular contact with the Chairman of the Supervisory Board and discusses the undertaking's strategy, business performance and risk management with him. He promptly notifies the Chairman of the Supervisory Board about important events that are of major significance for the assessment of the undertaking's position and performance, as well as for its management. The Executive Board coordinates with the Supervisory Board on the strategic alignment of W&W AG and the W&W Group. In addition, the Executive Board regularly reports to the Supervisory Board in a timely and comprehensive manner about all issues of relevance to W&W AG and the W&W Group concerning strategy, planning, business performance, risk position, risk management and compliance. Details are addressed in the Executive Board bylaws.

Supervisory Board

The Supervisory Board of W&W AG, which is the parent company of the W&W Group, advises the Executive Board in running W&W AG and the W&W Group and monitors its management. This also applies with respect to compliance with the relevant insurance and banking supervisory regulations.

The Supervisory Board exercises its activities in accordance with laws, the Articles of Association, the Supervisory Board bylaws and any resolutions of the Supervisory Board. It dedicates sufficient time to the discussion of strategies, risks and remuneration schemes for the Executive Board and employees.

In accordance with the Articles of Association, the Supervisory Board of W&W AG is composed of 16 members, of whom eight are shareholder representatives and eight are employee representatives. W&W AG is required by law to have women make up at least 30% of the Supervisory Board. It currently is composed of nine men and seven women. Accordingly, women make up 44% of the Supervisory Board.

In view of the Housing, Insurance and brandpool divisions and the common Group perspective, the candidates nominated by the Supervisory Board for election to the body are evaluated in terms of their expertise, experience and professional knowledge, particularly in the sectors of insurance, banking and home loan and savings banking, as well as their individual abilities. Other criteria for Supervisory Board nominees who are proposed to the Annual General Meeting include whether the candidates are independent, have sufficient time to carry out their duties and, at the time of their election, meet the age limit of 70 provided for as a target requirement.

In the estimation of the Supervisory Board, all shareholder representatives on the Supervisory Board are independent. Going forward as well, an appropriate number of independent members will belong to the Supervisory Board. In terms of shareholder representatives, the Supervisory Board considers at least four independent members to be appropriate.

On account of the undertaking-specific situation, the Supervisory Board does not consider it necessary to strive for a certain minimum number of members who represent, in particular, the quality of "internationality", since the main focus of the W&W Group's business operations is the national insurance and home loan and savings bank area. Beyond the aspect of “internationality”, however, the inclusion of and collaboration between Supervisory Board members with different backgrounds and ways of thinking fundamentally enriches the body and promotes the discussion culture. This ultimately leads to control and advisory activities that are more efficient and more effective.

The Supervisory Board does not consider it necessary to specify a regular limit to the length of service on the Supervisory Board, and this is required to be explained in the annual statement of compliance. It is difficult to recruit qualified Supervisory Board members who meet the requirements of supervisory law, including with respect to whether candidates are fit and proper and do not exceed the maximum number of mandates. The increased requirements of supervisory law have to do with, inter alia, the fact that because of its position in the W&W financial conglomerate, W&W AG is subject to both banking supervision and insurance supervision.

The Executive Board requires the approval of the Supervisory Board for measures requiring approval by virtue of law or the Articles of Association, as well as for measures defined in the bylaws.

The Supervisory Board has adopted bylaws for itself, which address the details about the organisation of the Supervisory Board that are necessary for business development. The appropriate interaction of the Supervisory Board with committees, senior managers and key positions is assured through existing reporting obligations, meaning that a regular and sufficient exchange of information takes place.

If a conflict arises with the requirements of supervisory law, companies law and the law of corporate groups, compliance with the requirements at the Group level is assured and enforced by the Supervisory Board of W&W AG.

As at the end of the reporting period, the Supervisory Board of W&W AG had the following four standing committees:

Risk and Audit Committee

Composition	Key responsibilities
8 members **Chair:** Corinna Linner **Three additional shareholder representatives:** Prof. Dr Nadine Gatzert Dr Reiner Hagemann (financial expert) Jutta Stöcker **Four employee representatives:** Ute Hobinka Bernd Mader Andreas Rothbauer Susanne Ulshöfer	Conducting a preliminary review of the annual and consolidated financial statements, the management reports, the proposal for the appropriation of profit, the corporate governance statement, including the remuneration report and the separate non-financial Group report. Handling accounting issues, including monitoring the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, as well as compliance issues. Handling issues concerning current and future overall risk tolerance and business and risk strategies at the company and Group level and support in monitoring the implementation of these strategies. Making recommendations concerning the election of the statutory auditor by the Supervisory Board. Deciding on the agreement with the auditor (in particular, the audit mandate, the specification of the main audit areas and the fee agreement), as well as on termination or continuation of the audit mandate. Adopting suitable measures in order to ascertain and monitor the independence of the auditor and the additional services provided by the auditor for W&W AG. Assisting the Supervisory Board in monitoring the swift rectification by the Executive Board of the deficiencies identified by the auditor.

Nomination Committee

Composition	Key responsibilities
6 members Chair: Chairman of the Supervisory Board (Hans Dietmar Sauer) Two additional shareholder representatives: Peter Buschbeck Dr. Reiner Hagemann Three employee representatives: Jochen Höpken Christoph Seeger Deputy Chairman of the Supervisory Board (Frank Weber)	Regularly deliberating on the long-term succession planning for the Executive Board. Assisting the Supervisory Board in identifying candidates to fill Executive Board vacancies and preparing proposals for the election of the members of the Supervisory Board, whereby only the shareholder representatives provide support in preparing such proposals. Assisting the Supervisory Board in deciding on a target to encourage the representation of women on the Supervisory Board and a policy on how to meet that target. Assisting the Supervisory Board in periodically assessing the structure, size, composition and performance of the Executive Board and the Supervisory Board and in periodically assessing the knowledge, skills and experience of the individual members of the Executive Board and the Supervisory Board, as well as each of the bodies as a whole. Reviewing the policy of the Executive Board for the selection and appointment of senior management and making recommendations on this matter to the Executive Board.

Remuneration Control and Personnel Committee

Composition	Key responsibilities
4 members Chair: Chairman of the Supervisory Board (Hans Dietmar Sauer) One additional shareholder representative: Hans-Ulrich Schulz Two employee representatives: Christoph Seeger Deputy Chairman of the Supervisory Board (Frank Weber)	Preparing the personnel decisions of the Supervisory Board, in particular the appointment and dismissal of members of the Executive Board and the appointment of the Chairman of the Executive Board, as well as resolutions of the Supervisory Board concerning the remuneration of the Executive Board. Deciding on the conclusion, amendment and termination of the employment and pension agreements of Executive Board members (this does not apply to the setting of remuneration and decisions pursuant to Section 87 (2) sentences 1 and 2 of the German Stock Corporation Act (AktG), which are decided on by the Supervisory Board following preparation by the Remuneration Control and Personnel Committee). Monitoring the adequate structure of the remuneration schemes for the Executive Board and employees and, in particular, the adequate structure of remuneration for the heads of the risk control function and the compliance function and for those employees who have a material impact on the company's overall risk profile and that of the W&W Group. Assisting the Supervisory Board in monitoring the adequate structure of remuneration schemes for the employees of the company and assessing the impact of the remuneration schemes on the management of risk, capital and liquidity, as well as assisting the Supervisory Board in monitoring the proper inclusion of the internal control function and all other material functions in the structure of the remuneration schemes.

Conciliation Committee

Composition	Key responsibilities
4 members Chair: Chairman of the Supervisory Board (Hans Dietmar Sauer) One additional shareholder representative: Marika Lulay Two employee representatives: Ute Hobinka Deputy Chairman of the Supervisory Board (Frank Weber)	Making personnel proposals to the Supervisory Board where the required majority is lacking for the appointment and dismissal of Executive Board members.

Key functions

The company has established the following four key functions:

- Independent risk controlling function
- Compliance function
- Internal audit
- Actuarial function

The individual Executive Board members ensure regular communication with key function holders.

The following presents the required powers, resources and operational independence of key function holders, as well as how they report to and advise the Administrative, Management and Supervisory Body (AMSB) of the insurance or reinsurance undertaking. Detailed descriptions about how the functions were implemented in the company can be found in Sections B.3 to B.6.

Independent risk controlling function

The Risk and Compliance department at W&W AG (Risk section) is responsible for risk management at the Group level and at the level of W&W AG. The head of the Risk section acts as the responsible key function holder pursuant to Section 26 of the German Act on the Supervision of Insurance Undertakings (VAG). For the purpose of carrying out his or her tasks, the holder of the independent risk controlling function has a complete, unrestricted right to information, as well as a reporting line to the responsible Executive Board member. The Risk section has a total of 17 full-time equivalent (FTE) positions. The Executive Board ensures that the independent risk controlling function is furnished with the staff and resources whose quality and quantity is appropriate in light of the nature and scope of its tasks.

In order to prevent conflicts of interest, the independent risk controlling function is strictly separated from risk-taking units. The independent risk controlling function is integrated in the decision-making process both on the organisational level, through inclusion in the executive structure, and on the process level as part of operational execution of the risk management system, risk reporting, and the implementation and enhancement of the risk management system.

In making decisions, the Executive Board of W&W AG is advised by the Group Board Risk on issues with relevance to risk. The key function holder is a member of the Group Board Risk and to that extent is integrated organisationally into the decision-making process on issues with relevance to risk. The regular flow of information about the risk situation is assured, in particular, through the annual updating of the risk strategy and related guidelines, the setting of limits, internal risk reporting, risk-bearing capacity calculations, the report on the own-risk and solvency assessment and the results of the risk inventory.

The Supervisory Board and the Risk and Audit Committee are informed by the Executive Board about the risk situation, in particular, through the presentation of the risk strategy, the internal capital investment policy, the internal risk report, the report on the own-risk and solvency assessment and ad hoc notifications about the risk situation.

Further remarks about the independent risk controlling function are made in Section B.3 “Risk management system, including own-risk and solvency assessment”, under “Responsibilities in the risk management system/risk governance”.

Compliance function

The compliance function of W&W AG is a part of the internal control system. In this regard, W&W AG follows the three-lines-of-defence concept.

As the key function holder, the compliance officer is assisted by the established compliance function in the performance of his or her tasks. The key tasks include complying with the relevant requirements, advising management on compliance with the requirements, monitoring the relevant requirements and identifying and evaluating compliance risks. For the purposes of the objective, fair and independent performance of his or her tasks, the compliance officer has an unrestricted right to information. In addition, he or she is to be granted access to all physical spaces and all IT systems. In the event of material violations of internal or external rules or requirements, particularly cases of fraud, he or she is to be notified about all indications and findings by the decentralised compliance contact persons, sales compliance officer and, if applicable, compliance units without delay and of their own accord. This regularly takes place in the context of the central Group Compliance Committee or ad hoc.

The Executive Board ensures that the central compliance function is furnished with the staff and resources whose quality and quantity is appropriate in light of the nature, scale and complexity of its tasks. As at the reporting date, the central compliance function had its own FTE positions with the necessary professional qualifications for the purpose of performing the Group-wide compliance tasks. Additional FTE positions in decentralised units are entrusted with compliance tasks. In compliance matters, the compliance officer may avail himself or herself of the resources of all organisational units involved in the compliance function. If the matter being investigated by the compliance officer requires the involvement of external third parties, he or she may engage them on behalf of the company concerned. The employees of the central compliance function work exclusively for compliance.

With regard to his or her employment contract, the compliance officer is tied directly to W&W AG and in organisational terms reports directly to the Executive Board. He or she has no authority to give instructions to the monitored units but is equally not subject to any instructions from them. If the compliance officer is prevented from carrying out an activity properly, he or she notifies the member of the Executive Board or Supervisory Board responsible for compliance.

The compliance officer reports quarterly and annually to the responsible Executive Board member of W&W AG, as well as annually to the Supervisory Board through corresponding compliance reports. In addition, the compliance officer reports to the Group Board Risk about incidents and developments concerning the issue. Furthermore, the compliance officer or the compliance function takes on a training and advisory function for the Executive Board and the Supervisory Board, particularly on key issues.

Further remarks about the independent compliance function are made in Section B.3 “Compliance”.

Internal audit

Internal audit for W&W AG is handled by the Group Audit department. The Group Audit department provides audit services for W&W AG and the undertakings of the W&W Group in Germany. The head of the department is the audit function holder. He or she reports directly to the CEO of W&W AG.

As the third line of defence and central function of internal company monitoring, the Audit department is required to audit and evaluate, in a risk-oriented and process-independent manner, the effectiveness and appropriateness of risk management and the internal control system, the regularity of essentially all of the undertaking's processes. In doing so, attention is also paid to aspects of security and profitability. As the Group Audit department, it also ensures compliance with audit requirements. For this purpose, it possesses the necessary audit and information rights, as well as authority to give technical instructions.

The powers of internal audit are addressed in the audit rules of procedure enacted Group-wide for all managements. In particular, it sets down an unrestricted information and audit right with respect to all undertakings of the Group. Accordingly, all organisational units must notify internal audit without delay about any material deficiencies, material financial damages or specific suspicions of irregularities. The rules of procedure also specify that employees of the Audit department may be entrusted solely with audit tasks. The Audit department does not have the authority to give instructions to the audited units, other than immediate measures that may be necessary in the interest of the W&W Group undertakings.

As at the reporting date, the Group Audit department had 33.6 FTE positions with the requisite professional qualifications. In addition, the Group Audit department can, where necessary, also bring in external know-how, while respecting the independence requirements. At least once a year, the advanced training needs of employees are specified in the department in order to ensure in that way that expertise is kept up to date.

Internal audit promptly prepares a written report about every audit, which is addressed to the responsible management. The audit reports describe all identified deficiencies, together with the measures to be taken and the dates for completing them.

In addition, internal audit notifies the responsible member of the W&W AG Executive Board once a month about any audit measures that are due in the area of responsibility. Furthermore, overdue measures are also reported monthly to the CEO of W&W AG.

Moreover, the Audit department reports quarterly on audit activities and compliance with the audit plan, as well as about any postponed or rescheduled audits that relate to the entire W&W Group and thus also to W&W AG.

This is supplemented by annual reporting on audit activities in the past year, material or serious deficiencies that were identified and the status of the implementation of measures to eliminate these deficiencies, as well as about compliance with and changes to audit planning. In addition, internal audit gives its opinion on whether the Audit department is furnished with the staff and resources whose quality and quantity is appropriate in light of the nature and scope of its tasks.

Quarterly and annual reporting is also addressed to the undertaking’s Supervisory Board. In addition, the head of internal audit reports at meetings of the Supervisory Board’s Audit Committee. Moreover, the chairman of the supervisory body or of the Audit Committee is entitled, with the involvement of management, to obtain information directly from the head of internal audit.

Actuarial function

The responsible actuarial function holder reports directly to the company’s Executive Board. He or she is assisted in the performance of his or her tasks by employees of the W&W/VMF department. He or she is concurrently the head of the Actuarial Services & Property and Casualty Reinsurance department of Württembergische Versicherung AG, which is responsible, inter alia, for actuarial measurements of the loss reserves, for rate calculations in connection with product development projects and for the reinsurance of Württembergische Versicherung AG and W&W AG.

The actuarial function is dependent on being provided with the information necessary to fulfil its duties. In this sense, the actuarial function is to be provided with all required information and documents upon request.

The actuarial function is appropriately furnished by the Executive Board with FTE positions and resources in line with its tasks.

In order to ensure the independence of the actuarial function, the company takes care that tasks with the potential for conflicts of interest are split among different persons and kept separate.

The actuarial function reports regularly to the Executive Board on current topics. In addition, the actuarial function prepares a report for the Executive Board once a year that contains important information for calculating technical provisions, as well as comments about underwriting and acceptance policies and the appropriateness of reinsurance arrangements.

The actuarial functions of the Group and all individual undertakings in the Group meet as a committee at least once a year to exchange information and compare work status. This essentially ensures that a uniform Group approach is taken in the structuring of the actuarial function.

Material changes to the governance system

As a result of integration of the Organisation and IT Management unit into the Group Development and Company Organisation section, the Executive Board's business allocation plan was modified effective 1 January 2020. In connection with the retirement of Dr Michael Gutjahr and the appointment of Alexander Mayer, member of the Executive Board of Württembergische Versicherung AG and Württembergische Lebensversicherung AG, as his successor on the Executive Board of W&W AG, the Supervisory Board enacted a further modification of the Executive Board's business allocation plans effective 1 September 2020.

The statement of compliance with the German Corporate Governance Code was updated effective December 2020. It explained the derogations from No. 3.8 para. 3 of the German Corporate Governance Code, in the version of 7 February 2017 to 19 March 2020, on the setting of a deductible for Supervisory Board members as part of D&O insurance, from No. 5.3.3 on the formation of a Nomination Committee composed exclusively of shareholder representatives, from No. 5.4.1 para 2 on the setting of a regular limit to Supervisory Board members' term of office, and from No. 7.1.2 sentence 2 on the discussion of interim financial information with the Supervisory Board or its Audit Committee. In addition, it explained the derogations from Recommendation B.3 of the German Corporate Governance Code, in the version starting 20 March 2020, on the first-time appointment of Executive Board members for a period of not more than three years, from Recommendation D.3 sentence 1 on the establishment of an Audit Committee that addresses the review of the accounting, from Recommendation D.5 on the formation of a Nomination Committee composed exclusively of shareholder representatives, from Recommendation G.10 sentence 1 on variable remuneration of Executive Board members being granted partly in shares, from Recommendation G.11 sentence 1 on maximum amounts for individual remuneration components, from Recommendation G.11 sentence 2 on retaining or reclaiming variable remuneration, if justified and from Recommendation G.15 on taking remuneration as a Supervisory Board member into account with regard to remuneration as an Executive Board member.

Material transactions during the reporting period

There were no material changes to the shareholder structure of W&W AG. In addition, there were no material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking or with members of the Executive Board or Supervisory Board.

Remuneration policies and practice

Remuneration policies

The remuneration policies of the insurance undertakings covered by Solvency II are in conformity with the business and risk strategy of the W&W Group. The key document of the W&W Group's strategic alignment is the Group business strategy. It contains targets and planning for material business activities and forms the framework for the Group risk strategy. In the strategy process, particular attention is paid to the consistency between the Group business strategy and the business strategies of the individual companies of the W&W Group. The consistency between the business strategy of the Group and W&W AG is assured by a strategy process that is coordinated in terms of time and substance.

The remuneration policies and remuneration practice pursue the same objectives as the business and risk strategies and are likewise focused on a sustainable development of the respective undertakings. The company's remuneration policies are based on the following principles: The remuneration schemes are consistent with the respective statutory requirements, particularly Article 275 of Delegated Regulation (EU) 2015/35 and the German Corporate Governance Code.

Pursuant to the risk strategy of W&W AG, the remuneration schemes are designed in conformity with the business and risk objectives in such a way that the focus is on long-term financial performance and the prosperity of W&W AG. Harmful incentives and the rewarding of poor performance are to be avoided. The remuneration schemes support the achievement of the respective corporate targets and are in line with them. This means that targets agreements are derived from the strategic targets. The target flowchart Supervisory Board/Executive Board/employee is designed to ensure this at all times. The total remuneration of management and employees is competitive, i.e. it is structured in such a way that competent, qualified employees can be recruited, retained and motivated as best as possible. This structure of total remuneration thus ensures, on the one hand, that the variable portion can represent an incentive for the purposes of personnel management and, on the other, that employees are not tempted to enter into or settle unreasonably risky transactions. The targets set forth in the targets agreements are primarily focused on sustainability. At W&W AG, the remuneration schemes and the respective company targets are known, documented and viewable in the staff portal. The structure of the remuneration schemes is reviewed annually for its suitability and modified if necessary.

Remuneration practice

The members of the Supervisory Board are paid exclusively fixed remuneration for their work on the Supervisory Board and the committees, as well as an attendance fee. The amount is set by the Annual General Meeting.

The remuneration of the Executive Board consists of a non-performance-related component (80%) and a performance-related component (20%). The conservative structure of the total remuneration of Executive Board members in the ratio of 4:1 between fixed and variable remuneration components was chosen because this avoids incentivising individuals to take unreasonably high risks. The portion of fixed remuneration is so high that the company can conduct a flexible remuneration policy in setting variable remuneration, up to the complete forfeiting of variable remuneration in the event of negative contributions to results. Because of the remaining fixed remuneration, the Executive Board members are always in a position to maintain their appropriate standard of living. The non-performance-related component consists of a fixed salary (with pension entitlement) and an allowance. The performance-related component consists of a targets bonus.

Performance-related remuneration is paid out over time in some cases, namely as follows: 40% is paid out in the following year immediately after the degree of target achievement is determined, and the other 60% is deferred for a period of three years and is subject to forfeiture clauses. The deferred amount is paid out only if the W&W Group has average IFRS net income of at least €100 million over the relevant three years and does not record a loss in any of the three years. If average consolidated net income falls below the threshold of €100 million, or if the Group records a loss in one or more years, the deferred amount is definitively and completely forfeited for the relevant financial year.

In setting the pay of Executive Board members, the Supervisory Board makes sure that total pay bears an appropriate relationship to the condition of the company, as well as to the roles and expected performance of an Executive Board member.

Remuneration comparisons are performed in order to determine the appropriate remuneration of an Executive Board member. A comparison with domestic companies in the same industry and with a similar size and complexity shows that total pay is in line with the market.

The remuneration of senior executives on the first executive level below management consists of fixed salary and a variable remuneration component in the ratio of 82.5% fixed to 17.5% variable. The remuneration of senior executives below the first executive level normally consists of fixed salary and a variable remuneration component in the ratio of 87.5% fixed to 12.5% variable. It was decided to structure total remuneration in fixed and variable components in order to avoid incentives to take unreasonably high risks. At the same time, the ratio ensures that employees are not significantly dependent on variable remuneration. As the area of responsibility grows, the portion of variable remuneration rises to 17.5%. Fixed remuneration is set by taking into account the individual's position, tasks and performance, as well as market comparisons and the company's position. This means that total remuneration is competitive and offers a sufficient incentive for the purposes of personnel management.

Employees of the insurance undertakings are remunerated on the basis of the collective bargaining agreement for the private insurance industry. In most cases, employees covered by the collective bargaining agreement do not receive individual variable remuneration.

However, in addition to the fixed pay specified in the collective bargaining agreement, they are entitled as a general rule to a variable portion in accordance with a Group works agreement, provided they belong to the category of entitled persons. The variable portion of employees whose employment contracts do not provide for one is based solely on this Group works agreement. The amount of the bonus depends on the degree to which consolidated net income meets the target. This applies uniformly to employees at all Group undertakings. The target figure for consolidated income pursuant to corporate planning as derived from medium-term planning is thus at the same time the target figure for the employee bonus and in this way ensures that the targets of employees are in line with corporate planning.

Some of the employees who are not remunerated under the collective bargaining agreement are paid individual variable remuneration on the basis of targets agreements, in addition to the aforementioned remuneration components under the collective bargaining agreement. The arrangement is addressed in the works agreement "Introduction and structuring of variable remuneration on the basis of targets agreements". As a general rule, the portion of variable remuneration is less than 20%. The fixed and variable remuneration components are specified and set in the manner described for senior executives.

Variable remuneration below the level of the Executive Board is paid out in full in the second quarter of the following year after determination of the degree of target achievement.

The remuneration practice for key function holders does not deviate from the described remuneration practice.

Individual and collective performance criteria

The performance-related bonus of Executive Board members is linked to a targets agreement system. The amount of the bonus paid to a member of the Executive Board for a concluded financial year depends on the degree to which the relevant company targets and individual targets were achieved. Company targets correspond to the annual plan adopted by the Supervisory Board of W&W AG. They consist of key performance indicators, such as net income for the year posted by the Group and the individual company, general administrative expenses, Group customers and employee satisfaction. Individual targets relate to the organisational unit, as well as to individual contributions to results, and they are agreed upon between the individual Executive Board member and the Supervisory Board. Targets are increasingly focused on sustainability. The company targets derived from the business strategy – such as achieving a sustainable return (net income for the year posted by the Group as calculated in accordance with IFRS and by the company as calculated in accordance with the HGB), posting a cost level and cost ratios that are competitive (cost efficiency/general administrative expenses) and boosting employee satisfaction and customer loyalty (market performance) – ensure that the company can continue as a going concern. Profitable growth, while at the same time creating leaner, efficient structures and processes, makes it possible to ensure sustainable earning power. A target for net income for the year after taxes (HGB) is specified for each undertaking/division in order to sustainably generate current and future own funds requirements from profits (internal financing). The sustainability of the targets is additionally supported through predominantly multi-year measurement bases.

The entitlement to payment of the portion of variable remuneration dependent on financial performance (company targets) is excluded if and to the extent that payment in a financial year is prevented by virtue of compelling supervisory reasons at W&W AG, Württembergische Versicherung AG, Württembergische Lebensversicherung AG or Wüstenrot Bausparkasse AG.

The overall concept permits performance-related measurement of the variable remuneration component that is focused on operational targets and thus remuneration that is reasonably in line with performance. The weighting of the measurement parameters for performance-related remuneration is aligned towards stronger consideration being given to components with a multiple-year incentivising effect on sustainability.

The variable remuneration paid to senior executives is likewise tied to a targets agreement system. The company targets are the same as those for the Executive Board. At least 50% of variable remuneration is set on the basis of sustainable criteria.

For senior executives, 40% of the amount of variable remuneration depends on the meeting of annually specified company targets. The remarks about Executive Board members apply with respect to the company targets.

Sixty percent of variable remuneration depends on the achievement of quantitative and qualitative targets agreed upon for the individual or the organisational unit each year. In this regard, individual targets are set that take into consideration the tasks and position and support sustainable performance.

In contrast to the remuneration paid to Executive Board members/managers, payments are currently not disbursed over time. This also applies to the remuneration of key function holders, and it takes into consideration the interpretation decision of the German Federal Financial Supervisory Authority (BaFin) of 20 December 2016 on "Aspects of remuneration in connection with the requirements of Article 275 of Delegated Regulation (EU) 2015/35".

No shares or share options are granted as variable remuneration for the Executive Board or senior executives.

The structure of the individual and collective contributions to results by key function holders does not depart from the described model.

Supplementary pension or early retirement schemes

Supplementary pension or early retirement schemes have not been agreed upon either with members of the Executive Board or with members of the Supervisory Board.

The pension granted to Executive Board members consists of a defined-benefit pension commitment in the form of a fixed amount or of a defined-contribution pension commitment. The pension is normally paid when the member reaches the age of 65 or in the case of disability. Pensions include a widow/widower pension in the amount of 60% of the pension drawn and an orphan's pension of normally 20%.

Supplementary pension or early retirement schemes have also not been agreed upon with key function holders.

The employer-financed occupational pension for employees below the level of the Executive Board consists of defined-benefit pension commitments, which are calculated as a percentage of pensionable income prior to the start of retirement, or of defined-contribution pension commitments, where the contributions are calculated as a percentage of current pensionable income. The pension is normally paid when the employee reaches the age of 65 or in the case of occupational disability. Pensions include a widow/widower pension in the amount of 60% of the pension drawn and an orphan's pension in the range of 15-20% of the pension drawn for half-orphans and 20-30% for full orphans.

B.2 Fit and proper requirements

For the purpose of satisfying the fit and proper requirements for persons who effectively run the undertaking or have other key functions, W&W AG differentiates between the following groups of persons:

- Managers and Supervisory Board,
- Responsible key function holders

Requirements concerning skills, knowledge and expertise

Executive Board

The Executive Board must have a sufficient amount of theoretical and practical knowledge about the insurance business, as well as management experience. These conditions are normally assumed to be met if the member can demonstrate that he or she worked for three years in an executive position at an insurer of comparable size and type of business. In appointing the Executive Board of W&W AG, it is assured that its members as a whole can demonstrate professional qualifications, at a minimum, in the following areas:

- Insurance and financial markets,
- Business strategy and business model,
- Governance system,
- Financial analysis and actuarial analysis,
- Regulatory framework and regulatory requirements,

Supervisory Board

The members of the Supervisory Board must be capable in professional terms of appropriately controlling and monitoring the managers and actively assisting in the development of the undertaking. In addition, the Supervisory Board member must be able to understand the business engaged in by the undertaking and evaluate the risks associated with it. The Supervisory Board member must be familiar with the statutory arrangements essential to the undertaking. Although as a general rule, special knowledge is not required, the Supervisory Board member must be capable of recognising his or her need for consultation, if appropriate.

Key function holders

Based on their professional qualifications, knowledge and experience, the responsible persons must at all times be capable of exercising their position in the key function. The requirements for the fitness of responsible key function holders ensue from the descriptions of their respective area of competence within the governance system as a result of national and European standards.

Depending on the key function to be filled (independent risk controlling function, compliance function, internal audit or actuarial function), the holder must demonstrate the corresponding specialised knowledge needed to fulfil the function.

Fit and proper evaluation

Executive Board

The Supervisory Board is responsible for compliance with the fit and proper requirements for the Executive Board.

A job profile exists for each Executive Board position and defines its requirements. The Chairman of the Supervisory Board performs the candidate search based on this profile. Therefore, it is reviewed internally whether the candidate satisfies the supervisory requirements (particularly with respect to whether he or she is fit and proper). For this purpose, the Group Legal department first requests a CV from the candidate, as well as a form provided by the supervisory authority concerning the candidate's personal aptitude, whether he or she has sufficient time to carry out his or her duties, and about other mandates. Based on these documents, as supplemented by the job profile, the Group Legal department reviews whether the candidate is professionally suited to the envisaged Executive Board mandate and has the time required to carry out his or her duties and whether the maximum number of mandates specified by supervisory law is complied with. In this regard, the candidate must also declare that he or she will promptly report to the supervisory authority in writing if changes subsequently occur. If the Group Legal department is of the opinion that the supervisory requirements are met, it sends a positive response to the Supervisory Board chairman, who then initiates the necessary resolution by the body. After initial treatment by the responsible committees, the Supervisory Board reviews on the basis of the job profile and the submitted documents whether the candidate is suitable for the Executive Board position to be filled. In addition, the candidate is interviewed by responsible committees and the Supervisory Board, which gives the bodies the opportunity to make a comprehensive assessment of his or her professional qualification and aptitude. After the responsible committees and the Supervisory Board determine that the candidate is fit and proper, and after carrying out the notification procedure required by supervisory law, the Executive Board member is appointed by the Supervisory Board.

After initial treatment by the Nomination Committee, the Supervisory Board continually reviews the professional qualification of Executive Board members.

In addition, the Executive Board members are asked once a year whether there have been material changes to their aptitude compared with the documents at the time of appointment or reappointment. Considered material are all circumstances that may have an influence on the evaluation of personal aptitude. After initial treatment by the Nomination Committee, the Supervisory Board examines once a year whether the Executive Board members are fit and proper.

The Executive Board is notified by the staff departments on a continual basis about current legal developments and changing requirements with respect to duties in the undertaking and receives advanced training about them.

Supervisory Board

The Annual General Meeting of the company elects the shareholder representatives on the Supervisory Board, in observance of the requirements of supervisory law and stock corporation law.

The Supervisory Board maintains a list of suitable potential candidates for the shareholder representatives on the Supervisory Board. These candidates have already been internally screened in advance for their basic suitability for a Supervisory Board mandate. In the case of a new election or court appointment of a shareholder representative to the Supervisory Board, the Group Legal department, at the proposal of the Supervisory Board chairman, will review whether the candidate satisfies the supervisory requirements (particularly with respect to whether he or she is fit and proper). The review takes place on the basis of the CV, the job profile for Supervisory Board members, and the form concerning the candidate's personal aptitude, whether he or she has sufficient time to carry out his or her duties, and about other mandates. In addition, the review also uses the candidate's self-assessment on the topics of investment, actuarial practice and accounting in order to ensure that appropriate diversity of qualifications, knowledge and relevant experience are assured on the Supervisory Board. This ensures that the undertaking is professionally monitored. Then, after initial treatment by the Nomination Committee, the Supervisory Board examines whether the candidate is fit and proper based on the submitted documents (CV, self-assessment, and personal declaration concerning aptitude and other mandates, as well as information from the central commercial register) and the job profile. In the event of a positive evaluation of these criteria, and based on a recommendation by the Nomination Committee, the Supervisory Board submits a corresponding nomination to the Annual General Meeting or an application for court appointment.

The employees elect the employee representatives on the Supervisory Board in accordance with the rules of co-determination law.

Following appointment, new Supervisory Board members (shareholder representatives and employee representatives on the Supervisory Board) are notified to the supervisory authority, together with submission of the required documents (CV, information about aptitude, self-assessment, official certificate of good conduct, information from the central commercial register).

After initial treatment by the Nomination Committees, the Supervisory Board continually reviews the professional qualification of Supervisory Board members. For this purpose, the Supervisory Board members evaluate, inter alia, their strengths in the fields of capital investment, actuarial practice and accounting by means of a self-assessment. After initial treatment by the Nomination Committee, this forms the basis for a development plan that the Supervisory Board prepares each year. The plan identifies areas where the Supervisory Board as a whole or its individual members wish to acquire more in-depth knowledge. The self-assessment and the development plan are forwarded to the supervisory authority. Where a need exists, training is provided on the topics concerned.

In addition, the Supervisory Board members are asked once a year whether there have been material changes to their aptitude compared with the documents at the time of appointment or reappointment. Considered material are all circumstances that may have an influence on the evaluation of personal aptitude. After initial treatment by the Nomination Committee, the Supervisory Board examines once a year whether the Supervisory Board members are fit and proper.

The Supervisory Board regularly reviews the efficiency of its work.

Key function holders

W&W AG has established processes to ensure that the fit and proper requirements are satisfied at the time of initial appointment, as well as in connection with the ongoing exercise of the key function.

As part of the selection procedure, the candidates must submit various documents that can be used to evaluate whether they are fit and proper (inter alia, CV, certificate of good conduct, information from the central commercial register, information concerning aptitude). Based on these documents, the Group Legal department reviews whether the candidate is fit and proper. If necessary, additional records may be examined, such as certificates concerning professional education and previous jobs and records concerning advanced training. The review compares the candidate's specific experience and qualifications with the requirements of the respective key position. If the requirements are met, and after the notification procedure required by supervisory law has been carried out by the German Federal Financial Supervisory Authority (BaFin), the Executive Board appoints the person responsible for the key function.

Also, during the ongoing performance of tasks, it is evaluated and documented whether the responsible person is fit and proper for a key function. Key function holders confirm once a year that they continue to satisfy the requirements with respect to their qualification, aptitude and integrity. If special indications become apparent during the year that a responsible person no longer satisfies the fit and proper requirements for a key function, an unscheduled review takes place. This may be the case, e.g. if there are reasons to assume that the person concerned cannot fulfil his or her duties properly.

B.3 Risk management system, including own-risk and solvency assessment

Risk management system

The risk management and controlling system comprises the totality of all organisational regulations and measures that have been established to identify risks at an early stage and to handle the risks associated with entrepreneurial activity. Risk controlling is a part of risk management and includes the assessment, evaluation, monitoring and reporting of the risks encountered by the entities assuming them. It also monitors risk governance measures.

In accordance with the principle of proportionality, the scale and intensity of risk management activities are determined according to the risk level of the business engaged in.

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

Risk management framework

The principles and design elements of the risk management system are set down in writing in various internal documents, which in their entirety constitute our risk management framework.

The integrated risk strategy establishes the strategic framework of the risk management system of W&W AG. The risk management system is an integral component of a proper and effective business organisation. As part of this framework, definitions are established for risk appetite, which derived from the business strategy and the risk profile, for the overall risk objectives and for the application of consistent standards, methods, procedures and tools. The integrated risk strategy is in line with the business strategy and the principles for long-term protection of the company as a going concern. It takes into account the nature, scale, complexity and risk content of the business conducted by W&W AG and its operational subsidiaries.

The basic conditions specified in the integrated risk strategy contribute to securing the long-term entrepreneurial capacity to act and to promoting the Group-wide risk culture. The aim is to maintain an appropriate balance between taking advantage of business opportunities and incurring risks, while ensuring the effectiveness of the Group-wide risk management system. The risk strategy is adopted by the Executive Board and discussed by the Supervisory Board at least once a year.

As the key guideline for risk management, the Group risk policy defines the organisational framework for risk management and is a prerequisite for an effective risk management system within W&W AG and its operational subsidiaries. This framework ensures that the standard of quality is comparable across all business areas and that risk management is highly consistent. As a key component of the common risk culture, the Group risk policy and the processes and systems defined in it promote the requisite risk awareness at the level of W&W AG and its subsidiaries. The central elements of the Group-wide risk culture are:

- Leadership culture with a role model function (“tone from the top”),
- Open communication and critical dialogue,
- Responsibility of employees and
- Appropriate incentive structures.

The Executive Board and senior managers shape the risk culture of W&W AG decisively through their management style and handling of risks.

In addition, W&W AG also has topic-specific risk management policies in place concerning investment risk, asset/liability management, liquidity risk, operational risk and underwriting risk, as well other rules. The policies and other rules in risk management are subject to a standardised process of review and updating.

The subsidiaries of W&W AG are integrated into the scope of risk consolidation and the Group-wide risk management system in accordance with statutory and regulatory provisions. The scale and intensity of risk management activities vary depending on the risk content of the business conducted and on its nature, scale and complexity. The implementation of a risk classification procedure (risk classes 1 to 5) enables a risk-oriented structure of the risk management system in accordance with the principle of proportionality. The following companies are currently assigned to risk class 1 or 2:

Risk class 1:

- Wüstenrot & Württembergische AG
- Wüstenrot Bausparkasse AG
- Württembergische Lebensversicherung AG
- Württembergische Versicherung AG

Risk class 2:

- Württembergische Krankenversicherung AG
- Allgemeine Rentenanstalt Pensionskasse AG
- W&W Asset Management GmbH
- W&W Informatik GmbH
- W&W Service GmbH
- Wüstenrot Haus- und Städtebau GmbH

The inclusion of companies in risk classes 3 to 5 in the management system of the W&W Group is undertaken pursuant to the proportionality principle and is ensured directly by the risk controlling of the respective parent undertaking.

Effective 1 April 2020, control of Wüstenrot stavební spořitelna a.s. and Wüstenrot hypoteční banka a.s. was transferred to MONETA Money Bank a.s. as new owner of the companies after the supervisory authorities in the Czech Republic had given their approval.

In June 2020, the takeover of Aachener Bausparkasse AG was finalised with its merger into Wüstenrot Bausparkasse AG. Aachener Bausparkasse AG has been included in the Group-wide risk management system since the transfer of control to Wüstenrot Bausparkasse AG.

Responsibilities in the risk management system/risk governance

Our risk governance aims at managing our risks throughout the Group and at the level of the individual undertaking. At the same time, it is intended to ensure that our overall risk profile corresponds to the objectives of the risk strategy.

The tasks and responsibilities of all persons and committees involved in risk management issues are defined. Within the organisational and operational structure, the individual areas of responsibility for all of the following bodies, committees and functions are defined, as well as their interfaces and reporting lines among one another, thus ensuring the regular and timely flow of information across all levels of W&W AG and its subsidiaries.

The Executive Board of W&W AG bears overall responsibility for proper business organisation. It is also the ultimate decision-making body on risk issues. This includes ensuring that the risk management system established Group-wide is effectively and appropriately implemented, maintained and enhanced. This also includes developing, promoting and integrating an appropriate risk culture. The Chief Risk Officer (CRO) is responsible for risk management on the Executive Board of W&W AG.

In its role as the control body overseeing the Executive Board, the Supervisory Board also monitors the appropriateness and effectiveness of the risk management system, as well as implementation of the risk strategy, including risk appetite. It meets at least four times a year, and receives information about the current risk situation at regular meetings as well as in connection with ad hoc risk reporting. The Risk and Audit Committee meets at least twice a year and assures itself that the organisation of risk management is appropriate in the respective areas of responsibility. It reports to the Supervisory Board on this. Additional teleconferences or meetings are held where necessary.

Compliance with internal governance rules is ensured, inter alia, by means of the internal governance body structure. The Group Board Risk is a key element of this structure. As the central body for the coordination of risk management, the Group Board Risk supports the Executive Board of W&W AG and the Management Board in risk issues. The permanent members of the Group Board Risk are the CRO of W&W AG and the CROs of the Housing and Insurance divisions. The risks in the brandpool division are covered by Group-wide risk management in accordance with the processes specified in the Group risk policy. Other members of this body are the (independent) risk controlling function of W&W AG, which also handles the responsibilities on behalf of the Solvency II group, the two (independent) risk controlling functions of the Housing (Wüstenrot) and Insurance (Württembergische) divisions and select observers. The body meets once a month and, where necessary, on an ad hoc basis. The Group Board Risk monitors the risk profile of W&W AG and the W&W Group, their appropriate capitalisation and their liquidity. Moreover, it advises on Group-wide risk organisation standards and on the deployment of uniform risk management methods and tools, and it proposes these to the Group's executive boards for approval.

As specified internally at W&W, the duties assigned under Solvency II to the administrative, management or supervisory body are performed by the Executive Board, by the Supervisory Board with the Risk and Audit Committee, and by the Group Board Risk in accordance with their respective responsibilities. The Executive Board of W&W AG has overall responsibility for proper implementation of the requirements.

Group-wide committees have been set up to handle certain risk topics in detail:

- A Group Liquidity Committee has been established for Group-wide liquidity management. It is responsible for managing and monitoring liquidity Group-wide.
- Another central body, the Group Compliance Committee, serves as the link between the Legal, Compliance, Customer Data Protection and Operational Security, Audit and Risk Management departments.
  The compliance officer regularly reports directly to the Executive Board of W&W AG and to the Group Board Risk about compliance-related matters and risks.
- The Group Credit Committee works Group-wide for the purpose of efficiently processing proposals for loan decisions in the institutional area.
- Group-wide information security management is the responsibility of the Group Security Committee.

Key and control functions have been implemented in the business organisation, structured in the form of three lines of defence:

- The business units that are responsible for decentralised risk governance constitute the first line of defence. Within the scope of their competencies, these units deliberately decide to assume or avoid risks. In this context, they must observe centrally determined standards, risk limits and risk lines as well as the adopted risk strategies. Compliance with these competencies and standards is monitored by means of internal controls.
- The second line of defence comprises the independent risk controlling function/risk management function, the compliance function and the actuarial function:
  The (independent) risk controlling function or risk management function handles in particular the operational implementation of risk management and reports to management on the overall risk profile, among other matters. The Risk and Compliance department at W&W AG (Risk section) is responsible for risk management at the level of the W&W Group and W&W AG.
  The compliance function is responsible for adequate legal monitoring and for the effectiveness of the compliance with internal and external regulations. The compliance function is supported in the operational performance of its tasks by the Risk and Compliance department (Compliance section) at W&W AG.
  The actuarial function is responsible, inter alia, for the correct calculation of the technical provisions, and it assists the relevant (independent) risk controlling function or risk management function in risk assessment.
  The actuarial function at W&W AG is exercised by the head of the Actuarial Services and Property and Casualty Reinsurance department of Württembergische Versicherung AG.
- Internal audit represents the third line of defence. It independently audits the appropriateness and effectiveness of the internal control system as well as the effectiveness of corporate processes, including the first two lines of defence. The internal audit tasks are performed by the Group Audit department at W&W AG. The head of this unit acts as the responsible function holder.

Persons or business lines charged with exercising this function must be able to perform their tasks objectively, fairly and independently. For this reason, they are set up as strictly separate from risk-taking units (functional separation to avoid conflicts of interest). This principle is already observed at the Executive Board level by means of stringent bylaws and assignment of responsibilities.

The Risk and Compliance department at W&W AG provides advice and support to the Group Board Risk in determining risk management standards that are uniform throughout the Group. The department is also responsible for preparing and processing risk management information.

Independent risk controlling function

The Risk section in the Risk and Compliance department performs the tasks of the independent risk controlling function for W&W AG. The head of the section acts as the key function holder in accordance with Section 26 of the German Act on the Supervision of Insurance Undertakings (VAG) at the level of the W&W Group and W&W AG.

The independent risk controlling function holder of W&W AG takes part in the meetings of the Group Board Risk and is thus involved organisationally in decision-making on risk-relevant issues. Proposed decisions with relevance to risk are furnished with a notation for initial treatment by the Group Board Risk or with a notation for coordination by the independent risk controlling function. In addition, the head also takes part in meetings of the Risk Board in the Housing (Wüstenrot) and Insurance (Württembergische) divisions The independent risk controlling function is also represented by its employees on the committees that report to the Group Board Risk (Group Credit Committee, Group Liquidity Committee, Group Compliance Committee and Group Security Committee).

In addition to the aforementioned organisational matters, the independent risk controlling function provides continuous input for decision-making on risk-relevant matters through the risk management control loop. This covers, in particular, the regular treatment of risk strategy tasks and the assignment of them where warranted by events, including:

- developing the risk strategy,
- performing risk limit planning,
- participating in strategic asset allocation and new product processes,
- carrying out special projects on risk topics.

Risk management process

At W&W AG and its operational subsidiaries, an iterative risk management process has been established for risk-oriented corporate governance, which can be broken down into the sub-processes of risk identification, risk assessment, risk taking and risk governance, risk monitoring and risk reporting. The risk strategy requirements for all sub-processes of the risk management process are described in the following sections.

Risk identification

In connection with the risk inventory process, the corporate and working environment is constantly monitored throughout the Group for potential risks, and identified risks must be reported without delay. This makes a decisive contribution to promoting an appropriate risk culture. Moreover, a uniform Group-wide new-product process has been implemented for the purposes of identifying risks associated with the introduction of new products and sales channels and with the cultivation of new markets. This process incorporates the risk controlling units at the level of the Group and the individual undertakings.

Risks are systematically identified in the course of the annual risk inventory and during reviews of the risk situation throughout the year, as warranted by events. Here, assumed or potential risks are continually recorded, updated and documented. On the basis of an initial assessment for the respective individual undertaking, defined threshold values are used to differentiate risks into material and immaterial risks. Also evaluated is the extent to which individual risks can take on a material character through interaction or accumulation (risk concentrations).

Risks that are classified as material are actively managed in the four steps of the risk management process described in more detail in the following. For risks that are classified as immaterial, the responsible business units monitor them during the year, using (early-warning) risk indicators in order to determine whether they have changed, and evaluate them in full at least once a year.

Risk assessment

This process step includes all methods, processes and systems that serve to adequately assess identified risks. Risks are largely assessed by means of a stochastic procedure using the value-at-risk standard. If this procedure cannot be used for certain risk areas, analytical computational procedures or regulatory standard procedures are applied, as well as expert estimates.

Material risks are assessed quarterly on a regular schedule. Depending on the type of risk, different risk measurement procedures are used to evaluate them in quantitative terms:

- The standard formula is used to calculate the supervisory capital requirement for market risk, counterparty default risk, underwriting risk and operational risk.
- In addition, the risk capital requirements for market price, counterparty, underwriting and operational risk are quantified with a proprietary economic model based in large part on a stochastic risk simulation. It uses value at risk (VaR) with a confidence level of 99.5% and a one-year time horizon.
- Sensitivity and scenario analyses are also conducted for specific risk areas and across risk areas. Analyses of key performance indicators augment the set of tools for assessing risks.

Risk taking and risk governance

We define risk governance as the operational implementation of risk strategies in the risk-bearing business units. The decision to assume risk is made within the scope of business- and risk-specific requirements by the decision-making body in each individual undertaking. Based on the risk strategy, the respective specialist sections at our individual operating companies manage their own risk positions. Thresholds, signal systems and limit and line systems are used to support risk governance. If the specified thresholds are exceeded, predefined actions or escalation processes are initiated.

As a rule, the entity that assumed the risks is responsible for governing and controlling them. In performing this task, it decides about products and transactions. It must continuously check whether the assumed risks are in conformity with the risk profile specified by the risk strategy of the W&W Group or one of its subsidiaries and whether risk-bearing capacity as well as the risk limits and risk lines are observed. Risk-taking and risk-monitoring tasks are strictly separated in terms of function.

The sufficiency of risk capitalisation is evaluated on several dimensions, which as a rule are equally weighted but highlight different objectives and aspects:

- The economic perspective assesses risk coverage capacity, i.e. permanent assurance of the undertaking's substance in order to protect first-rate creditors against losses from an economic standpoint.
- The normative perspective looks at compliance with the regulatory minimum requirements for risk capitalisation in order to be able to continue business operations as planned.

While the economic and financial risk-bearing capacity concept has been developed and parameterised internally, the regulatory procedure follows the externally specified methodology.

Risk monitoring

In order to identify risks early on, risk indicators are employed to monitor changes in the risk situation. Such indicators include financial and risk indicators (e.g. risk-bearing capacity ratios, limit utilisations), supervisory indicators (e.g. capital ratios) and market indicators (e.g. equity prices, credit spreads).

Material, quantifiable risks are controlled by means of limits and lines. Limits are set at most in the amount that permits compliance with the respective minimum ratios for economic risk-bearing capacity even where the limits are maxed out. Business is transacted solely within the scope of these limits and lines. A corresponding limit and line system has been established, which limits, in particular, risk concentrations.

The monitoring of risks, which is independent of the assumption of risks, primarily takes place at the level of the individual undertaking. Where material risks exist that affect more than just the individual undertaking, they are also monitored at the Group level. Monitoring activities are used to develop recommendations for action, which lead to corrective intervention being taken early on with respect to the objectives set forth in the business and risk strategy and are subject to corresponding measures controlling.

Risk reporting

The Executive Board has written rules specifying, in particular, the content to be reported, the report recipients, and the schedule for internal risk reporting, as well as rules on ad hoc reporting. This ensures regular, timely reporting about the risk position of W&W AG, its subsidiaries and the various groups.

In this regard, the flow of information concerning the risk situation is accomplished through internal risk reporting, risk inventory and calculation of risk-bearing capacity. The results of W&W AG and its subsidiaries are transmitted to the risk controlling function at W&W AG, which then aggregates them and analyses them for their impact on W&W AG and the W&W Group.

The key element of the risk reporting system is the quarterly overall risk report, which is sent to the Group Board Risk, the Executive Board and the Supervisory Board. Presented in this report are, in particular, the amount of available own funds, regulatory and economic capital adequacy, compliance with limits and lines, the results of stress testing and the risk governance measures that have already been taken and that still need to be taken. Also reported on in this connection are significant trends in early-warning risk indicators. This overall risk report is presented to the Group Board Risk and discussed with respect to risk assessment. On this basis, action recommendations and measures are established where necessary for the W&W Group, which are then implemented and tracked by the responsible risk management units.

Depending on how critical it is, information that is considered material from the standpoint of risk is forwarded immediately to the Group Board Risk, the Executive Board and the Supervisory Board. Processes and reporting procedures have been put in place for internal ad hoc risk reporting at the Group level and the level of the individual undertaking. Quantitative criteria are used as thresholds, which as a rule are in line with internal and supervisory parameters. In addition, pertinent ad hoc risk reporting takes place when qualitatively material events occur.

Furthermore, the general public is informed about the risk situation at W&W AG, inter alia, by means of the risk report in the Annual Report and the Solvency and Financial Condition Report. The reports are made available for download on the company website by all interested readers.

Own-risk and solvency assessment

The own-risk and solvency assessment is performed at least once a year. A scheduled own-risk and solvency assessment (ORSA) process is undertaken as at 31 December. If risk-bearing capacity changes substantially, an ORSA process is also considered during the year. The ORSA process culminates in the ORSA report, which is approved by the Executive Board and then submitted to the German Federal Financial Supervisory Authority (BaFin) within 14 days.

All requirements concerning responsibilities and the performance of this process are the subject of the ORSA policy. It defines the individual process steps and their delimitation, the organisational and operational structure, and the roles and responsibilities of the included units on the Group level and the level of the individual undertaking. In addition, it sets minimum standards for data and documentation requirements.

The ORSA policy is subject to a standardised process for reviewing and updating the risk management policies. It is reviewed and, if necessary, modified at least once a year as well as in the event of material changes to the risk profile. Following discussion in the Group Board Risk, the modified ORSA policy is enacted by the Executive Board and published on the W&W intranet.

Content of the ORSA

To ensure that the ORSA meets the internal and regulatory objectives, it links the processes concerning business and risk strategy, corporate planning (including capital planning), corporate governance and risk management. Content of the ORSA process covers, inter alia:

- Assessment of the risk management system with respect to the required modifications to the organisation and operational structure,
- Assessment of the methods applied for risk measurement, stress scenarios, forecasts and own funds planning, as well as for calculating technical provisions,
- Assessment of the material drivers, risk-bearing capacity and the meeting of the supervisory solvency requirement,
- Assessment of the risk governance measures with respect to compliance with the risk appetite specified by the Executive Board,
- Assessment of the ORSA process with respect to required changes or enhancements.

Calculation methods for determining risk capital requirements and risk-adequate capitalisation (capital adequacy)

The assessment of risk-adequate capitalisation focuses on several perspectives as part of the ORSA.

Supervisory capital adequacy measures compliance with the regulatory minimum requirements for risk capitalisation in order to be able to continue business operations as planned. The statutory Minimum Capital Requirement (MCR) and

Solvency Capital Requirement (SCR), as well as own funds (ASM), are calculated using the supervisory standard approach prescribed by EIOPA. Here, capital adequacy is assessed by comparing the capital-solvency margin relation resulting from ASM and SCR or MCR with supervisory and internally specified minimum ratios.

The economic perspective assesses risk coverage capacity, i.e. permanent assurance of the undertaking's substance in order to protect first-rate creditors against losses from an economic standpoint. Here, the risk capital requirements are calculated using a stochastic risk simulation. If this is not possible, risk capital requirements are assessed deterministically or qualitatively using value at risk (VaR) with a confidence level of 99.5% and a one-year time horizon. With respect to economic capital adequacy, the aim is to achieve an economic risk-bearing capacity ratio (ratio of financial resources available for risk coverage to risk capital requirements) of more than 125%.

Stress tests and scenario analyses are performed to estimate possible ranges of risk trends as at the reporting date under changed assumptions and basic conditions.

Integration in the organisational structure

The ORSA process is integrated in the existing organisational structure across various levels:

- The Executive Board of W&W AG has overall responsibility for establishing and implementing the ORSA. It confirms the proper performance, and it assures itself of the accuracy and completeness of the results. The CRO is responsible for planning, coordinating and carrying out the ORSA process. He or she is entitled to make changes to the ORSA process and decides whether to carry out an ad hoc ORSA. In addition, he or she reports to the Group Executive Board on the meetings of the Group Board Risk.
- In accordance with current statutory rules and internal company provisions, the responsibility of the Supervisory Board (or its sub-committees) of W&W AG as governance body also extends to the ORSA process. The Supervisory Board is notified by the Executive Board about the course of the process and its material results. Note is taken of the ORSA report.
- The Group Board Risk assists the Executive Board on ORSA questions and prepares decisions. It monitors the operational ORSA process, analyses results and recommends or arranges for measures concerning process management. The Group Board Risk also acts as an escalation centre.
- The independent risk controlling function coordinates the carrying out and documentation of the ORSA process.
- In addition, all key functions and each responsible specialist section is involved in the ORSA process on specific topics. For instance, the underwriting function makes contributions to the ORSA report concerning technical provisions and about reinsurance and the underwriting policy. The compliance function assesses compliance risks. Group controlling is responsible for capital planning.

Integration in the operational structure and decision-making processes

The ORSA links the processes concerning business and risk strategy, corporate planning (including capital planning), corporate governance and risk management.

- The strategic requirements concerning corporate and risk governance are set in the business strategy process and, derived from this, in the risk strategy process. Findings made as part of the ORSA are taken into account when reviewing the business and risk strategy, particularly as concerns capital adequacy and the assessment of the risk management system.
- The business strategy and risk strategy requirements are operationalised and reviewed through the planning process, whose main elements are multi-year financial planning focusing on the income statement and balance sheet, as well as own funds planning. For its part, the planning process is tied to the concurrent planning of risk limits. The consistency of the results is assured through the mutual exchange of information as part of the ongoing processes.
- The operational implementation of the plan targets is monitored through ongoing controlling processes. In this regard, by means of the governance cockpit as well as twice a year on the basis of extrapolations to year-end, it is reviewed whether the planned development is being achieved. In the case of deviations, governance measures are considered and, where necessary, initiated.
- An iterative risk management process has been established for risk-oriented corporate governance, which includes, in particular, the monitoring of the risk profile and quarterly reporting. The ORSA process draws on the results of the risk management process and reviews the appropriateness of the risk management system.

B.4 Internal control system

General remarks about the internal control system (ICS)

W&W AG is integrated in the Group-wide ICS procedure of the W&W Group. The ICS procedure established in the W&W Group was adopted by the Management Board of the W&W Group and declared binding for W&W AG. The Executive Board members of W&W AG are responsible for compliance with the requirements. The respective specialist sections at W&W AG are responsible for operational implementation of the requirements.

Elements of the internal control system

Risk identification

As part of the ICS procedure, the risks identified and monitored by the persons in charge of the process are given consideration either when warranted by events or as part of a review that takes place annually. The risk strategy and the Group risk policy form the overarching framework for risk identification.

Risk assessment

The risks identified by the persons in charge of the process are assessed using the risk relevance matrix applicable to W&W AG. The criteria for assessing the ICS relevance of risks are a risk's probability of occurrence and impact.

Controls

In order to minimise ICS-relevant risks, the specialist section defines appropriate controls, performs control activities and documents the controls, including the control result, in a uniform manner that is comprehensible to a third party.

If deficiencies are discovered when performing control activities, the person performing the control documents them and, in coordination with the person in charge of the process, remedies them. The control documentation records the measures being used to remedy the deficiency, how long it will take to do so and how any resulting increased risk potential is being handled until the deficiency is remedied.

If the deficiency cannot be remedied by the specialist section on its own or poses a threat to existence, it is considered to be material. In such case, the escalation process described below is to be initiated.

Effectiveness testing

The effectiveness of the control activities is reviewed by the specialist section by means of effectiveness testing, which is to be performed on an annual basis. In doing so, it analyses whether the control was performed as specified and is effective. Effectiveness is assessed on the basis of the documented control activities.

If deficiencies are discovered when performing testing activities, the person performing the effectiveness test documents them and, in coordination with the person in charge of the process, remedies them. The testing documentation records the measures being used to remedy the deficiency, how long it will take to do so and how any resulting increased risk potential is being handled until the deficiency is remedied.

If the deficiency cannot be remedied by the specialist section on its own or poses a threat to existence, it is considered to be material. In such case, the escalation process described below is to be initiated.

Test of design

In the annual test of design, the specialist department reviews, assesses and, using specified forms, explicitly confirms that the ICS procedure in effect was complied with Group-wide by the respective area of responsibility during the past year. In addition, each specialist section reviews the risks, controls, effectiveness tests and role assignments in the ICS procedure for whether they are up to date, modifies them if necessary, and suitably documents them. In the event of a negative assessment, the central ICS office in the W&W Group decides on a case-by-case basis on how to proceed, taking risk aspects into account.

Escalation process

If a material deficiency is discovered in connection with control or testing activities, it is escalated and documented by the specialist section. In addition, the central ICS office in the W&W Group is promptly notified. Until the deficiency is remedied by the specialist section, the ICS office reports regularly to the Group Board Risk, internal audit and the compliance function of the W&W Group.

Audit function

As part of ongoing audit work, the Audit department audits the proper implementation of the ICS procedures by the individual specialist sections. It also analyses any identified deficiencies and takes the findings into consideration, if necessary, with regard to further audit planning.

Summary evaluation

The required processes for the material components of the internal control system have been established in the W&W Group and implemented in any appropriate manner. W&W AG is thus of the opinion that requirements for the internal control system under Solvency II are met.

Compliance

The compliance function is a material element of the compliance management system at W&W AG. It is part of the internal control system. In this regard, W&W AG follows the three-lines-of-defence concept.

Accordingly, employees and senior managers in the first line of defence are responsible for identifying, analysing and controlling risks in day-to-day operational business. The compliance function of W&W AG acts as the second line of defence. The compliance officer bears operational responsibility for the compliance function. The compliance management system and the tasks, responsibilities and material processes of the compliance function are addressed in the compliance policy, as is the monitoring of compliance with statutory, supervisory and internal requirements. The compliance policy is reviewed on a regular basis, but at least once a year, for whether it is up to date. If necessary, it is enhanced and, if the case of material changes, then approved by the Executive Board. The compliance management system is enhanced on a regular basis and adjusted to meet changing basic conditions. In addition, as the third line of defence, the Group Audit department regularly monitors the compliance management system.

Because of the high number of legal provisions on both the national and European level, the compliance function is compelled to document and analyse new developments and changes in a systematic manner. W&W AG has established a so-called “compliance control loop” in order, on the one hand, to observe corresponding legal obligations and, on the other, to avoid unlawful conduct. In addition, the monitoring approach was continually enhanced during the reporting year. A web-based workflow procedure is deployed to ensure appropriate processing and documentation. In this regard, the compliance function is required to monitor compliance with the material obligations relevant to W&W AG and changes to the legal environment and to work toward their compliance. In addition, new and changing legal obligations and internal change projects are identified and continuously monitored in accordance with defined criteria. The compliance function is also tasked with identifying the specialist sections responsible for complying with and implementing legal provisions. Finally, as part of the compliance control loop, the compliance function also handles the assessment of the appropriateness and effectiveness of the measures necessary for compliance with material legal provisions and amendments to legal provisions or internal change projects.

The compliance function is authorised to specify control and monitoring actions that may result from the analysis of implementation results or ad hoc. In addition, the compliance function prepares a monitoring plan oriented toward risks and performs the planned monitoring actions accordingly.

In addition to the compliance officer himself or herself, a neutral attorney (ombudsman) is available to all members of the undertaking should they learn of possible legal violations or any actions that may be damaging to the undertaking. In this regard, the compliance function is responsible for disseminating information in W&W AG.

B.5 Internal audit function

Internal audit for W&W AG is handled by the Group Audit department of W&W AG. This department provides audit services for W&W AG and the undertakings of the W&W Group in Germany. The Group Audit department reports directly to the CEO of W&W AG, Mr Junker. The head of the Group Audit department is appointed as the audit key function holder for W&W AG and the W&W Group. He or she does not perform any other activities with relevance to supervision.

The Group Audit department and its employees do not handle any non-audit tasks whatsoever, thus assuring the independence of the Audit department. The objectivity of the auditors is assured through extensive quality management within the Audit department, as well as through a waiting period when employees switch from operational areas to the Group Audit department.

The tasks and powers of the Group Audit department are set down in audit rules of procedure, which are applicable throughout the Group. Accordingly, as the central function of internal corporate monitoring for all undertakings of the W&W Group and thus also for the company, the Group Audit department must systematically and methodically review and assess, in particular,

- the appropriateness and effectiveness of the risk management system,
- the appropriateness, functioning, effectiveness and efficiency of essentially all processes,
- the appropriateness, functioning and effectiveness of the ICS established by the specialist sections at the order of management,
- the regularity, functioning and security of IT systems and the finance and accounting system, and
- the compliance with statutory, supervisory and company requirements,

taking into account the nature, scale, complexity and risk content of the business activities. In addition, it must monitor the timely remedying of any identified deficiencies. These rules of procedure set down an unrestricted information and audit right with respect to all undertakings of the Group. Accordingly, all organisational units must notify internal audit without delay about any material deficiencies, material financial damages or specific suspicions of irregularities. The Audit department does not have the authority to give instructions to the audited units, other than immediate measures that may be necessary in the interest of the W&W Group undertakings.

The audit activities are based on an audit manual that defines all material business activities of the individual undertakings of the W&W Group. The audit manual is reviewed at least once a year for whether it is complete and up to date. Audit planning is performed on the basis of a documented risk assessment of the structures, processes and systems to be audited. Statutory requirements, requirements of the management and risk appraisals by third parties (e.g. risk management) are taken into consideration. Audit issues and the audit schedule are set down in a multi-year plan. The multi-year plan is updated annually and forms the starting point for audit planning for the next financial year. In connection with annual planning, it is ensured that the necessary unscheduled audits (ad hoc audits) can be carried out on short notice.

A report is prepared for each audit and submitted to the responsible management. Measures to remedy identified deficiencies (including responsibilities and implementation dates) are agreed upon from the audits. Implementation of the measures is monitored by internal audit on an ongoing basis. The Group Audit department reports monthly to the Executive Board member responsible for the mandate concerned about uncompleted measures that are due. Moreover, past-due measures are reported monthly to the company's outsourcing officer and to the CEO of the W&W Group.

In addition, the Group Audit department reports quarterly to the Executive Board of W&W AG and to other key function holders about audit activities in the entire W&W Group during the past quarter, the implementation of the audit plan, and any changes to the audit plan. This is supplemented by annual reporting on audit activities in the past year, material or serious deficiencies that were identified, and the status of the implementation of measures to eliminate these deficiencies, as well as about compliance with and changes to audit planning. In addition, internal audit gives its opinion in the annual report on whether the Audit department is furnished with the staff and resources whose quality and quantity are appropriate in light of the nature and scope of its duties.

Quarterly and annual reporting is also addressed to the Supervisory Board of W&W AG. In addition, the head of internal audit reports at meetings of the Audit Committee and the Supervisory Board. Moreover, the chairman of the supervisory body or of the Audit Committee is entitled, with the involvement of management, to obtain information directly from the head of internal audit

B.6 Actuarial function

In the W&W Group, a policy has been drafted for the actuarial functions that addresses, inter alia, the basic conditions for the organisational and operational structure, as well as the material tasks of the actuarial functions.

The responsible actuarial function holder reports directly to the company's Executive Board. He or she is assisted in the performance of his or her tasks by employees of the W&W/VMF department. He or she is concurrently the head of the Actuarial Services & Property and Casualty Reinsurance department of Württembergische Versicherung AG, which is responsible, inter alia, for actuarial measurements of the loss reserves, for rate calculations in connection with product development projects and for the reinsurance of Württembergische Versicherung AG and W&W AG.

The actuarial functions of the Group and all individual undertakings in the Group meet as a committee at least once a year to exchange information and compare work status. This essentially ensures that a uniform Group approach is taken in the structuring of the actuarial function.

B.7 Outsourcing

The following business policy principles apply to outsourcings:

- The basic decision to outsource is made on the basis of financial considerations by the Executive Board as part of the development of the business strategy.
- Outsourcing in the sense of a centralisation of functions in the W&W Group is undertaken, in particular, where pooling can result in measurable advantages in terms of experience and efficiency.
- Outsourcings are essentially undertaken within the Group.
- In areas in which the W&W Group is unable to reach market benchmarks over the long term, external outsourcing is considered.

Policies and the outsourcing requirements are addressed in a binding fashion with the W&W standard outsourcing. This ensures compliance with the statutory, regulatory and in-house requirements to be taken into consideration. At the same time, the clear definition of the process and the responsibilities facilitates efficient outsourcing management.

Important activities have been outsourced to the following service providers:

- W&W Informatik GmbH, company with registered office in Ludwigsburg,
- W&W Asset Management GmbH, financial services institution with registered office in Ludwigsburg,
- Wüstenrot Bausparkasse AG, financial services institution with registered office in Ludwigsburg,
- Württembergische Versicherung AG, insurance company with registered office in Stuttgart.

The jurisdiction in which the service providers for important outsourcings are based is Germany.

B.8 Other information

A process for reviewing the governance system has been developed by the key and other functions in coordination with internal audit. This review takes place at least once a year. In 2020 internal audit coordinated the review of the governance system with respect to the transparency of the organisational structure, the appropriateness of the operational structure, contingency plans and company policies. The report on the result of this review, which includes proposals for enhancement of the governance system, was submitted to the Executive Board for final assessment. After discussion, the Executive Board adopted a resolution that the governance system is appropriately designed in light of the nature, scale and complexity of the risks inherent in the business.

Sections B.1 to B.7 present all necessary information about the governance system and the business organisation. In the opinion of the company, there is no other material information that is required to be reported.

C Risk profile

To present the risks of W&W AG transparently, we uniformly group similar risks throughout the Group into so-called risk areas. The risk areas are further subdivided by risk type for optimal risk governance. The depiction of the risk areas with the associated risk types is called a risk landscape and is shown in the following overview:

Risk landscape of W&W AG
Overview of risk areas / risk types

Overall risk profile

Market price risks	Counterparty credit risks	Underwriting risks	Operational risks	Business risks	Liquidity risks
Interest rate risk	Counterparty credit risk associated with capital investments	Underwriting risk associated with life insurance	Legal risk	Strategic risk	Illiquidity risk
Credit spread risk	Other counterparty credit risk	Underwriting risk associated with health insurance	Compliance risk	External risk	Refinancing risk
Equity risk		Underwriting risk associated with property and casualty insurance	Personnel risk	Reputation risk	Market liquidity risk
Foreign exchange risk			Process risk		
Real estate risk			Information risk		
Participation risk			Model risk		
Commodity risk			Service provider risk		

Two perspectives are used to assess risks:

- Regulatory perspective with the indicator Solvency Capital Requirement (SCR) from the standard formula of the European Insurance and Occupational Pensions Authority (EIOPA) for managing and assessing the Solvency Capital Requirement mandated by supervisory law and for reporting it to the public and the supervisory authorities. In Chapter E, the Solvency Capital Requirement is differentiated for the risk areas market price risks (market risk), counterparty credit risks (counterparty default risk), underwriting risks and operational risks.
- Economic perspective with the indicator risk capital requirements from the own-risk and solvency assessment (ORSA) for managing and assessing economic risk-bearing capacity. In this Chapter C, unless noted otherwise, the figures are based on economic risk-bearing capacity.

The risk profile of W&W AG assessed in accordance with the methods relating to economic risk-bearing capacity was as follows as at 31 December 2020:

Risk profile

	Portion of economic risk capital requirements	
in %	31.12.2020	31.12.2019
Market price risks	85.3	78.8
Counterparty credit risks	9.1	12.9
Underwriting risks	4.1	5.7
Operational risks	1.5	2.5

Business risks are taken into consideration in the calculation of risk-bearing capacity by applying a flat-rate discount when determining the capital available for risk coverage.

Stress scenarios are regularly calculated as a complement to the stochastic risk assessment. In the process, in stress tests both specific to the risk area and applying to all risk areas as well as in inverse stress tests, the change effects of individual, isolated risk factors as well as combined risk factors are considered.

In 2020 the depiction of the claims of subsidiaries against W&W AG for the satisfaction of pension obligations was modified in the regulatory and economic perspective in such a way that a claim to satisfaction of pension benefit obligations calculated pursuant to IAS 19 is shown on the liabilities side, which is matched by a discounted receivable for future interest payments by subsidiaries.

Off-balance-sheet items (e.g. contingent liabilities) are presented as supplementary disclosures in the annual report. In the context of the level of own funds from the standpoint of Solvency II, they are considered immaterial and are therefore not listed further at this juncture.

Prudent person principle

The assets of W&W AG are invested in accordance with the prudent person principle. This means that W&W AG invests only in assets and instruments whose risks can be properly identified, measured, monitored, managed, controlled and reported, and can be properly taken into account in assessing overall solvency needs.

Qualified assets are invested with the required expertise and caution. Compliance with the general regulatory investment principles and the internal investment policy is ensured through qualified asset management, suitable internal investment principles and control procedures, a strategic and tactical investment policy and other organisational measures. These include, in particular, monitoring all risks associated with the assets and liabilities sides of the balance sheet and the relationship of the two sides to each other, as well as verifying the elasticity of the investment portfolio when compared with certain capital market scenarios and investment conditions.

This ensures that W&W AG can at all times respond appropriately to changing economic and legal conditions, particularly changes on the financial and real estate markets, liquidity needs from underwritten loss events or other changed market situations.

All assets are to be invested in a manner that corresponds to the general investment principles of security, liquidity and profitability.

General investment principles	Description
Principle of security	Only a secure investment guarantees that concluded insurance contracts can be performed. This applies to each individual investment, as well as to the entire portfolio. Security first means securing the nominal value. Whether this can be achieved must be reviewed prior to the acquisition and repeatedly during the term of the investment.
Principle of liquidity	Due and owing payment obligations must be able to be satisfied without delay. The overall portfolio of investments must therefore be composed in such a way that liquid assets or those that can be liquidated without difficulty are always available in the amount needed for operations. This must be reviewed as part of the undertaking's financial and liquidity planning.
Principle of profitability	Investments must be profitable. They must generate a sustainable income, taking into account security and liquidity needs and the situation on the capital markets. This applies to each individual investment, as well as to the entire directly and indirectly held portfolio.

As part of strategic asset allocation (SAA), the investment objectives of W&W AG are set at least once a year, taking into account the nature of the insurance business conducted and the corporate structure for the following year. On the markets side, primary consideration is given to the aspects of profitability and security. Simulations to optimise the entire investment portfolio are run on the basis of qualitative (recommendations) and quantitative (portfolio simulations) results. Prior to being adopted, the SAA is submitted to an intensive review process in the design phase in the independent risk controlling function, which covers compliance with the requirements concerning the prudent person principle and risk-bearing capacity. In addition, it is compared with the current planning/projection for net investment income. Findings gained from the review process are used to set limits in connection with the annual limit process.

The final SAA includes target ratios for the individual asset classes, as well as ranges. The ranges are defined in accordance with risk-oriented aspects. Asset classes that are categorised as especially risky are also subject to limiting on the aggregated level.

The statements concerning the prudent person principle for investment apply to the risk areas C.2 market price risk, C.3 counterparty credit risk and C.4 liquidity risk.

The individual risk areas are described in the following sections.

C.1 Underwriting risk

Risk exposure

Underwriting risk means potential losses that arise in connection with previously calculated premiums from the uncertainty concerning future trends in claims and costs from concluded insurance contracts. Thus, it covers all specific risks of the insurance business, including premium and reserve risks, cancellation risks and disaster risks in property and casualty insurance, as well as biometric risks, cancellation risks, cost risks, revision risks and disaster risks in life and health insurance. Due to external events (e.g. natural disasters), risks associated with individual contracts may add up to accumulation risks.

W&W AG acts as reinsurer for the operational subsidiaries. Of particular significance is the property/casualty business accepted from Württembergische Versicherung AG, which gives rise, above all, to premium and reserve risks. Outside the Group, only a portion of a German market pool is underwritten. Underwriting risk in the area of life and health insurance mainly stems from life insurance business outside the Group, which is currently being wound down nearly in full. It gives rise to risks specific to life insurance, such as biometric risks.

In accordance with internal provisions, the operational subsidiaries enter only into insurance transactions whose risks do not pose a threat to the company as a going concern. This is supported by means of optimisation of cost and claims management. Incidental risks that cannot be influenced are limited with suitable and adequate protective instruments (e.g. reinsurance). W&W AG accepts risks in its function as the internal Group reinsurance undertaking and passes them on in part to third-party reinsurers.

An economic model is used for measuring underwriting risks that is based on the value-at-risk approach. In property and casualty insurance, the calculation is performed with Monte Carlo simulations. In order to estimate disasters, use is made of simulation results provided by reinsurance companies and brokers that specialise in this area. These results are incorporated in the stochastic model. Risk measurement for life and health insurance is oriented on the Solvency II standard formula.

W&W AG is not exposed to any underwriting risks from off-balance-sheet items or from the transfer of risk to special purpose vehicles within the meaning of Article 211 of the Solvency II framework directive.

The potential loss from underwriting risks is limited by means of defined risk limits. This is the maximum amount that the underwriting risk is permitted to reach. The limit utilisation is monitored continually.

The principles and objectives of the underwriting policy and the definition of permissible transactions and the associated responsibilities are documented in strategies and underwriting guidelines and are reviewed at least once a year. The rate and underwriting policy of subsidiaries that underwrite risks is focused on risk and income. It is supported with suitable incentive systems for the mobile sales force. Risks are underwritten according to defined guidelines and under consideration of business-line-specific maximum underwriting amounts. Natural disaster risk is countered with risk-oriented prices, contract terms and conditions adapted to critical disaster zones and risk exclusions.

In 2020 underwriting risks were consistently in line with the risk strategy. The risk limit of W&W AG was consistently complied with.

Coronavirus pandemic

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

Because of the coronavirus pandemic and the associated uncertainties about further developments and the ultimate loss/benefits volume, we expect that the W&W AG and its operational subsidiaries will be exposed in some cases to increased risks in the area of underwriting risk in 2021 as well.

Risk concentrations

The focus of the insurance business of the operational subsidiaries that is reinsured by W&W AG is the German state of Baden-Württemberg, meaning that this gives rise to a regional risk concentration. By focusing on retail and commercial customers and avoiding high-volume individual risks through clear acceptance and underwriting policies, no additional material risk concentrations are expected in insurance business, including in the future. However, in the case of accumulation events and in the area of natural disasters, like storms, hail or flooding, risk concentrations may arise due to regionally higher market shares. These cannot be entirely ruled out, but they are reduced through corresponding reinsurance arrangements to an acceptable degree in terms of risk-bearing capacity.

Risk mitigation techniques

Adequate reinsurance protection for individual risks and for accumulation risks across business lines reduces underwriting risks in property and casualty insurance. The reinsurance programme is adjusted on a yearly basis under consideration of risk-bearing capacity. Great emphasis is placed on the solvency of the reinsurers.

The sustained effectiveness of the risk mitigation techniques for underwriting risk is monitored, in particular, through corresponding contract drafting, the specification of and compliance with certain criteria when selecting contract partners or risk mitigation techniques, as well as through internal controls.

The reinsurance contracts are reviewed annually and clearly defined the scope of the risk transfer. The contractual content relating to the risk transferred by W&W AG corresponds to the risk it accepted. The ratings of reinsurers are continually monitored by the department responsible for ceded reinsurance. In the event that the rating of a reinsurance partner is downgraded, the continuation of this business relationship is reviewed.

Internal controls ensure the effective operational implementation of the adopted risk mitigation techniques.

Risk sensitivity

Alongside calculation of the Solvency II standard formula, consideration is given to the effects of possible scenarios on own funds and the Solvency Capital Requirement. Assumed for this purpose is the occurrence of an earthquake event in southern Germany with a magnitude of about 6.

The following table shows own funds, the Solvency Capital Requirement and the solvency ratio as at the reporting date and according to scenario occurrence:

Sensitivity of underwriting risk

		Solvency II	Stress test
in € thousands		31.12.2020	31.12.2020
Eligible own funds		7,362,104	6,982,477
Solvency Capital Requirement		1,819,316	1,763,256
Solvency ratio (%)		404.7	396.0

The considered scenario leads to a reduction of own funds by €379,627 thousand, of the Solvency Capital Requirement by €56,060 thousand, and of the solvency ratio by 8.7 percentage points.

The Solvency Capital Requirement would also be covered after occurrence of the considered scenario.

The risk governance tools presented in this section under “Risk exposure” and “Risk mitigation techniques” are used to govern underwriting risk and the sensitivities associated with it.

C.2 Market price risk

Risk exposure

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

Changes in market price risks depend primarily on the enterprise values of the strategic participations and the outside capital markets. Because of its investment structure, the main risk drivers for W&W AG are trends in interest rates and credit spreads and on the equity markets, as well as the financial development of W&W AG’s participations.

An economic model is used to measure market price risks, which is based on the value-at-risk approach (confidence level of 99.5%, risk horizon of one year). Sensitivity and scenario analyses are employed as an early-warning function and additional estimation of possible imminent risks.

The risk profile of the risk area “market price risks” of W&W AG was as follows as at 31 December 2020:

Exposure to market price risks

	Portion of economic risk capital requirements	
in %	31.12.2020	31.12.2019
Participation investment risk	57.4	50.9
Interest rate risk	11.7	12.6
Credit spread risk	8.4	8.0
Equity risk	5.7	5.6
Real estate risk	2.1	1.8

For W&W AG, the strategic participation portfolio constitutes the key risk. When participation risks materialise, measurement losses can lead to changes in the value of participations being recognised as a loss (write-downs), the non-payment of dividends or the need to make contributions to earnings. In this regard, interest rate risk remains very significant in the W&W Group. Current interest rates pose a risk to earnings, as new investments and reinvestments can be made only at lower interest rates. At the same time, a prolonged period of low interest rates can substantially compromise the profitability of endowment life insurance policies and home loan savings contracts. Here, the portfolio has significant risks from interest rate guarantees. They are also having an increasing negative impact on valuation reserves. When interest rates drop, long-term obligations experience more severe changes in value than do interest-bearing investments due to the mismatch of maturities on the assets side and the liabilities side. The result is an interest rate change risk, which manifests itself in a falling available solvency margin. On the other hand, a quick, sharp rise in interest rates would have a negative impact on investment reserves. The focus continues to be on risk-minimising measures to govern the W&W Group's interest rate change risks and interest rate guarantee risks. W&W AG is itself subject to interest rate change risks due to investments in interest-bearing assets.

Credit spread risk means the risk that the value of receivables will change because of a change to the applicable credit spread for the respective issuer or counterparty – despite an unchanged credit rating over time. Credit spread risks result from the bond portfolio of W&W AG, which consists of bonds issued both outside and, in particular, within the Group.

In light of volatile markets, equity risks are reduced through hedging strategies. Nevertheless, sudden and severe price slumps on equity markets could impair the value of the equity portfolio held by W&W AG by forcing write-downs.

Foreign exchange risks result from open net foreign exchange positions in globally aligned investment funds, as well as from foreign currency bonds. In accordance with the strategic alignment, the foreign currency exposure in the direct portfolio of W&W AG is mainly concentrated in Danish krones and US dollars. Material foreign currency portfolios are held on the assets side also for the purpose of currency-congruent coverage of underwriting liabilities. Substantial parts of the foreign currency exposure are hedged against exchange rate fluctuations. As part of active foreign currency management, systematic use is made of income opportunities through open foreign currency positions. In addition, participations in foreign subsidiaries in Hungary result in foreign currency risks in Hungarian forints.

The company is not exposed to material market price risks from off-balance-sheet items. In connection with the drawdown of outstanding deposit obligations for participation commitments, the outflow of funds is matched by a corresponding inflow from the standpoint of own funds. Moreover, the economic model takes into consideration additional risk capital requirements that may potentially arise.

As part of asset/liability management, assets are managed and monitored in such a way that they take into account the amount and due date of the liabilities.

The business and risk policy of participations is influenced, inter alia, through representation in supervisory bodies, depending on the size and significance of the participation. In addition, participations are subject to stringent controlling. Among other things, this comprises the annual planning of dividends, medium-term economic planning, projections during the year and monthly target/actual comparisons for material long-term equity investments. In this way, impending participation risks can be responded to at an early stage.

Trends on the capital markets are continually monitored in order to be able to promptly adjust the positioning and hedging.

In 2020 the market price risks were consistently in conformity with the risk strategy and the strategic asset allocation. The risk limit of W&W AG was consistently complied with.

Coronavirus pandemic

In 2020 the development of the coronavirus pandemic caused increased volatility on the capital markets.

Current interest rates are being shaped by continued expansive monetary policies, which are also being driven by the coronavirus, and the risk aversion of investors. Credit spreads reflect the current uncertainties concerning imminent counterparty credit risks created by the economic downturn (defaults, downgrades).

In the area of equity investments, the losses suffered at the start of the coronavirus pandemic were able to be recouped in part. Nevertheless, there is also a risk here of new price corrections. With regard to participations in alternative investments, the measurement declines occasioned by the coronavirus were able to be largely offset. Nevertheless, it is not possible to rule out delayed effects in the form of measurement declines or smaller distributions.

In the property area of our operational subsidiaries, there was a significant rise in rent arrears, particularly with key commercial lessees in the retail, hotel and office sectors. However, the vast majority of rent payments were made on time. It cannot be ruled out that rent losses will increase if the coronavirus pandemic does not abate.

Despite the fact that the capital markets have partially recovered from the previous extreme distortions during the coronavirus pandemic, we expect that the W&W Group will be exposed to increased risks in the area of market price risk in 2021 as well.

Risk concentrations

As presented above in this section under “Risk exposure”, W&W AG as parent undertaking is particularly dependent on the intrinsic value of its large operational subsidiaries. This is also reflected in the Solvency Capital Requirement of the standard formula, which includes a capital requirements of €309,938 thousand for market risk concentrations.

In this regard, the standard formula assesses the extent to which risk exposures are concentrated among counterparties who belong to a common group of undertakings, and it imposes a capital requirement on them, depending on their credit rating. In the case of W&W AG, this capital requirement results from the participations in Wüstenrot Bausparkasse AG as well as other Group-affiliated non-insurance undertakings. An average credit rating is used for this purposes, which corresponds to a rating area of BBB+ to BBB-.

Based on the strategic asset allocation, positionings are intentionally taken in individual asset classes (inter alia, equities, participations, bonds). Concentrations are avoided, inter alia, by mixing asset classes, particularly though compliance with specific mixture ratios and broad diversification by industry, region and style of investment.

Risk mitigation techniques

Derivative financial instruments were used in 2020, in line with the strategic asset allocation. Equity price risks are reduced through corresponding hedging strategies using derivatives. Substantial parts of the foreign currency exposure are hedged against exchange rate fluctuations.

The effectiveness of the risk mitigation techniques listed above is mainly assured through ongoing monitoring of the portfolio. In this regard, trends on the capital markets are continually monitored in order to be able to promptly adjust the positioning and hedging. Standardised reporting processes are in place for notifying all parties involved in the investment process in a timely and transparent manner about the current investment status.

In this connection, the described measures are constantly reviewed and adapted to changes and current conditions. This also applies, in particular, to the various internal directives in the investment area, which are reviewed at least once a year and supplemented by changes that result from supervisory requirements or company practice.

The framework for the use of derivatives is addressed in binding fashion in internal directives. Corresponding processes have been established to monitor the effectiveness of the use of derivatives. These consist of the controlling the changes in the value of the instruments used and assessing effectiveness of the use of derivatives. A derivative is considered to be free of material basis risks if the changes in value of the risk position covered by the hedging instrument reflect at least 90% of the changes in value of the risk exposure.

The appropriateness of the hedging level achieved through the derivative positions is monitored on the basis of its impact on risk-bearing capacity. Standardised framework agreements are used to avoid legal risks.

Internal controls ensure the effective operational implementation of the adopted risk mitigation techniques.

Risk sensitivity

At least once a year, risk sensitivity is considered using risk-specific stress tests, particularly for interest rate risk, equity risk and credit spread risk, in order to derive risk governance measures. These are, for interest rate risk, a change in the interest rate curve by 50 basis points; for equity risk, a fall in equity prices by 36% (participations by 18%); and for credit spread risk, an increase in the credit spread by 50 basis points.

The following tables present the effects of the stress tests on own funds, the Solvency Capital Requirement and the solvency ratio:

Sensitivity of interest rate risk

	Solvency II	Stress test: Interest rate +50 basis points	Stress test: Interest rate -50 basis points
in € thousands	31.12.2020	31.12.2020	31.12.2020
Eligible own funds	7,362,104	7,568,797	7,113,124
Solvency Capital Requirement	1,819,316	1,846,824	1,784,843
Solvency ratio (%)	404.7	409.8	398.5

A reduction of the interest rate curve by 50 basis points would result in a decline in own funds by €248,979 thousand, in the Solvency Capital Requirement by €34,473 thousand and in the solvency ratio by 6.1 percentage points. The sensitivity to an increase in the interest rate curve by 50 basis points would be lower, with an increase in the solvency ratio of 5.2 percentage points. The risk governance tools presented in this section under “Risk exposure” and “Risk mitigation techniques” are used to govern interest rate risk and the sensitivities associated with it.

Sensitivity of equity risk

	Solvency II	Stress test
in € thousands	31.12.2020	31.12.2020
Eligible own funds	7,362,104	6,106,877
Solvency Capital Requirement	1,819,316	1,518,525
Solvency ratio (%)	404.7	402.2

A fall in equity prices by 36% (participations, whereby strategic participations are assigned a stress factor of 18%) would result in a decline in own funds by €1,255,227 thousand, in the Solvency Capital Requirement by €300,791 thousand and in the solvency ratio by 2.5 percentage points.
The risk governance tools presented in this section under “Risk exposure” and “Risk mitigation techniques” are used to govern equity risk and the sensitivities associated with it.

Sensitivity of credit spread risk

	Solvency II	Stress test
in € thousands	31.12.2020	31.12.2020
Eligible own funds	7,362,104	6,465,188
Solvency Capital Requirement	1,819,316	1,625,325
Solvency ratio (%)	404.7	397.8

A rise in the credit spread by 50 basis points based on the interest-rate-sensitive investments of W&W AG would result in a reduction of own funds by €896,916 thousand, in the Solvency Capital Requirement by €193,991 thousand, and in the solvency ratio by 6.9 percentage points. The risk governance tools presented in this section under “Risk exposure” and “Risk mitigation techniques” are used to govern credit spread risk and the sensitivities associated with it.

The Solvency Capital Requirement would also be covered after occurrence of the considered scenarios.

C.3 Counterparty credit risk

Risk exposure

Counterparty credit risk means potential losses that may result if borrowers or debtors default or experience a deterioration in creditworthiness. Counterparty credit risks may arise from the default or change in credit rating of securities (counterparty credit risk associated with investments) and from the default on receivables due from counterparties in reinsurance.

For internal governance, credit risks from investments are measured using a loan portfolio model. In this regard, in an economic view, risk capital requirements are calculated on the basis of a value-at-risk approach customary in the industry with the prescribed confidence level of 99.5% on the basis of one-year default/migration probabilities. Other counterparty credit risks mainly consist of the risk of default by undertakings that reinsure underwriting risks. In methodological terms, the risk capital requirements resulting from this are calculated in line with the Solvency II standard model.

The risk profile of the risk area “counterparty credit risks” of W&W AG, which is calculated in accordance with the methods relating to risk-bearing capacity measurement, was spread as follows as at 31 December 2020:

Exposure to counterparty credit risks

	Portion of economic risk capital requirements	
in %	31.12.2020	31.12.2019
Counterparty credit risk associated with investments	8.4	12.0
Other counterparty credit risk	0.7	0.9

In line with our strategic orientation, the credit rating structure of our interest-bearing investments is conservative, with 94.5% (prior year: 97.2%) of investments in the investment grade range.

Counterparty credit risks in reinsurance business have consistently remained at a low level. Also, the retrocessionaires of W&W AG have very good credit ratings.

The company is not exposed to any counterparty credit risks from the transfer of risk to special purpose vehicles within the meaning of Article 211 of the Solvency II framework directive.

Counterparty credit risks are limited through the careful selection of issuers and reinsurance partners, as well as broadly diversified investments. Applicable investment rules are taken into consideration in the process. Contracting partners and securities are mainly limited to credit ratings in the investment grade range. In general, the investment exposure currently shows a good collateral structure. Other risk management methods used by W&W AG include:

- Investment line system
  Investments are made with issuers or issuer groups (borrower units) in accordance with specified directives and in observance of defined lines. Compliance is monitored by the independent risk controlling function through regular measurement of line utilisation. The lines are subject to continuous review.
- Rating verification
  To assess counterparty and issuer risks and determine lines, the W&W Group draws on the evaluations of international rating agencies, which it verifies and supplements with its own creditworthiness analyses. The lines are subject to regular review.
- Monitoring
  The investments of W&W AG are carefully monitored and analysed in order to identify risks early on that may arise from trends on the capital markets. For this purpose, use is made of the economic expertise of W&W Asset Management GmbH. Furthermore, the indicators provided in the aforementioned instruments and procedures are included in the monitoring.
- Risk provision
  Impending defaults relating to investments or reinsurance business are taken into account by means of appropriate impairment allowances.

In 2020 counterparty credit risks were consistently in line with the risk strategy. The risk limit of W&W AG was consistently complied with.

Coronavirus pandemic

Deteriorated creditworthiness was observed in 2020 due to the impact that the coronavirus pandemic had in the area of interest-bearing investments in some sectors. To date, there have been no payment defaults.

In the customer lending business of our subsidiaries, approximately 3,800 customers of the W&W Group made use of the statutory moratorium in 2020 in order to defer principal and interest payments. Most customers resumed making the agreed payments when the statutory moratorium expired. At the respective subsidiaries, the risk provision was adjusted to conform to the higher uncertainty, as well as to the increased likelihood of payment defaults in connection with the coronavirus pandemic.

Because of the coronavirus pandemic and the associated uncertainties about further developments, we expect that W&W AG and the W&W Group will be exposed to increased risks in the area of counterparty credit risk in 2021 as well.

Risk concentrations

Owing to regulatory requirements and internal rating requirements, W&W AG is heavily invested, in sectoral terms, in government bonds and financial services companies and, in regional terms, in Europe, which is typical for the industry. Accordingly, in addition to the credit risk associated with the relevant counterparty, W&W AG in particular bears the systemic risk of the financial sector and the specific counterparties belonging to it. Counterparty credit risks that result from portfolio concentrations are reduced through a targeted selection of counterparties and by the risk line system, but they cannot of course be completely ruled out.

Risk mitigation techniques

In order to minimise the counterparty risk from trading business, master agreements are used for derivatives, which are based on standards customary on the market, such as the German Master Agreement for Financial Derivatives Transactions and associated collateral agreements. In addition, certain risk management methods are used to limit risk. These are presented in this section under "Risk exposure".

Risk sensitivity

As the risk-specific stress test, the scenario of a default by the largest counterparty outside the Group is considered at least once a year.

Sensitive of counterparty credit risk

		Solvency II	Stress test
in € thousands		31.12.2020	31.12.2020
Eligible own funds		7,362,104	6,080,705
Solvency Capital Requirement		1,819,316	1,532,750
Solvency ratio (%)		404.7	396.7

A default by the largest counterparty outside the Group would result in a decline in own funds by €1,281,399 thousand, in the Solvency Capital Requirement by €34,473 thousand and in the solvency ratio by 8.0 percentage points.

The Solvency Capital Requirement would also be covered after occurrence of the considered scenario.

The risk governance tools presented in this section under "Risk exposure" and "Risk mitigation techniques" are used to govern counterparty credit risk and the sensitivities associated with it.

C.4 Liquidity risk

Risk exposure

Liquidity risk means the risk that money can be borrowed only at higher market interest rates at the time it is needed (refinancing risk) or that it can be obtained only with discounts (market liquidity risk) in order to satisfy payment obligations at maturity (avoidance of illiquidity risk).

W&W AG receives liquidity inflows primarily from income (dividends and profit transfer) from its participations, as well as from premium revenue from reinsurance business. The investment policy of W&W AG is designed to ensure that investments can be liquidated at any time. A sufficient amount of cash and cash equivalents and a corresponding portfolio of liquid investments are kept on hand to cover liquidity needs. Based on this, liquidity management aims to be able to meet financial obligations at any and all times. A Group Liquidity Committee has been established for the Group-wide controlling of liquidity risks.

As part of monthly liquidity planning, potential liquidity needs are also calculated under stressed conditions.

Other risk management methods used by W&W AG include:

- Liquidity classes
  In order to monitor the liquidity of investments, they are grouped into liquidity classes so as to control concentrations in illiquid asset classes.
- Liquidity ranges
  To manage liquidity fluctuations, ranges have been specified for the amount of working liquidity, and monthly liquidity balances are to move within those ranges. Thus, liquidity aspects are taken into account for decisions on investments. For instance, if the floor is reached, planned investments are postponed or liquidity is generated by selling corresponding investments.
- Contingency measures
  Contingency measures have been defined for extraordinary liquidity situations as part of Group-wide liquidity management at W&W AG and Group-affiliated undertakings. If an undertaking is unable to cope with existing liquidity shortages on its own, internal Group refinancing options are available pursuant to contingency planning.

Through forward-looking planning and operational cash management, the established systems are designed to identify liquidity shortages early on, respond to expected liquidity shortages with suitable measures, and thus minimise liquidity risks.

Coronavirus pandemic

Following the decline in March/April occasioned by the coronavirus, market liquidity improved in June, supported by extensive monetary and fiscal policy measures. Only individual market segments were unable to return to the pre-crisis level. A reemergence of the coronavirus pandemic could lead to a renewed increase in market liquidity risk.

Risk concentrations

As parent company of the financial conglomerate, W&W AG benefits from the diversification of refinancing sources. Concentrations in illiquid asset classes are controlled by monitoring the investments in liquid classes.
At W&W AG, there are currently no appreciable risk concentrations in the risk area “liquidity risk”.

Risk mitigation techniques

With regard to liquidity risks, no techniques are currently carried out to transfer risk to another party.
However, risks are limited through appropriate risk management methods. These are described in the section “Risk exposure”.

Risk sensitivity

Liquidity risk is not part of the standard formula. Nevertheless, in the risk area "liquidity risks", stress scenarios are regularly considered, and based on them, the impact of changed cash inflows and outflows, possible discounts to asset sale potential, and emergency liquidity, among other things, are analysed in order to ensure sufficient liquidity in these scenarios as well.

Expected profits included in future premiums

As a rule, premiums are calculated in such a way that expected benefits and costs can be covered. In addition, a profit for the undertaking is factored in. For future premiums on existing insurance contracts, this is the expected profits included in future premiums (EPIFP). If the future premiums do not materialise because the contract ended prematurely for statutory or contractual reasons, the insurance undertaking loses these profits. The expected profits included in future premiums in connection with the measurement of the technical provisions of W&W AG under Solvency II amount to €17,733 thousand.

C.5 Operational risk

Risk exposure

We define operational risk as losses that may be incurred as a result of the unsuitability or failure of internal processes, people and systems or externally driven events. This also includes legal and tax risks.

The types of operational risk include:

- Legal risk
  Risk of loss due to claims that are not legally enforceable (actions as claimant or respondent). This includes the risk of suffering losses due to a change in the legal situation (changed case law or statutes) for transactions concluded in the past.
- Compliance risk
  The risk of loss as a result of infringements of or failure to comply with laws, legal provisions, regulatory requirements or ethical/moral standards, as well as internal rules and regulations. Compliance risks also include conduct risk in customer business, which may arise as a result of inappropriate or wilful misconduct when providing financial services.
- Personnel risk
  Risk of loss from insufficient quantitative (number) or qualitative (qualification) staffing – caused by a sudden absence (full/partial) or by insufficient personnel management/development with an effect on employee motivation, health and loyalty.
- Process risk
  Risk of loss as a result of partial or full breakdown or the inappropriateness of internal processes or procedures (e.g. process errors). This also includes human error (processing errors).
- Information risk
  Information risks arise from the threat to the availability, confidentiality and/or integrity of data. They mainly result from processes, IT systems, physical information storage devices, technical equipment or buildings that are relevant to the storage and processing of data.
- Model risk
  Model risk means the possible loss that an undertaking may suffer as a consequence of decisions made essentially on the basis of the result of internal calculation models that are flawed in their development, execution or use.
- Service provider risk
  Service provider risk mainly refers to risks resulting from contractual relationships with third parties. This includes outsourcing risks, especially outsourcing outside the Group (third party).

Operational risks are assessed as part of the risk inventory with respect to their probability of occurrence and loss potential. In addition, in the W&W Group, claims databases are used to compile and evaluate operational loss events. Based on the risk inventory, compliance, process, information, model and service provider risk have been identified as material risk types for W&W AG within operational risk.

The company is not exposed to appreciable operational risks from off-balance sheet items.

In order to govern operational risks, key processes for business operations are systematically documented, regularly reviewed and updated in accordance with uniform standards in the internal control system of the W&W Group. By linking processes and risks and by identifying key controls, risks inherent in processes are managed.

Work procedures, conduct guidelines, company guidelines and comprehensive operational rules are in place to limit operational risks. Other risk management methods include:

- Information security management/IT risk management
  Extensive testing and backup procedures for application and computing systems form the basis for the effective management of information security risks with respect to the goals of protecting availability, confidentiality and integrity. In order to ensure continued business operations in the event of process or system outages, critical processes are identified Group-wide in an impact analysis. Cyber insurance has been obtained to further minimise the risk from cyber threats. The contingency plans associated with the processes are subject to regular functionality checks. Our business continuity management system is designed to ensure that critical business processes will remain intact and continue to function even in the event of a major disruption to business operations. In this regard, the W&W standard for emergency and crisis management governs the organisational and operational structure in a crisis situation, such as requirements for setting up a crisis team for processes and communication channels.
- Compliance management
  Compliance risks are categorised by means of a systematic procedure for identifying risks (differentiated according to existing and changed legal standards according to a risk-based perspective). For identified risks, their potential for damage is estimated and then evaluated based on occurrence probability. Through the definition of specific measures and the assessment of appropriateness and effectiveness, as well as, where necessary, additional monitoring procedures, the foundations are created for a continuous process to avoid and mitigate damage.
- Fraud prevention
  The W&W Group has put measures in place to prevent the risk of fraud. These are designed, on the one hand, to ensure compliance with statutory and regulatory requirements concerning controls and technical security systems and, on the other, to make employees aware of the issue of fraud prevention. For instance, preventive threat analyses and implemented and documented process controls are used to counteract the risk of fraud.
- Outsourcing management
  Service provider risks are governed and monitored by centralised and decentralised outsourcing officers according to uniform methods and standards. These risks are regularly assessed and monitored through active outsourcing management via the Retained Organisation, e.g. in the form of risk analyses.
- Personnel management
  The success of the W&W AG and the W&W Group is crucially dependent on qualified, committed employees. Through personnel development measures, we support our employees in fulfilling their responsibilities and duties. In order to manage turnover risk, we regularly analyse staff turnover within the W&W Group.
- Legal monitoring and cooperation
  Legal risks are countered through constant legal monitoring as well as observation and analysis of case law. In close collaboration with associations, various departments monitor relevant proposed legislation and developments in case law.
- Model governance
  We minimise model risk by means of careful model governance that applies to all risk types. Within the scope of the Model Change Policy, model development is subject to standardised, transparent documentation. The policy regulates processes in the event of changes in the economic risk-bearing capacity model at the level of the W&W Group, including the procedures, models and data provided for its calibration in the individual undertakings. The assumption of material model changes in the economic risk-bearing capacity model is subject to the approval of the Group Board Risk. Validation and back-testing procedures are used to reduce and monitor model risks.

In 2020 the assumed operational risks were consistently in line with the risk strategy. The risk limit of W&W AG was consistently complied with.

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

Coronavirus pandemic

Critical operational risks were able to be avoided though timely action, particularly through rigorous emergency and IT management. During the coronavirus pandemic, the W&W Group established a crisis team to coordinate the necessary measures, which was headed by the Chief Risk Officer of W&W AG. Business continuity management for business-critical processes was activated in accordance with the organisational guidelines, and they are being strictly continued with respect to possible coronavirus restrictions. However, in the event of a new outbreak of the coronavirus pandemic in Germany, we cannot rule out the emergence of operational risks to business processes as a result of employee absences.

Because of the coronavirus pandemic and the associated uncertainties about further developments, we expect that W&W AG and the W&W Group will be exposed to increased risks in some cases in the area of operational risk in 2021 as well.

Risk concentrations

Risk concentrations may result within operational risk, in particular, through dependence on certain systems and technologies, on internal or outsourced processes, on specific expert know-how, increasing digitalisation or regulatory pressure. Through the risk management methods listed above under "Risk exposure", measures are implemented to avoid risk concentrations.

Risk mitigation techniques

With regard to operational risks, no techniques are currently carried out to transfer risk to another party. However, risks are limited through appropriate risk management methods. These are described in the section "Risk exposure".

Risk sensitivity

In the risk area "operational risk", a stress scenario is considered at least once a year on the basis of an individual risk included in the risk inventory with the highest maximum loss potential. The impact on the solvency ratio is immaterial.

C.6 Other material risks

This chapter presents the risk areas that – in addition to the supervisory requirements – are assessed as material.

Business risk

Risk exposure

Business risk means, on the one hand, potential losses that may be incurred from the strategic orientation and result in the insufficient or delayed achievement of targets. On the other, business risks may arise if the company's reputation changes for the worse, as well if the external business environment experiences changes, such as legal, political or social changes.

Business risks are inevitable in general business operations and in the event of changes in the industry environment.

Among business risks, the following types of risks are monitored:

- Strategic risk
  This risk results from the company's incorrect or insufficient strategic orientation, from the non-achievement of strategic goals or from the flawed implementation of strategic requirements. These risks particularly take the form of cost and income risks, including a delayed or limited impact on results or cost savings, as well as additional time and effort for achieving strategic measures.
- External risk
  External risk means the risk of loss from potential changes in basic external conditions (e.g. political/legal, economic, technological).
- Reputation risk

If the undertaking's reputation or brand were to suffer damage, there is a risk of losing business volume immediately or in the future. This could lower the enterprise value.

Business risks are assessed using scenario calculations or expert appraisals. Their results are taken into account in the risk-bearing capacity model by making an appropriate share of the risk cover potential available for it.

The company is not exposed to business price risks from off-balance-sheet items.

Tools for governing business risks include:

- Strategy process
  A rolling strategy process has been implemented in the W&W Group. The Group business strategy forms the brackets for both the division sub-strategies and the cross-division strategies, such as risk and IT strategies. An effort is made to achieve the strategic goals through the forward-looking evaluation of the critical internal and external factors that influence the business model.
  In accordance with internal Group risk governance regulations, each of the individual W&W undertakings that are material in terms of risk aspects has its own documented risk strategy, which is aligned with the undertaking-specific business model and risk profile. W&W AG strives to identify business risks at an early stage in order to be able to develop and introduce suitable risk governance measures.
- "W&W Besser!" programme
  The W&W Group strives for a high degree of stability and sustainable growth of its enterprise value. To achieve this, we are positioning ourselves as a company that makes it possible to obtain financial planning from a single source. We have set ourselves the objective of becoming better every day. Therefore, we modified the strategic implementation of "W&W Besser!" in 2020 to conform to changed basic conditions and focus on four approaches.
  Further details about "W&W Besser!" can be found in Section A.1 "Business".
- Early risk identification
  Risk indicators and early-warning risk indicators are used to optimally govern business risks, and they are analysed on a regular basis. In the risk management process, emerging risks are observed with the aim of identifying the strategic risks that result from them in a timely manner (early risk warning) and of taking them into consideration in setting the undertaking's business strategy.
- Management of reputation risk and transparent communication
  The W&W Group's public image is permanently monitored, and an effort is made to maintain its reputation by means of a transparent communication policy when faced with critical situations. The operational W&W units identify and assess reputation risks within their business processes.

The permanent effectiveness of the risk management methods for business risk is monitored through specific processes and escalation procedures. Internal controls ensure that the corresponding processes are complied with.

Brexit

The future relationship between the EU and the UK has been laid out in a partnership agreement. On 30 December 2020, the agreement was ratified by the UK Parliament. It is being provisionally applied since 1 January 2021 with the approval of all 27 EU Member States. Approval by the European Parliament is still required in order for the agreement to come into force definitively. The W&W Group actively prepared for the implementation of the UK's exit from the EU, particularly with respect to the settlement of derivatives. The necessary legal conditions for business operations were created for the UK branch of Württembergische Versicherung AG.

Coronavirus pandemic

Because of the ongoing pandemic, there continue to be very high levels of uncertainty with respect to the forecast of further trends on the capital markets. Similarly, it cannot be ruled out that the coronavirus pandemic will have further effects on existing and new business and on claims incurred at our operational subsidiaries. Countermeasures by governments and central banks may in some cases afford relief. Accordingly, depending on how the coronavirus pandemic develops in future, it may also trigger a decline in results and put pressure on the financial position, net assets and risk position, particularly if the coronavirus pandemic persists for an extended period.

Risk concentrations

The material assets of W&W AG consist of participations in undertakings of the W&W Group with its divisions. Accordingly, risk concentrations may arise through the occurrence of risks that have an impact across all divisions. These may result, in particular, from external influences, such as the economic and market environment, regulation or industry reputation.

Through the tools for risk governance listed above under "Risk exposure", measures are implemented in order to avoid risk concentrations as far as possible.

Risk mitigation techniques

With regard to business risks, no techniques are currently carried out to transfer risk to another party. However, risks are limited through suitable tools for risk governance. These are described in the section "Risk exposure".

Risk sensitivity

Business risks are not a part of the standard formula. Nevertheless, in the risk inventory, business risks are considered with respect to their probability of occurrence and loss potential in order to ensure sufficient capitalisation for these risks. Material, short-term effects on the solvency ratio are unlikely, even where in the longer term the strategic alignment of W&W AG may have a significant impact on the development of the solvency ratio.

C.7 Other information

Sustainability risks may materialise from internal and external risk drivers or triggering events in the areas of the climate, the environment, social affairs, politics, corporate governance and compliance, which, in the individual risk areas, may have a negative impact on the net assets, financial position or financial performance of W&W AG and its operational subsidiaries. Accordingly, sustainability risks are to be addressed in the organisation and actions of the W&W AG and its operational subsidiaries in such a way as to avoid manifestations that pose a threat to their existence. Sustainability risks are to be treated in a forward-looking manner. In this regard, the risk strategy of the W&W Group also specifies the framework with which sustainability risks are integrated into risk management.

Of special importance in this respect are reputational risks, sustainability risks in investments and physical risks in the area of underwriting risks. In order to limit, in particular, reputation risks that arise from sustainability aspects, the sustainability policy of the W&W Group specifies the principles for sustainable and responsible actions. Sustainability risks in the area of investments are limited by defining corresponding exclusion criteria. Physical risks in the area of underwriting risks are limited, inter alia, through underwriting policies and reinsurance arrangements.

Further information about the W&W Group's commitment to sustainability is contained in its annual sustainability report, which is published on the website of W&W AG at www.ww-ag.com/nachhaltigkeitsberichte (available in German only). Other than the facts and circumstances presented in the foregoing sections, there is no other material information.

D Valuation for solvency purposes

Assets

in € thousands	Solvency II 31.12.2020	HGB 31.12.2020
Goodwill	0	0
Deferred acquisition costs	0	0
Intangible assets	0	0
Deferred tax assets	109,865	0
Pension benefit surplus	0	0
Property, plant and equipment held for own use	365,473	355,552
Investments (other than assets held for index-linked and unit-linked contracts)	8,563,918	3,210,682
Property (other than for own use)	0	0
Holdings in related undertakings, including participations	6,508,838	1,335,247
Equities	27,417	20,319
Bonds	1,074,259	994,049
Government bonds	353,547	324,747
Corporate bonds	720,712	669,302
Structured notes	0	0
Collateralised securities	0	0
Collective investment undertakings	845,199	754,081
Derivatives	2,717	1,514
Deposits other than cash equivalents	105,488	105,472
Other investments	0	0
Assets held for index-linked and unit-linked contracts	0	0
Loans and mortgages	0	0
Loans on policies	0	0
Loans and mortgages to individuals	0	0
Other loans and mortgages	0	0
Reinsurance recoverables from:	145,814	110,366
Non-life and health similar to non-life	143,782	108,026
Non-life excluding health	142,748	107,268
Health similar to non-life	1,034	757
Life and health similar to life, excluding health and index-linked and unit-linked	2,032	2,340
Health similar to life	0	0
Life excluding health and index-linked and unit-linked	2,032	2,340
Life index-linked and unit-linked	0	0
Deposits to cedants	23,955	23,955
Insurance and intermediaries receivables	0	0
Reinsurance receivables	0	43,697
Receivables (trade, not insurance)	403,286	237,738
Own shares (held directly)	3,103	3,103
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0
Cash and cash equivalents	18,099	18,099
Any other assets, not elsewhere shown	13,723	13,650
Total assets	**9,647,235**	**4,016,841**

Liabilities

in € thousands	Solvency II 31.12.2020	HGB (carrying amount) 31.12.2020
Technical provisions – non-life	425,254	463,305
Technical provisions – non-life (excluding health)	403,536	438,911
Technical provisions calculated as a whole		
Best estimate	350,508	
Risk margin	53,028	
Technical provisions – health (similar to non-life)	21,718	24,394
Technical provisions calculated as a whole		
Best estimate	16,009	
Risk margin	5,709	
Technical provisions – life (excluding index-linked and unit-linked)	59,024	54,562
Technical provisions – health (similar to life)	46,438	39,114
Technical provisions calculated as a whole		
Best estimate	41,833	
Risk margin	4,605	
Technical provisions – life (excluding health and index-linked and unit-linked)	12,586	15,448
Technical provisions calculated as a whole		
Best estimate	11,780	
Risk margin	806	
Technical provisions – index-linked and unit-linked	0	0
Technical provisions calculated as a whole		
Best estimate	0	
Risk margin	0	
Other technical provisions		106,326
Contingent liabilities	0	0
Provisions other than technical provisions	6,880	11,254
Pension benefit obligations	235,747	191,781
Deposits from reinsurers	16,112	16,112
Deferred tax liabilities	0	0
Derivatives	856	700
Debts owed to credit institutions	0	0
Financial liabilities other than debts owed to credit institutions	79,610	79,500
Insurance and intermediaries payables	0	0
Reinsurance payables	0	35,722
Payables (trade, not insurance)	1,397,617	1,029,131
Subordinated liabilities	0	0
Subordinated liabilities not in basic own funds	0	0
Subordinated liabilities in basic own funds	0	0
Any other liabilities, not elsewhere shown	0	0
Total liabilities	**2,221,101**	**1,988,392**
Excess of assets over liabilities	**7,426,134**	**2,028,448**

The solvency overview was audited pursuant to Section 25 (2) of the German Act on the Supervision of Insurance Undertakings (VAG).

The following sections present the recognition and valuation methods for the material items of the solvency overview, as well as the differences between the Solvency II values and the HGB values.

D.1 Assets

Recognition and valuation methods for investments and financial instruments

The company's assets in the area of investments and financial instruments are recognised and valued for Solvency II purposes based on the assumption of a going concern and in accordance with the principle of individual valuation.

Pursuant to Article 9 (1) of Delegated Regulation (EU) 2015/35, assets and liabilities in the solvency overview are recognised in accordance with the rules of the International Financial Reporting Standards (IFRSs) adopted by the European Union, other than where Solvency II specifies different recognition rules in a given case. If the IFRS recognition rules are departed from for assets, this is noted, provided that material items of the solvency overview are involved.

W&W AG provides IFRS carrying amounts and IFRS disclosures in the notes in accordance with IFRSs in force in the European Union in the form of reporting data for the consolidated financial statements.

The recognition of assets for the purposes of the company's solvency overview follows the approach for reporting data for the IFRS consolidated financial statements. The economic value of assets is determined in accordance with the fair-value rules of IFRS 13 (Fair Value Measurement). They correspond to W&W AG's understanding of economic value under Section 74 (2) of the German Act on the Supervision of Insurance Undertakings (VAG). Accordingly, economic value means the price that the company would receive if it were to sell an asset in an orderly transaction between market participants on the valuation date.

The valuation procedures and methods and the economic value are validated by the central service provider W&W Asset Management GmbH. In addition to performing a qualitative assessment of the measurement procedures and price control processes, the audit firm conducts extensive counter-pricing. The audit procedure did not reveal any irregularities.

The valuation methods used to determine the economic value of assets for Solvency II purposes are classified pursuant to Article 10 of Delegated Regulation (EU) 2015/35 into Solvency II valuation levels. Because of the wording of Article 10, asset classification differs from the classification under the IFRS fair value hierarchy primarily in the regrouping of valuation methods for OTC derivatives in Level 2 of the IFRS fair value hierarchy into Level 3 alternative measurement methods of the Solvency II valuation hierarchy.

For OTC derivatives, the fair value determination is identical, irrespective of the difference in grouping between Solvency II and IFRS.

For interest-bearing financial instruments, economic values are determined for Solvency II purposes as the so-called "dirty value". For IFRS, by contrast, the clean value is relevant. The dirty value includes the clean value plus the prorated amount of deferred interest on the valuation date.

The following remarks can be drawn from the valuation methods and their classification in the relevant Solvency II valuation hierarchy (Levels 1 to 3) in connection with investments and financial instruments.

Level 1: Quoted market prices in active markets

Pursuant to Article 10 (2) of Delegated Regulation (EU) 2015/35, assets and liabilities are to be valued using quoted market prices in active markets for the same assets or liabilities. An active market exists if transactions involving the asset or liability occur with sufficient frequency and sufficient volume so that price information is perpetually available.

In the case of a quoted investment, fair value is determined by the price for the financial instrument identified on an active market. This is the exchange price on the closing date or, if the closing date is not a trading day, the exchange price on the last trading day preceding this date.

Level 2: Quoted market prices for similar assets or liabilities

If valuation is not possible using quoted market prices in active markets, then pursuant to Article 10 (3) of Delegated Regulation (EU) 2015/35, valuation is performed using market prices that are quoted in active markets for similar assets and liabilities. In this regard, fair value determination takes into account the risk factors for the asset or liability that are relevant for valuation. Typical risk factors include:

- the condition or location of the asset or liability,
- the extent to which inputs relate to items that are comparable to the asset or liability and
- the volume or level of activity in markets within which the inputs are observed.

In practice, fair value is determined on the basis of valuation procedures customary on the financial markets or on the basis of comparable prices for liquid bonds, individual prices from market data providers or credit institutions.

The valuation procedures used to determine fair value are appropriate and are based on market data from market data providers observable on the active market. Pursuant to IFRS 13, they include as many observable and verifiable inputs on the market as possible. The appropriateness of the valuation procedures is reviewed on a regular basis.

In the case of capital investments (bonds), the valuation models are based on the discounted cash flow method, under which fair value is determined on the basis of expected future cash flows. The valuation curves used for discounting appropriately take into account the risk factors inherent in the asset and the condition and location of the asset or liability. The inputs observable on liquid markets include, inter alia, currency-specific swap curves, issuer- or rating-dependent credit spreads and issuer-specific valuation curves of market data providers. This economic value is determined for accounting and Solvency II purposes in the identical manner, since the economic value represents the price that would be received if an asset were sold in an orderly transaction between market participants on the valuation date. In the case of interest-bearing positions, the prorated deferred interest amount on the measurement date is also relevant for Solvency II purposes.

Also, the certificate price of collective investment undertakings (with the exception of participations in the area of alternative investments) is assigned to Valuation Level 2. This has to do with redemption prices calculated by capital management companies based on the rules of investment law, which consist of the carrying amounts of the assets and liabilities included in the investment assets.

Level 3: Alternative valuation methods

If current, verifiable market data are not sufficiently available for determining fair value with valuation models, or if observable inputs are substantially modified, an allocation to Level 3 takes place directly (Article 10(5) of Delegated Regulation (EU) 2015/35). When doing so, the undertaking relies as little as possible on undertaking-specific inputs and makes maximum use of relevant market data. Alternative valuation methods are consistent with one or more of the following approaches (Article 10(7) of Delegated Regulation (EU) 2015/35):

- market approach,
- income approach (present value techniques, option pricing models, multi-period excess earnings method),
- cost approach or current replacement cost approach.

Alternative valuation methods are applied in connection with the provisions mentioned here. The undertaking applies alternative valuation methods mainly for properties, related undertakings and non-standardised derivatives (OTC derivatives), as well as for certain collective investment undertakings.

Alternative valuation methods

	Solvency II	Proportion
	31.12.2020	31.12.2020
	in € thousands	in %
Total capital investments	8,950,342	100.0
thereof valued using alternative valuation methods	1,536,389	17.2

Input parameters not observable on the market

Input parameters not observable on the market are utilised as rarely as possible. They are used in the area of alternative valuation methods. The aim is to determine the price that the undertaking would receive if an asset were sold in an orderly transaction between market participants on the valuation date.

Constant market observation, regular enhancement, updating and exchange of information with experts ensures that the inputs utilised have the highest possible objectivity and are in conformity with regulatory requirements and common practice. The estimates and assumptions utilised in this regard are based on past experience and expectations with respect to future events that appear reasonable under the given circumstances. In the process, carrying amounts are determined carefully and, taking into account all relevant information, as reliably as possible.

In addition, as part of the audit of the solvency overview and the IFRS annual financial statements, the underlying valuation approaches are audited by the auditor.

The largest share of investments valued using alternative valuation methods are holdings in related undertakings, with a Solvency II value of €942,876 thousand.

Pursuant to standard S1 of the IDW (Institute of Public Auditors in Germany), Wüstenrot Bausparkasse AG is valued using the capitalised earnings method. This going concern value is essentially based on the financial surpluses that are generated from operating the undertaking as a going concern and from selling any assets not necessary for operations (present value of future profits). It goes without saying that the forecast of future surpluses is increasingly associated with uncertainty, meaning that the plausibility of planning and forecasts is carefully assessed as part of a multi-phase model. The effect that the uncertainty of future results has on the valuation of assets is taken into account through the inclusion of adequate haircuts.

The second largest share of investments valued using alternative valuation methods are properties for own use, at €365,473 thousand. For this purpose, external appraisers are engaged if the parameters relevant for the valuation have changed significantly. The valuation is performed on the basis of the capitalised earnings method pursuant to the German Ordinance on the Determination of Property Values (Immobilienwertermittlungsverordnung). When determining property values, the appraisers engaged by W&W AG determine fair value conservatively within the fluctuation range customary on the market in order to attenuate market excesses so that there is no risk of an excessive valuation. The determined values are reviewed and verified by experts of the W&W Group. One exception to this is the W&W campus (future headquarters for W&W in-house staff), for which the auditor has agreed that there is no need for an external appraisal as long as rental income covers maintenance and depreciation. The properties are used by companies of the W&W Group and are therefore recognised as properties for own use. In exchange, W&W AG receives rent payments. Here, the market value corresponds to the capitalised project costs, as reduced by the annual building depreciation.

In the case of deposits and cash and cash equivalents (€123,587 thousand), valuation uncertainties can be ruled out because they are recognised at nominal value in view of their short term.

Deferred tax assets

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2020	31.12.2020	31.12.2020
Deferred tax assets	109,865	0	109,865

Solvency II

The method for calculating deferred tax assets essentially follows the rules in IAS 12. Deferred tax assets are created for Solvency II purposes because of temporary differences between the carrying amounts of assets and liabilities in the solvency overview drawn up pursuant to Solvency II and the tax carrying amounts pursuant to local tax rules of the company.

If there is a material surplus of assets, deferred tax assets from temporary differences are tested for impairment as at each reporting date taking into consideration consistency in measurement for planning calculation, which as a rule is to be aligned with corporate planning.

In order to increase meaningfulness and comparability, deferred taxes are for the first time shown netted in these financial statements. Deferred tax assets of €109,865 thousand essentially relate to differing carrying amounts in the case of satisfaction liabilities from pension provisions.

HGB

No use was made of the option to recognise deferred tax assets on the basis of the tax relief resulting under Section 274 (1) sentence 2 HGB. Therefore, the recognition under HGB is zero.

Property, plant and equipment held for own use

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2020	31.12.2020	31.12.2020
Property, plant and equipment	365,473	355,552	9,921

Solvency II

The term “properties for own use” is applied broadly and also includes properties that are used by other companies of the W&W Group. For the IFRS consolidated financial statements, the cost model under IAS 16 is used to value property, plant and equipment, meaning that a revaluation is undertaken for Solvency II purposes. Since for property, plant and equipment held for own use, there are no active markets in the sense of the valuation hierarchy depicted above, they are measured using alternative valuation methods, such as on the basis of appraisals. With respect to the W&W campus, please see the section “Recognition and valuation methods for capital investments and financial instruments”.

HGB

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

The difference between the Solvency II value and the HGB value accordingly reflects the differences between measurement at the economic value and the described accounting methods under the HGB. This covers, in particular, the valuation reserves of property for own use under the HGB.

Investments (other than assets for index- or unit-linked contracts)

Property (other than for own use)

W&W AG does not have any property (other than for own use) in its portfolio.

Holdings in related undertakings, including participations

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2020	31.12.2020	31.12.2020
Insurance subsidiaries	5,437,714	384,933	5,052,782
Subsidiaries (non-insurance undertakings)	1,071,124	950,314	120,809
Participations (non-insurance undertakings)	0	0	0
Holdings in related undertakings, including participations	**6,508,838**	**1,335,247**	**5,173,591**

Solvency II

Under Solvency II, holdings in subsidiaries and participations with a stake of at least 20% are shown under "Related undertakings".

The method for valuing related undertakings is based on the special valuation hierarchy for related undertakings described in Article 13 of Delegated Regulation (EU) 2015/35. The possible alternatives are presented in the following:

Quoted market prices in active markets

Valuation is to be performed on the basis of quoted market prices in active markets, where available. If prices are not available on active markets, a different valuation method may be used.

Solvency II adjusted equity method

This involves the prorated Solvency II value of the related undertaking, i.e. the holding in it. This corresponds to the residual size of the assets and liabilities on the basis of the Solvency II recognition and valuation rules.

IFRS adjusted equity method

The IFRS equity value (in accordance with IAS 28) may be used only if it was also calculated for the purposes of the consolidated financial statements. In contrast to the carrying amount recognised under IFRS, any existing goodwill and other intangible assets are to be deducted from the value of the related undertaking.

Alternative valuation methods

This involves the valuation methods pursuant to Article 10(5) of Delegated Regulation (EU) 2015/35 (see explanations concerning Level 3, above). No active markets exist in the sense of the above-described valuation hierarchy. Since the company's related undertakings are often not insurance undertakings, such that valuation in accordance with the aforementioned adjusted equity method would not be practical, it was not applied for certain undertakings. Valuation is performed, inter alia, at the prorated net asset value, i.e. the excess of assets over liabilities, in order to preserve an appropriate cost-benefit relationship, as well from the standpoint of materiality. This constitutes the IFRS fair value. The discounted cash flow (DCF) method is also applied as a valuation method. In addition, the Czech subsidiaries Wüstenrot stavební spořitelna a.s. and Wüstenrot hypoteční banka a.s., whose sale was completed as scheduled in 1 April 2020, were valued at the sale price.

HGB

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

The differences between the carrying amounts in the solvency overview and in the financial reporting are the result of the essentially different methods used to determine the value of the holdings in related undertakings.

Equities

Equities

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2020	31.12.2020	31.12.2020
Equities – listed	5,000	5,000	0
Equities – unlisted	22,417	15,319	7,098

Solvency II

For the holdings recognised under the item “Equities – listed”, valuation is performed at amortised cost, since no prices exist on active markets for the holdings.

Recognised under the item “Equities – unlisted” are other unlisted holdings. These essentially have to do with commitments in the area of alternative investments without alternative investment fund manager (AIFM) registration. These holdings are valued using alternative valuation methods. These are the valuation methods pursuant to Article 10(5) of Delegated Regulation (EU) 2015/35 (see explanations concerning Level 3, above). No active markets exist in the sense of the above-described valuation hierarchy.

The holdings in Fundamenta-Lakaskassza Zrt. are valued at the capitalised earnings value.

In order to preserve an appropriate relationship between costs and benefits in the case of the alternative investments portfolio, as well from the standpoint of materiality, valuation is performed at the prorated net asset value, i.e. the excess of assets over liabilities. This constitutes the IFRS fair value.

HGB

The unlisted holdings are valued at cost in the balance sheet item “Participations”. Pursuant to Section 341b (1) HGB in conjunction with Section 253 (3) sentence 3 HGB, unscheduled write-downs to the lower fair value take place only in the event of expected permanent impairment (moderate lower-value principle). If the reasons for a lower carrying amount no longer exist, the asset is written up to a maximum of its historical cost.

The differences between the carrying amounts in the solvency overview and in the financial reporting are the result of the very different procedures used to determine the value of the unlisted holdings.

Bonds

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2020	31.12.2020	31.12.2020
Government bonds	353,547	324,747	28,800
Corporate bonds	720,712	669,302	51,410
Structured notes	0	0	0
Collateralised securities	0	0	0
Bonds	**1,074,259**	**994,049**	**80,210**

Solvency II

The fair values calculated for IFRS accounting correspond to the economic value under Solvency II and may thus be used for the solvency overview. They are calculated as follows:

Government and corporate bonds

Bonds for which a quoted price was available on an active market at the relevant time are valued at that price (Solvency II Valuation Level 1). If a price is not available on an active market, the economic value is calculated using Solvency II Valuation Level 2 on the basis of liquid input parameters (e.g. discounted cash flow method).

The fair value of unlisted bonds is calculated using mathematical valuation models customary on the market, using market data as input parameters (inter alia, risk-free interest rate, spreads, volatilities, exchange rates). The valuation models are based primarily on the discounted cash flow method (Solvency II Valuation Level 2). Discounting is in line with risk and maturity and is performed using currency-specific swap curves plus risk-dependent spreads.

In addition, for all bond types, please see the remarks in Section D.1 “Recognition and valuation methods for investments and financial instruments”.

HGB

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

Bearer bonds used to finance business operations on a long-term basis are recognised pursuant to the rules in Section 341b (2) HGB in conjunction with Section 253 (3) sentence 3 HGB and valued in accordance with the rules applicable to non-current assets at cost or fair value, whichever is lower.

Registered bonds, debenture bond claims, loans receivable and miscellaneous loans listed under “Bonds” are valued in accordance with the rules applicable to non-current assets. In this regard, pursuant to Section 341c (1) HGB, registered bonds are recognised at their nominal value less repayments made. Premiums and discounts are spread on a straight-line basis over the term to maturity. Pursuant to Section 341c (3) HGB, promissory notes, loans receivable and miscellaneous loans are valued at amortised cost by spreading the difference between cost and the repayment amount over the residual maturity using the effective interest method.

The “HGB (carrying amount)” column in the Solvency II balance sheet and in the foregoing table contain includes the carrying amounts recognised in the annual financial statements plus prorated deferred interest on the valuation date. This presentation is analogous to the Solvency II value, which in addition to the clean value also includes prorated deferred interest on the valuation date.

The difference between the Solvency II value and the HGB value accordingly reflects the differences between measurement at the economic value and the above-described HGB carrying amounts. The significant difference between the Solvency II value and the HGB carrying amount is attributable to very low interest rates, which lead to a correspondingly higher valuation of these securities.

Collective investment undertakings

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2020	31.12.2020	31.12.2020
Collective investment undertakings	845,199	754,081	91,118

Solvency II

The item "Collective investment undertakings" includes interests in special and mutual funds and participations in the area of alternative investments with AIFM registration.

The Solvency II value corresponds to the redemption price of the fund units calculated and provided by the capital management companies on the closing date or, if the closing date is not a trading day, the redemption price on the last trading day preceding this date (Solvency II Valuation Level 2).

Participations in the area of alternative investments in the form of an AIF are valued at the net asset value, which is to be classified as the alternative valuation method.

HGB

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

Interests in investment assets used to finance business operations on a long-term basis are recognised pursuant to the rules in Section 341b (2) clause 2 HGB in conjunction with Section 253 (3) sentence 3 HGB and, in accordance with the moderate lower-value principle, are valued at cost or fair value calculated using an appropriate procedure, whichever is lower.

The difference between the Solvency II value and the HGB value accordingly reflects the differences between measurement at the economic value and amortised cost or fair value.

Derivatives

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2020	31.12.2020	31.12.2020
Derivatives	2,717	1,514	1,203

These have to do with options and currency forwards used to hedge participations and bearer bonds.

Solvency II

Under Solvency II, derivatives are carried at their fair value. If the fair value is positive, the derivative is recognised as an asset, and if it is negative, as a liability. Derivatives are mainly valued using alternative valuation methods, since for OTC derivatives, there are no active markets available within the meaning the above-described valuation hierarchy. These have to do with recognised valuation methods that are customary on the market, such as the Black-Scholes model or the discounted cash flow method.

HGB

In the annual financial statements prepared in accordance with the HGB, derivatives that are not included in a valuation unit pursuant to Section 254 HGB are considered to be pending transactions and are not accounted for. In the case of an imminent loss from the derivative, a provision is created in accordance with Section 249 (1) HGB.

Acquired option rights are valued at cost in the amount of the option premium less write-downs in accordance with the strict lower-value principle, taking into account the requirement to reverse impairment losses. Thus, the above-described HGB carrying amount has to do with options that are recognised under the HGB balance sheet item "Shares".

Currency forwards are valued on a transaction-by-transaction basis or as part of valuation units. Provisions are created for imminent losses from these transactions in accordance with Section 249 (1) HGB.

The difference between the solvency overview and the annual financial statements prepared in accordance with the HGB is attributable, in particular, to the economic value under Solvency II and the described accounting methods under the HGB.

Deposits other than cash equivalents

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2020	31.12.2020	31.12.2020
Deposits other than cash equivalents	105,488	105,472	16

Solvency II

Recognised under "Deposits other than cash equivalents" are short-term money-market investments with banks. They are valued at the economic value, which as a rule is the nominal amount. Investments in foreign currency are converted at the middle rate prevailing on the reporting date. In contrast to the HGB carrying amount, the Solvency II value includes prorated interest accrued up to the reporting date.

HGB

As a rule, deposits with credit institutions are recognised in their nominal amounts. Investments in foreign currency are converted at the middle rate prevailing on the reporting date. This resulted in insignificant reserves of €16 thousand. The difference between the Solvency II value and the HGB carrying amount constitutes the prorated deferred interest as at the valuation date.

Reinsurance recoverables

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2020	31.12.2020	31.12.2020
Reinsurance recoverables – Non-life excluding health	142,748	107,268	35,480
Reinsurance recoverables – Health similar to non-life	1,034	757	277
Reinsurance recoverables – Health similar to life	0	0	0
Reinsurance recoverables – Life excluding health and index-linked and unit-linked	2,032	2,340	–309
Reinsurance recoverables	**145,814**	**110,366**	**35,448**

The item "Reinsurance recoverables" relates to the reinsurance portions of technical provisions. For an explanation of this, please see "Determination of the best estimate for claims provisions and pension commitments" and "Determination of the best estimate for premium provisions" in Section D.2.

Receivables

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2020	31.12.2020	31.12.2020
Deposits to cedants	23,955	23,955	0
Insurance and intermediaries receivables	0	0	0
Reinsurance receivables	0	43,697	43,697
Receivables (trade, not insurance)	403,286	237,738	165,548

Solvency II

The receivables listed here are valued for the IFRS reporting data at amortised cost. Irrespective of valuation under IFRS, the fair values of financial instruments are calculated for the disclosures in the notes pursuant to IFRS 7, including for items valued at amortised cost in the balance sheet. The fair values calculated for IFRS are used as the economic value under Solvency II. For reasons of materiality, it was elected not to undertake separate discounting for Solvency II.

Pursuant to the BaFin interpretation ruling "Valuation of recoverables from reinsurance/SPV and treatment of amounts receivable/payable and deposits to cedants/deposits from reinsurers under Solvency II", the item "Reinsurance receivables" includes only past-due amounts. As at the reporting date, the receivables from our reinsurers were not past due.

In addition, the difference with respect to the balance sheet prepared in accordance with the HGB is attributable to the accounting of interest owed in connection with pension benefit obligations. Under Solvency II, the liabilities side shows a claim for the satisfaction of pension benefit obligations calculated pursuant to IAS 19, while the assets side has a discounted receivable for future interest payments by subsidiaries.

HGB

The receivables listed here are recognised and valued under the HGB at amortised cost (Section 341b (2) sentence 1 HGB in conjunction with Section 253 (1) HGB).

Particularly for longer-term receivables, differences between the value under Solvency II and the financial reporting under the HGB may result due to application of the present value method. However, because of application of the materiality concept, this is not the case for the items listed here.

Cash and cash equivalents

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2020	31.12.2020	31.12.2020
Cash and cash equivalents	18,099	18,099	0

Solvency II

Recognised as cash equivalents are current bank account balances. Current bank account balances were valued at the economic value, which is the nominal amount.

HGB

As a rule, current bank account balances are recognised in their nominal amounts. Thus, there are no valuation differences.

Any other assets, not elsewhere shown

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2020	31.12.2020	31.12.2020
Any other assets, not elsewhere shown	13,723	13,650	73

Solvency II

Recognised under this item are assets from employee-financed pension commitments and prepaid insurance benefits. The assets listed here are valued for the IFRS reporting data at amortised cost. This value is also used as the economic value under Solvency II.

HGB

The listed assets are recognised and valued under the HGB at amortised cost (Section 341b (2) sentence 1 HGB in conjunction with Section 253 (1) HGB). There is no difference between the carrying amount at the economic value under Solvency II and the carrying amount under the HGB.

In addition, premiums are recognised here in the HGB that are implicitly taken into account under Solvency II when calculating the value of individual investments and therefore recognised under other items.

Leasing agreements

W&W AG acts as the lessor within the Group vis-a-vis W&W Service GmbH in connection with operating leasing for investment property. Compared with income from investments, leases are of minor significance. According, the leasing agreements are classified as immaterial.

D.2 Technical provisions

Composition of technical provisions

As at the reporting date, the composition of the company's technical provisions under Solvency II was a follows:

Technical provisions non-life – claims provisions

	Best estimate Gross	Reinsurance (according to expected default)
in € thousands	31.12.2020	31.12.2020
Non-life (excluding health)	**335,201**	**145,437**
Motor vehicle liability insurance	112,917	11,550
Other motor insurance	6,516	472
Marine, aviation and transport insurance	2,874	0
Fire and other damage to property insurance	54,930	40,618
General liability insurance	50,283	3,869
Credit and suretyship insurance	824	0
Legal expenses insurance	23,464	26
Assistance	119	0
Miscellaneous financial loss	11,713	13,816
Non-proportional liability reinsurance	63,044	64,540
Non-proportional marine, aviation and transport reinsurance	4,054	3,655
Non-proportional property reinsurance	4,463	6,893
Health (similar to non-life)	**18,213**	**1,107**
Income protection insurance	17,170	0
Non-proportional health reinsurance	1,043	1,107

Technical provisions non-life – premium provisions

in € thousands	Best estimate Gross 31.12.2020	Reinsurance (according to expected default) 31.12.2020
Non-life (excluding health)	**15,307**	**–2,689**
Motor vehicle liability insurance	2,134	–387
Other motor insurance	4,071	–837
Marine, aviation and transport insurance	1,043	–1
Fire and other damage to property insurance	9,653	1,073
General liability insurance	–5,407	–996
Credit and suretyship insurance	318	0
Legal expenses insurance	2,069	0
Assistance	342	0
Miscellaneous financial loss	–1,141	–1,149
Non-proportional liability reinsurance	–161	–48
Non-proportional marine, aviation and transport reinsurance	65	0
Non-proportional property reinsurance	2,320	–343
Health (similar to non-life)	**–2,204**	**–73**
Income protection insurance	–2,191	–72
Non-proportional health reinsurance	–14	0

The sum of the claims provisions and premium provisions equals the technical provisions non-life as a whole:

Technical provisions non-life

in € thousands	Best estimate Gross 31.12.2020	Reinsurance (according to expected default) 31.12.2020	Risk margin 31.12.2020
Non-life (excluding health)	**350,508**	**142,748**	**53,028**
Motor vehicle liability insurance	115,051	11,162	14,512
Other motor insurance	10,587	–365	6,567
Marine, aviation and transport insurance	3,917	–1	2,105
Fire and other damage to property insurance	64,583	41,691	15,787
General liability insurance	44,876	2,873	7,310
Credit and suretyship insurance	1,142	0	280
Legal expenses insurance	25,532	26	3,140
Assistance	461	0	162
Miscellaneous financial loss	10,572	12,667	367
Non-proportional liability reinsurance	62,883	64,492	373
Non-proportional marine, aviation and transport reinsurance	4,119	3,655	113
Non-proportional property reinsurance	6,783	6,549	2,312
Health (similar to non-life)	**16,009**	**1,034**	**5,709**
Income protection insurance	14,979	–72	5,669
Non-proportional health reinsurance	1,029	1,106	40

The company has the following technical provisions life

Technical provisions life (excluding index-linked and unit-linked)

in € thousands	Best estimate Gross 31.12.2020	Reinsurance (according to expected default) 31.12.2020	Risk margin 31.12.2020
Health (similar to life)	**41,833**	**0**	**4,605**
Health	41,833	0	4,605
Life (excluding health and index-linked and unit-linked)	**11,780**	**2,032**	**806**
Life	11,780	2,032	806

For further information about the composition of technical provisions, please see Forms S.12.01.02 and S.17.01.02 and the corresponding balance sheet items of Form S.02.01.02 in the Annex. For data about best estimates, gross, for the claims provisions non-life across all business lines, please see Form S.19.01.21 in the Annex.

Basis valuation aspects

Segmenting of contracts

The calculations of best estimates of the technical provisions in the company's solvency overview cover the business that W&W AG accepts from Württembergische Versicherung AG as part of reinsurance relationships, reinsurance business similar to non-life underwritten outside the Group and life reinsurance business underwritten outside the Group.

In this regard, most of the technical provisions come from the business accepted from Württembergische Versicherung AG, which, in addition to a small participation in a German market pool, is the only business still being actively underwritten. The other portfolios are being wound down.

To take account of the type of risks underlying the respective obligation, calculations are performed within these areas at the level of the Solvency II business lines or at a more detailed level.

General explanation of the valuation bases and assumptions used

The calculation of the technical provisions is based on the present value of future cash flows. Currency-specific, risk-free basic interest curves are used for discounting purposes. The company does not adjust for volatility or matching. The cash flows are discounted annually, assuming a payment at mid-year.

The provisions for most underwritten business are in EUR. Non-life insurance business underwritten outside the Group includes business in the original currencies EUR and USD. Business in other original currencies is valued on the basis of cash flows converted into EUR.

The company does not apply transitional measures for risk-free interest rates and technical provisions pursuant to Sections 351 to 352 of the German Act on the Supervision of Insurance Undertakings (VAG).

Data fundamentals

Cash flows for the claims provisions from the business accepted from Württembergische Versicherung AG are calculated using the modelling of Württembergische Versicherung AG. This is based on an actuarial assessment – involving the use of, inter alia, historical data – about the future settlement of relevant claims. Actuarial modelling of future expected cash flows is also used for reinsurance business underwritten outside the Group, and it is supplemented by an expert assessment.

Because premium provisions originate from business accepted from Württembergische Versicherung AG, data from the economic risk model of Württembergische Versicherung AG about future claims are used to calculate the best estimate of these provisions. Future premiums are derived from the corporate planning of W&W AG.

For the business accepted by W&W AG that is conducted similar to life (indemnity and casualty pensions of Württembergische Versicherung AG and life reinsurance business underwritten outside the Group that is in the process of being wound down), cash flows are calculated using portfolio data and relevant biometric actuarial assumptions (mortality and disability probabilities, etc.).

In addition, data are used that originate from the company's annual financial statements or are generated from such data. These include, in particular, costs and provisions required by the HGB.

Determination of the best estimate for claims provisions and the pension obligations accepted from Württembergische Versicherung AG

For the purpose of calculating the best estimate for claims provisions for the business accepted from Württembergische Versicherung, the gross cash payments actuarially modelled by Württembergische Versicherung AG are reconciled with the cash flows accepted by W&W AG. The reconciliation is oriented, inter alia, on the ratio of the associated provisions required by the HGB. Cash flows from reinsurance business similar to non-life that is underwritten outside the Group are projected as far as possible on the basis of actuarial methods for modelling claims settlement (chain ladder method). The cash flows for valuing the indemnity and casualty pensions accepted from Württembergische Versicherung AG are based on those underlying the annual financial statements.

Reinsurance recoverables are determined on the basis of the ratios of the provisions required by the HGB (reinsurers' share/gross provision) and adjusted by the expected default using a simplified method.

Cost components are taken into consideration through markup rates in the cash flows.

For the portion of the company's business for which a sufficient amount of data with the appropriate quality is not available in order to apply reliable actuarial methods to a group or sub-group of insurance obligations or reinsurance recoverables, use is made of suitable approximate values. These are usually oriented around the provisions required by the HGB.

The best estimates of the technical provisions are assigned to the Solvency II lines envisaged for business similar to non-life, with the exception of provisions originating from motor vehicle liability insurance and indemnity and casualty pensions, which are assigned to the Solvency II business lines “Life” and “Health”.

Determination of the best estimate for premium provisions

The premium provision is a provision for losses not yet incurred from insurance obligations already entered into, as well as from expected insurance obligations in the coming year. Premium provisions are created for the business accepted from Württembergische Versicherung AG.

Premium provisions consist of future premiums, claim payments and costs. Future premiums are derived from business planning. Future cash flows for claim payments are calculated by applying loss ratios and run-off patterns from the corresponding modelling of the primary insurance business of Württembergische Versicherung AG. Costs are depicted through appropriate markup rates.

Reinsurance collectables are calculated in accordance with the portion of the premium ceded to the reinsurers. As is the case with claims provisions, reinsurance collectables are adjusted by the expected default.

Determination of the provision for life reinsurance business underwritten outside the Group

From the standpoint of W&W AG, life reinsurance business underwritten outside the Group generates premium, benefit and cost cash flows. No new business is underwritten here. Premium cash flow is calculated, as weighted for probability, in accordance with the underlying reinsurance contract. Benefit cash flow results from the amount of benefits paid and the likelihood of benefit payment. The latter results from the chosen biometric actuarial assumptions (mortality probabilities, disability probabilities, ...). Costs are taken into consideration through appropriate markup rates.

The resulting provisions are presented in the Solvency II business lines “Life” (for the accepted mortality risks and casualty death benefits) and “Health” (for the accepted occupational disability risks).

Risk margin

For the purposes of calculating the risk margin pursuant to Article 37 of Delegated Regulation (EU) 2015/35, a notional reference undertaking is considered that accepts the company’s insurance obligations. The reference undertaking does not have a portfolio or underwrite any new business. This means that the best estimate of the reference undertaking corresponds to that of the company. For the purpose of calculating the risk margin, the reference undertaking is wound up, with capital costs of 6.0% of the Solvency Capital Requirement (SCR) of the reference undertaking being incurred in each period. The risk margin corresponds to the sum of the present values of these future capital costs.

In this regard, simplifications are used to calculate the future SCR and the run-off of the SCR over time.

Uncertainty in the valuations

The calculation of the best estimate of the technical provisions depends on the choice of the model underlying the estimate method and the parameters chosen within the model. Both the methods and the choice of parameters are subjective to a certain degree. Based on the available data, two experienced actuaries may reach different decisions about which methods and parameters to use for the estimate and thus also reach different results. The uncertainty associated with the choice of the model is called “model error”. The sources of a model error may be:

- Emergence of new classes of losses or obligations not previously known,
- Changes in the reserving for individual losses under the HGB,
- Changes in claims settlement,
- Case law (liability, indemnity totals, etc.),
- Latent losses,
- Medical progress,
- Changes in inflation rates and
- Other social, economic, legal or political influences.

The parameters used in a model are estimated on the basis of past observations. These observations are to a certain extent random in their realisation. The resulting uncertainty about the parameters used in the model is called “parameter error”.

The best estimate is a probability-weighted average of possible future realisations of a random event. Thus, as seen today, the actual realisation in the future is only a possibility and may deviate from the calculated best estimate. This uncertainty is called “process error” or “random error”.

Random error results from the randomness of insurance business. However, this does not have to do with risks that ensue from the potential inadequacy of the valuation process. If a corresponding statistical model is used as the basis, the same also applies to parameter error. This is essentially the case with the actuarial triangulation methods used to determine cash flows and in connection with the determination of the premium provisions when calculating loss ratios for existing business. However, these methods are subject to the limitation that modifications are made to input data or the calculated parameters. Specification of the parameters used in the valuation process is also based on simple calculations of mean value over brief periods of time or expert assessments. The uncertainty here lies in the possibility of a mistake by experts.

The uncertainty resulting from random error is taken into consideration in the risk margin of the technical provisions.

Each year, the company’s actuarial function measures the uncertainty associated with the calculation of the best estimate of the technical provisions. It assumes that two analysis scenarios provide an especially meaningful picture. In doing so, results from statistical models of the company's own methods are used to measure the risk-bearing capacity of Württembergische Versicherung AG. These are the 40% and 70% quantile of the distribution of the premium provisions in dependence on the loss ratios used and the corresponding quantiles of the required loss reserves for settlement of losses incurred as at the valuation date. In addition, the uncertainty of the loss reserves from the company’s business outside the Group is modelled for this analysis via a distribution adjustment that uses the variation coefficients of the standard formula as parameters. The 40% and 70% quantile of the resulting distribution is then used as well.

Loss ratios used

	Premium provisions, net	Absolute change	Relative change
	31.12.2020	31.12.2020	31.12.2020
	in € thousands	in € thousands	in %
Best estimate	15,863	0	0.0
Scenario based on the 40% quantile	6,667	–9,196	–58.0
Scenario based on the 70% quantile	16,315	452	2.8

Uncertainty, loss reserves

	Claims provisions, net	Absolute change	Relative change
	31.12.2020	31.12.2020	31.12.2020
	in € thousands	in € thousands	in %
Best estimate	206,870	0	0.0
Scenario based on the 40% quantile	202,561	–4,309	–2.1
Scenario based on the 70% quantile	214,363	7,493	3.6

In this regard, appropriate scalings were made on the portfolio of W&W AG.

Although in theory random and parameter error, but not model error, is depicted in these models, the actuarial function considers the interpretation of the quantiles as ranges within which the best estimates normally fluctuate to be a suitable pragmatic approach. In the case of skewed distributions, the best estimate may also lie outside this range. This is then the case if results that have a low probability of occurrence but a very large impact need to be taken into consideration when averaging.

Other identified assumptions or specifications that have the potential to influence the best estimate of the technical provisions in the event of a variation within a framework still to be considered reasonable are:

- Inclusion and exclusion of observations with regard to the actuarial triangulation methods used,
- Estimate of the implicit inflation included in the triangulation methods,
- Biometric actuarial assumptions when calculating the technical provisions similar to life,
- Averaging of the results from the measurements of claims expenses and claims payment triangles,
- Estimate of a late run-off in addition to the run-off periods taken into account in the loss triangles in the long run-off business lines,
- Cost assumptions, particularly with regard also to the claim adjustment expenses incurred by Württembergische Versicherung AG.

The valuation of the technical provisions does not depend on the future measures of management.

Technical provisions: Solvency II compared to HGB

The following presents the material discrepancies in the valuations by comparing the best estimates of the technical provisions pursuant to Solvency II with the corresponding provisions in accordance with the HGB. The comparison is made for each Solvency II business line and for the non-life area, broken out into premium provisions and claims provisions.

For the non-life area, the components of the technical provisions in accordance with the HGB are allocated either to premium provisions or to claims provisions, depending on where they are included in the Solvency II valuation. The following components of the technical provisions in accordance with the HGB are compared with the premium provisions in accordance with Solvency II: provision for unearned premiums, provision for future policy benefits and miscellaneous technical provisions (cancellation, discontinuation, reserve casualty 60+). The Solvency II claims provision corresponds to the HGB provision for outstanding insurance claims and the provision for road accident victims (part of miscellaneous technical provisions). The HGB claims equalisation provision is not included in the comparison, since it is not taken into consideration under Solvency II.

A key difference is that the HGB items in the non-life provisions are not discounted.

In contrast to the provision for unearned premiums, future cash flows are also taken into consideration in the premium provisions. The valuation of the premium provisions of W&W AG includes, in particular, the planned future new business of Württembergische Versicherung AG that is accepted during the terms of the reinsurance contracts. In contrast to the Solvency II premium provision, the HGB provision for unearned premiums corresponds merely to the pro rata temporis unearned premiums.

A key difference in the valuation of the claims provision is that the reserve policy under HGB takes the principle of prudence into account, whereas Solvency II looks at the expected value of the needed reserve in the "best estimate".

A provision corresponding to the risk margin does not exist in the HGB. Although the risk margin is part of the technical provision in accordance with Solvency II, it is not included in the presentation in this section for reasons of better comparability. The risk margin values for each Solvency II business line are presented under "Composition of technical provisions" in this section. The risk of future fluctuations in the amounts required to satisfy obligations by a best estimate is implicitly taken into consideration under the HGB through prudent actuarial assumptions and prudent reserving.

In contrast to the corresponding HGB provisions, reinsurance recoverables pursuant to the Solvency II valuation are adjusted for expected default. This effect is minor and has no material impact on the comparison. In addition, reinsurance recoverables in accordance with Solvency II include receivables less reinsurance payables. These values are not included in the HGB provisions, since they are recognised in a separate item of the HGB balance sheet.

The following table shows the comparison of the technical provisions, gross, and the reinsurance recoverables pursuant to Solvency II, together with the corresponding provisions in accordance with the HGB:

Technical provisions non-life – claims provisions

in € thousands	Best estimate Gross 31.12.2020	Best estimate Gross undiscounted 31.12.2020	HGB Gross (carrying amount) 31.12.2020	Reinsurance (according to expected default) 31.12.2020	HGB reinsurance 31.12.2020
Non-life (excluding health)	**335,201**	**334,920**	**418,518**	**145,437**	**107,268**
Motor vehicle liability insurance	112,917	112,286	152,330	11,550	11,312
Other motor insurance	6,516	6,500	8,660	472	293
Marine, aviation and transport insurance	2,874	3,094	5,871	0	0
Fire and other damage to property insurance	54,930	55,327	75,556	40,618	34,581
General liability insurance	50,283	50,353	78,257	3,869	4,763
Credit and suretyship insurance	824	816	929	0	0
Legal expenses insurance	23,464	23,150	29,050	26	97
Assistance	119	119	115	0	0
Miscellaneous financial loss	11,713	11,665	14,211	13,816	10,829
Non-proportional liability reinsurance	63,044	63,069	43,058	64,540	36,579
Non-proportional marine, aviation and transport reinsurance	4,054	4,063	3,321	3,655	2,039
Non-proportional property reinsurance	4,463	4,479	7,159	6,893	6,776
Health (similar to non-life)	**18,213**	**18,099**	**23,068**	**1,107**	**757**
Income protection insurance	17,170	17,049	22,038	0	0
Non-proportional health reinsurance	1,043	1,050	1,029	1,107	757

Particularly large differences between the best estimate and the HGB provisions can be seen in the business lines motor vehicle liability and general liability. With these business lines, which tend to have longer run-offs, the HGB principle of prudence is evident to a greater degree than in the business lines that tend to have shorter run-offs.

The tables for the technical provisions non-life also list undiscounted values for evaluating the discounting effect contained in the best estimates. In the case of positive interest rates, the discounting effect causes the best estimates of the claims provisions pursuant to Solvency II to be lower than the undiscounted values. However, because interest rates are currently low, the differences are relatively minor. Since the relevant risk-free euro interest curve is in the negative area in the first years, the undiscounted values may also be smaller than the discounted values in some cases, particularly in business lines with shorter run-offs.

Technical provisions non-life – premium provisions

in € thousands	Best estimate Gross 31.12.2020	Best estimate Gross undiscounted 31.12.2020	HGB Gross (carrying amount) 31.12.2020	Reinsurance (according to expected default) 31.12.2020	HGB reinsurance 31.12.2020
Non-life (excluding health)	**15,307**	**14,563**	**19,145**	**–2,689**	**0**
Motor vehicle liability insurance	2,134	2,088	2,364	–387	0
Other motor insurance	4,071	4,016	1,872	–837	0
Marine, aviation and transport insurance	1,043	1,022	113	–1	0
Fire and other damage to property insurance	9,653	9,317	9,173	1,073	0
General liability insurance	–5,407	–5,481	3,274	–996	0
Credit and suretyship insurance	318	313	224	0	0
Legal expenses insurance	2,069	1,966	1,835	0	0
Assistance	342	340	179	0	0
Miscellaneous financial loss	–1,141	–1,168	111	–1,149	0
Non-proportional liability reinsurance	–161	–165	0	–48	0
Non-proportional marine, aviation and transport reinsurance	65	64	0	0	0
Non-proportional property reinsurance	2,320	2,252	0	–343	0
Health (similar to non-life)	**–2,204**	**–2,285**	**2,574**	**–73**	**0**
Income protection insurance	–2,191	–2,271	2,574	–72	0
Non-proportional health reinsurance	–14	–14	0	0	0

In the case of technical provisions life, the valuation differences are essentially due to different interest rates used for discounting, as well as to different mortality assumptions. Whereas under the HGB the provision is discounted with a constant actuarial interest rate, the Solvency II provision is discounted with the prescribed risk-free yield curve. The mortality assumptions used under the HGB include safety margins. Since both the Solvency II values and the HGB values are discounted for the technical provisions life, the table does not present any undiscounted best estimates.

Technical provisions life (excluding index-linked and unit-linked)

in € thousands	Best estimate Gross 31.12.2020	HGB Gross (carrying amount) 31.12.2020	Reinsurance (according to expected default) 31.12.2020	HGB Reinsurance 31.12.2020
Health (similar to life)	**41,833**	**36,522**	**0**	**0**
Health	41,833	36,522	0	0
Life (excluding health and index-linked and unit-linked)	**11,780**	**15,446**	**2,032**	**2,340**
Life	11,780	15,446	2,032	2,340

D.3 Miscellaneous liabilities

Pension benefit obligations

Liability item

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2020	31.12.2020	31.12.2020
Pension benefit obligations	235,747	191,781	43,966

Solvency II

Recognised under this item is the pension provision. For the IFRS consolidated financial statements, the pension provision is valued in accordance with the rules in IAS 19 "Employee Benefits" and used accordingly for Solvency II purposes.

HGB

The provision for pension and similar obligations is calculated pursuant to Section 253 (2) HGB in the amount needed to satisfy them using the projected unit credit method on the basis of the Heubeck mortality tables 2005 G. The calculation assumed an interest rate of 2.3% (previous year: 2.7%), a salary trend of 3.0% p.a., a trend in pension of 2.0% p.a. and a fluctuation of 3.5% p.a. (collectively bargaining agreements) and 1.0% p.a. (individual contracts).

The difference in the value compared with the provision in accordance with Solvency II is mainly the result of the application of different calculation parameters.

Derivatives

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2020	31.12.2020	31.12.2020
Derivatives	856	700	156

This has to do with sales of call options and one currency forward.

Solvency II

Recognised under this item are derivatives with a negative economic value. With respect to the valuation of derivatives, please see the remarks on derivatives in Section D.1 "Assets".

HGB

Provisions for impending losses are created for sold call options, which are accounted for separately. They are included in the item "Provisions other than technical provisions". Under Solvency II, negative market values are likewise recognised under liabilities, but in contrast to the HGB, they are explicitly allocated to the derivatives item.

Liabilities

in € thousands	Solvency II 31.12.2020	HGB (carrying amount) 31.12.2020	Delta 31.12.2020
Deposits from reinsurers	16,112	16,112	0
Debts owed to credit institutions	0	0	0
Financial liabilities other than debts owed to credit institutions	79,610	79,500	110
Insurance and intermediaries payables	0	0	0
Reinsurance payables	0	35,722	35,722
Payables (trade, not insurance)	1,397,617	1,029,131	368,486

Solvency II

In the solvency overview, liabilities are valued at the economic value. Economic value is defined as the amount for which the liability could be settled between knowledgeable and willing parties in an arm's length transaction. The general recognition and valuation rules for assets described above in Section D.1 are also to be applied for the miscellaneous liabilities in the following sections. Accordingly, please see the remarks in Section D.1.

The liabilities listed here are valued in IFRS reporting at amortised cost. Irrespective of the valuation under IFRS, the fair values of liabilities are calculated for the information in the notes concerning IAS “Statement of Cash Flows”. The fair values calculated for IFRS are used as the economic value under Solvency II.

Pursuant to the BaFin interpretation ruling “Valuation of recoverables from reinsurance/SPV and treatment of amounts receivable/payable and deposits to cedants/deposits from reinsurers under Solvency II”, the item “Reinsurance payables” includes only past-due amounts. As at the reporting date, the payables owed to our reinsurers were not past due.

The delta in the item “Payables (trade, not insurance)” is due to the fact that certain pension obligations are depicted differently for accounting purposes in accordance with Solvency II and the HGB. Recognition in accordance with Solvency II takes place analogously to IFRS (IAS 19), which provides for the separate recognition of the joint liability as a refund claim. This refund claim was therefore recognised in “Payables (trade, not insurance)”.

With regard to the valuation of miscellaneous liabilities, no assumptions or judgments are made about the future.

HGB

Liabilities are recognised in the HGB financial statements in their repayment amounts (Section 341b (2) sentence 1 HGB in conjunction with Section 253 (1) HGB).

Particularly for longer-term payables, differences between the value under Solvency II and HGB reporting may result due to application of the present value method. This is the case here only for several personnel-related items.

Leasing agreements

W&W AG does not have any material leasing agreements.

D.4 Alternative valuation methods

Alternative valuation methods are applied to the extent specified by supervisory law. Detailed information about them is reported to the supervisory authorities on a regular basis. Pursuant to statutory requirements, no further information about alternative valuation methods is necessary in this report.

D.5 Other information

Other than the facts and circumstances presented in the foregoing sections, there is no other material information.

E. Capital management

E.1 Own funds

Overview

An overarching framework has been implemented for capital management in the W&W Group, the Solvency II group and W&W AG, which specifies the goals and principles for capital management and defines the capital management process.

Our capital management aims at
- ensuring adequate risk-bearing capacity, especially on the basis of the economic risk-bearing capacity model,
- fulfilling the regulatory Minimum Capital Requirement,
- optimising capital allocation within the Group,
- enabling an adequate return on the capital employed,
- ensuring capital flexibility and
- making use of strategic market opportunities.

The capital management process takes into consideration strategic targets from the business strategy process and, derived from it, from the risk strategy process. The strategy results in parameters for managing capital adequacy, particularly the setting of internal target ratios and the specification of basic conditions for capital adequacy. These parameters for capital management are implemented and reviewed through the planning and extrapolation process. As part of capital monitoring and reporting during the year, the compliance with capital targets is reviewed.

The capital management process thus ensures that potential capital needs of the W&W Group are identified early on. Capital needs are identified on the basis of internal target ratios. In this regard, the target ratios are defined as minimum ratios, whose achievement is aspired to. Internally, the W&W Group has set target solvency ratios for the large subsidiaries as well as for the Solvency II group and the financial conglomerate that are significantly above the current statutory requirements in order to ensure the continued high stability of the groups and of the individual companies. After a capital need is identified, measures are normally developed and implemented to cover the capital need. In doing so, various alternatives are examined, e.g. change of new business mix, risk reduction, reinvestment of results, capital measures like raising new subordinated capital, etc. When measures are established, the impact on solvency and economic risk-bearing capacity is examined. In the case of capital measures, the eligibility of own funds under applicable supervisory rules is in particular to be assured.

The own funds planning process is a key part of the capital management process in the W&W Group. The own funds planning of W&W AG, the W&W Group and the subsidiaries is based on income statement/balance sheet planning and is thus an integral part of the business planning process. As a rule, our business planning covers the following three financial years. In this regard, own funds planning takes place from a supervisory and from an economic perspective. As part of own funds planning, eligible own funds (broken down by quality class) are compared with the Solvency Capital Requirement over a five-year planning horizon. The Solvency Capital Requirement is calculated using the Solvency II standard approach. For economic risk-bearing capacity, economic risk capital requirements are determined on the basis of an economic risk-bearing capacity model and compared with the available economic capital.

The supervisory solvency ratio pursuant to Solvency II amounted to 404.7% on the reporting date. It consisted of eligible own funds in the amount of €7,362,104 thousand and the Solvency Capital Requirement of €1,819,316 thousand.

Excess of assets over liabilities:

As at the reporting date, the excess of assets over liabilities pursuant to Solvency II and the HGB equity consisted of the following:

Excess of assets over liabilities

in € thousands	Solvency II 31.12.2020	HGB (carrying amount) 31.12.2020
Total assets	9,647,235	4,016,841
Liabilities, total	2,221,101	1,988,392
Excess of assets over liabilities	**7,426,134**	**2,028,448**
Ordinary share capital (including own shares pursuant to Solvency II)	493,334	493,334
Reserve capital (premium from the capital contribution)	994,742	994,742
Retained earnings	540,372	540,372
Reserve from valuation difference	5,287,821	
Revaluation of assets	5,520,530	
Revaluation of technical provisions	–139,915	
Revaluation of other liabilities	372,624	
Deferred tax assets, net	109,865	

The differences between Solvency II and the HGB relate to the revaluation effects in the amount of €5,287,821 that resulted from the complete economic valuation in the solvency overview in accordance with Solvency II as compared with the valuation principles in accordance with the HGB. For a detailed presentation of the value differences between Solvency II and the HGB, please see Sections D.1 to D.3.

Available own funds

Available own funds in accordance with Solvency II consisted of the following as at the reporting date:

Available own funds

	Solvency II	
in € thousands	31.12.2020	31.12.2019
Excess of assets over liabilities	**7,426,134**	**7,456,180**
Own shares	–3,103	–2,852
Ineligible participations in credit institutions and financial institutions	0	0
Foreseeable dividends payments and distributions	–60,927	–60,937
Restricted own fund items from ring-fenced funds	0	0
Subordinated liabilities	0	0
Basic own funds	**7,362,104**	**7,392,390**
Ancillary own funds	0	0
Available own funds	**7,362,104**	**7,392,390**

Aside from the items mentioned above, the company does not have any additional basic own fund items or ancillary own funds. Neither a deduction as a result of restrictions nor a principal loss absorbency in accordance with Article 71(1)(e) of Delegated Regulation (EU) 2015/35 takes place.

As at the reporting date, available own funds were spread across the three quality levels in accordance with Solvency II as follows:

Available own funds by quality level

	Quality level 1		Quality level 2		Quality level 3	
in € thousands	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Ordinary share capital	493,334	492,881	0	0	0	0
Capital reserve	994,742	995,195	0	0	0	0
Reconciliation reserve	5,764,163	5,843,708	0	0	0	0
Excess deferred tax assets	0	0	0	0	109,865	60,606
Available own funds	**7,252,239**	**7,331,784**	**0**	**0**	**109,865**	**60,606**

The own funds in quality level 3 have to do with net deferred tax assets under Solvency II (see Chapters D.1 “Deferred tax assets” and D.3 “Deferred tax assets”).

As at the reporting date, the company's reconciliation reserve amounted to €5,764,163 thousand. The value corresponds to the sum of “Reserve from valuation difference” and “Retained earnings”, less “Own shares” and “Foreseeable dividend payments and distributions”.

Eligible own funds: Limitation of available own funds

Own funds eligible for covering the Solvency Capital Requirement and the Minimum Capital Requirement corresponded to available own funds as at the reporting date.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The regulatory capital requirements are calculated using the EIOPA standard model. In doing so, prescribed parameters and methods were applied to determine the regulatory Minimum Capital Requirement (MCR) and Solvency Capital Requirement (SCR).

The standard formula follows a modular approach under which the entire risk to which an insurance undertaking is exposed is subdivided into risk modules and, for some risk modules, also into sub-modules. A capital requirement is specified for each risk module and sub-module. The capital requirement on the level of risk modules or sub-modules is aggregated using correlation matrices to form a total SCR.

Using the value at risk (VaR) of an undertaking’s basic own funds, the total SCR is calibrated at a confidence level of 99.5% over one year for each individual risk module. The SCR thus constitutes the economic loss that, with respect to a period of one year, will be exceeded with a probability of 0.5%, i.e. on average once every 200 years. Formula-based calculations are used for certain sub-modules. Diversification effects are taken into consideration by aggregating capital requirements using the prescribed correlation matrices.

Risk measurement is based on a net view. This means that measures to spread and transfer risks are taken into consideration, such as concluding derivative instruments, reinsurance and the risk-buffering effect of deferred taxes.

Solvency Capital Requirement

The company's Solvency Capital Requirement is calculated in accordance with the Solvency II standard formula. As at the reporting date, it was as follows:

Solvency Capital Requirement

in € thousands	31.12.2020	31.12.2019
Market risk	1,747,306	1,805,799
Counterparty default risk	72,873	46,360
Life underwriting risk	766	940
Health underwriting risk	22,938	25,559
Non-life underwriting risk	114,044	116,286
Operational risk	12,353	11,758
Diversification	–150,964	–136,442
Loss-absorbing capacity of deferred taxes	0	0
Solvency Capital Requirement (SCR)	**1,819,316**	**1,870,261**

As is mandated by statute for all insurance undertakings, the final amount of the Solvency Capital Requirement is still subject to supervisory review.

Market risk constitutes the company's largest risk. In this regard, the largest market risk is equity risk, which ensues as a result of large participations. This was lowered in the reporting period mainly through the sale of the Czech subsidiaries Wüstenrot stavební spořitelna a.s. and Wüstenrot hypoteční banka a.s. This sale also reduced foreign currency and concentration risk. In addition, with regard to interest rate, spread and real estate risk, smaller changes resulted from changed capital market parameters and market values.

In terms of the Solvency Capital Requirement, market risk is followed by underwriting risk. Under Solvency II, it is subdivided into the three areas "life", "health" and "non-life". "Life underwriting risk" includes the risk from life. "Health underwriting risk" includes the risk from health and health (similar to non-life). "Non-life underwriting risk" includes the risk from non-life (excluding health). All of these areas of underwriting risk experienced slight declines compared with the previous year.

Counterparty default risk increased in the reporting period, primarily as a result of higher receivables from subsidiaries.

In calculating the Solvency Capital Requirement, the company applies the simplifications provided in Delegated Regulation (EU) 2015/35 in the area of counterparty default risk. The company does not use any undertaking-specific parameters, and no capital add-ons were recognised.

Minimum Capital Requirement

The Minimum Capital Requirement (MCR) is calculated as the maximum of a prescribed absolute floor (AMCR), which depends on the type of insurance undertaking, and a linear MCR, which is capped at a minimum of 25% and a maximum of 45% of the SCR (see Articles 248 to 253 of Delegated Regulation (EU) 2015/35). Calculation of the linear MCR uses the best estimates of the net technical provisions, as well as net premiums written.

As at the reporting date, the company's Minimum Capital Requirement was as follows:

Minimum Capital Requirement

in € thousands	31.12.2020	31.12.2019
Combined Minimum Capital Requirement	454,829	467,565
Linear Minimum Capital Requirement	49,997	47,588
Cap for linear Minimum Capital Requirement (45% of SCR)	818,692	841,618
Floor for linear Minimum Capital Requirement (25% of SCR)	454,829	467,565
Absolute floor of the Minimum Capital Requirement (AMCR)	3,600	3,600
Minimum Capital Requirement (MCR)	**454,829**	**467,565**

Thus, as at the reporting date, the MCR ratio was 1,594.5%, which is calculated at the quotient of eligible own funds (€7,252,239 thousand) and the Minimum Capital Requirement (€454,829 thousand). The Minimum Capital Requirement fell in the reporting period as a result of the lower Solvency Capital Requirement in the reporting period. For further information about the Minimum Capital Requirement, please see Form S.23.01.01 in the Annex.

E.3 Use of the duration-based equity risk sub-module for calculating the Solvency Capital Requirement

The company does not apply the duration-based equity risk sub-module for calculating the Solvency Capital Requirement.

E.4 Differences between the standard formula and any internal models used

The company calculates the Solvency Capital Requirement using the Solvency II standard formula. It does not use an internal model or partial internal model.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

During the reporting period, the company satisfied both the Minimum Capital Requirement and the Solvency Capital Requirement. Thus, no measures need to be initiated as a result of non-compliance with the Minimum Capital Requirement and the Solvency Capital Requirement.

E.6 Other information

Other than the facts and circumstances presented in the foregoing sections, there is no other material information.

Annex

Presented in the following are the templates to be attached pursuant to the Implementing Regulation. As mandated by statute, the information is provided in € thousands. As a result, where values are added together in the templates, the resulting values may show discrepancies due to rounding differences.

However, the following templates are not being disclosed:

S.05.02.01 Premiums, claims and expenses by country:
More that 90% of our gross premiums come from Germany. We are thus above the minimum threshold established in the supervisory requirements and are exempt from preparing QRT S.05.02.01.

S.22.01.01 Impact of long term guarantees measures and transitionals:
We do not use any transitionals.

S.25.02.21 Information on the Solvency Capital Requirement calculated using the standard formula and a partial internal model:
We do not use a partial internal model to calculate the Solvency Capital Requirement.

S.25.03.21 Information on the Solvency Capital Requirement calculated using a full internal model: We do not use a full internal model to calculate the Solvency Capital Requirement.

S.28.02.01 Specification of the Minimum Capital Requirement for insurance undertakings engaged in both life and non-life insurance activity:
Since we engage only in reinsurance activity, we do not prepare QRT S.28.01.01.

S.02.01.02 | Balance sheet

in € thousands

		Solvency II value
Assets		**C0010**
Intangible assets	R0030	0
Deferred tax assets	R0040	109,865
Pension benefit surplus	R0050	0
Property, plant and equipment held for own use	R0060	365,473
Investments (other than assets held for index- or unit-linked contracts)	R0070	8,563,918
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	6,508,838
Equities	R0100	27,417
Equities – listed	R0110	5,000
Equities – unlisted	R0120	22,417
Bonds	R0130	1,074,259
Government bonds	R0140	353,547
Corporate bonds	R0150	720,712
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective investment undertakings	R0180	845,199
Derivatives	R0190	2,717
Deposits other than cash equivalents	R0200	105,488
Other investments	R0210	0
Assets for index- or unit-linked contracts	R0220	0
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	145,814
Non-life and health similar to non-life	R0280	143,782
Non-life excluding health	R0290	142,748
Health similar to non-life	R0300	1,034
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	2,032
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	2,032
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	23,955
Insurance and intermediaries receivables	R0360	0
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	403,286
Own shares (held directly)	R0390	3,103
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	18,099
Any other assets, not elsewhere shown	R0420	13,723
Total assets	**R0500**	**9,647,235**

S.02.01.02 | Balance sheet (continuation)

in € thousands

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	R0510	425,253
Technical provisions – non-life (excluding health)	R0520	403,536
Technical provisions calculated as a whole	R0530	0
Best estimate	R0540	350,508
Risk margin	R0550	53,028
Technical provisions – health (similar to non-life)	R0560	21,717
Technical provisions calculated as a whole	R0570	0
Best estimate	R0580	16,009
Risk margin	R0590	5,709
Technical provisions – life (excluding index-linked and unit-linked)	R0600	59,025
Technical provisions – health (similar to life)	R0610	46,438
Technical provisions calculated as a whole	R0620	0
Best estimate	R0630	41,833
Risk margin	R0640	4,605
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	12,587
Technical provisions calculated as a whole	R0660	0
Best estimate	R0670	11,780
Risk margin	R0680	806
Technical provisions – index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best estimate	R0710	0
Risk margin	R0720	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	6,880
Pension benefit obligations	R0760	235,747
Deposits from reinsurers	R0770	16,112
Deferred tax liabilities	R0780	0
Derivatives	R0790	856
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	79,610
Insurance and intermediaries payables	R0820	0
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	1,397,617
Subordinated liabilities	R0850	0
Subordinated liabilities not in basic own funds	R0860	0
Subordinated liabilities in basic own funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	**R0900**	**2,221,101**
Excess of assets over liabilities	**R1000**	**7,426,134**

S.05.01.02 Premiums, claims and expenses by line of business

in € thousands

		Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**
Premiums written								
Gross – Direct business	R0110	0	0	0	0	0	0	0
Gross – Proportional reinsurance accepted	R0120	0	22,126	0	71,809	55,383	3,667	152,437
Gross – Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	0	0	0	0	434	106	71,238
Net	R0200	0	22,126	0	71,809	54,949	3,560	81,199
Premiums earned								
Gross – Direct business	R0210	0	0	0	0	0	0	0
Gross – Proportional reinsurance accepted	R0220	0	22,161	0	71,800	55,371	3,667	155,231
Gross – Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	0	0	0	0	437	106	74,676
Net	R0300	0	22,161	0	71,800	54,934	3,560	80,555
Claims incurred								
Gross – Direct business	R0310	0	0	0	0	0	0	0
Gross – Proportional reinsurance accepted	R0320	0	7,902	0	46,275	33,474	1,920	77,465
Gross – Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	0	0	0	752	348	8	40,575
Net	R0400	0	7,902	0	45,523	33,125	1,912	36,890
Changes in other technical provisions								
Gross – Direct business	R0410	0	0	0	0	0	0	0
Gross – Proportional reinsurance accepted	R0420	0	–18	0	341	228	103	242
Gross – Non-proportional reinsurance accepted	R0430							
Reinsurers' share	R0440	0	0	0	0	0	0	0
Net	R0500	0	–18	0	341	228	103	242
Expenses incurred	**R0550**	**0**	**10,608**	**0**	**25,954**	**20,651**	**1,733**	**46,915**
Other expenses	**R1200**							
Total expenses	**R1300**							

Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					Line of business for: accepted non-proportional reinsurance				Total
General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
C0080	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
0	0	0	0	0					0
36,022	742	20,295	2,303	9,112					373,896
					148	2,632	235	25,534	28,549
1,972	0	342	0	7,380	148	2,632	235	25,534	110,023
34,050	742	19,953	2,303	1,732	0	0	0	0	292,422
0	0	0	0	0					0
36,248	639	20,259	2,228	9,368					376,970
					148	2,632	235	25,534	28,549
2,154	0	342	0	7,690	148	2,632	235	25,534	113,954
34,094	639	19,917	2,228	1,678	0	0	0	0	291,565
0	0	0	0	0					0
12,160	737	10,731	364	16,410					207,438
					128	4,191	1,452	6,924	12,695
183	0	125	0	12,948	110	8,043	1,452	6,932	71,477
11,977	737	10,606	364	3,462	18	−3,852	0	−8	148,656
0	0	0	0	0					0
121	−6	−26	−1	24					1,009
					9	296	102	488	895
0	0	0	0	0	9	296	102	488	895
121	−6	−26	−1	24	0	0	0	0	1,009
16,355	**459**	**10,214**	**1,063**	**2,946**	**16**	**560**	**194**	**926**	**138,594**
									0
									138,594

S.05.01.02 Premiums, claims and expenses by line of business (continuation)

		Line of business for: life insurance obligations			
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance
		C0210	**C0220**	**C0230**	**C0240**
Premiums written					
Gross	R1410	0	0	0	0
Reinsurers' share	R1420	0	0	0	0
Net	R1500	0	0	0	0
Premiums earned					
Gross	R1510	0	0	0	0
Reinsurers' share	R1520	0	0	0	0
Net	R1600	0	0	0	0
Claims incurred					
Gross	R1610	0	0	0	0
Reinsurers' share	R1620	0	0	0	0
Net	R1700	0	0	0	0
Change in other technical provisions					
Gross	R1710	0	0	0	0
Reinsurers' share	R1720	0	0	0	0
Net	R1800	0	0	0	0
Expenses incurred	**R1900**	**0**	**0**	**0**	**0**
Other expenses	**R2500**				
Total expenses	**R2600**				

		Line of business for: life insurance obligations		Life reinsurance obligations	Total
	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health	Life	
	C0250	**C0260**	**C0270**	**C0280**	**C0300**
	0	0	0	4,539	4,539
	0	0	0	0	0
	0	0	0	4,539	4,539
	0	0	0	4,695	4,695
	0	0	0	0	0
	0	0	0	4,695	4,695
	0	0	0	13,870	13,870
	0	0	0	0	0
	0	0	0	13,870	13,870
	0	0	0	4,400	4,400
	0	0	0	0	0
	0	0	0	4,400	4,400
	0	**0**	**0**	**1,776**	**1,776**
					0
					1,776

S.12.01.02 | Life and health SLT technical provisions

in € thousands

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance		
				Contracts without options and guarantees	Contracts with options and guarantees		Contracts without options and guarantees	Contracts with options and guarantees
		C0020	C0030	C0040	C0050	C0060	C0070	C0080
Technical provisions calculated as a whole	**R0010**	**0**	**0**			**0**		
Total recoverables from reinsurance/SPV and finite reinsurance after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	0	0			0		
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Best estimate (gross)	**R0030**	**0**		**0**	**0**		**0**	**0**
Total recoverables from reinsurance/SPV and finite reinsurance after the adjustment for expected losses due to counterparty default	R0080	0		0	0		0	0
Best estimate minus recoverables from reinsurance/SPV and finite reinsurance — total	R0090	0		0	0		0	0
Risk margin	**R0100**	**0**				**0**		
Amount of the transitional on technical provisions								
Technical provisions calculated as a whole	R0110	0	0			0		
Best estimate	R0120	0		0	0		0	0
Risk margin	R0130	0	0			0		
Technical provisions – total	**R0200**	**0**	**0**			**0**		

Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (life other than health insurance, including unit-linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (health similar to life insurance)
				Contracts without options and guarantees	Contracts with options and guarantees			
C0090	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
0	**0**	**0**	**0**			**0**	**0**	**0**
0	0	0	0			0	0	0
0	**11,780**	**11,780**		**0**	**0**	**0**	**41,833**	**41,833**
0	2,032	2,032		0	0	0	0	0
0	9,749	9,749		0	0	0	41,833	41,833
0	**806**	**806**	**0**			**0**	**4,605**	**4,605**
0	0	0	0			0	0	0
0	0	0		0	0	0	0	0
0	0	0	0			0	0	0
0	**12,587**	**12,587**	**0**			**0**	**46,438**	**46,438**

S.17.01.02| Non-life technical provisions

in € thousands

		Direct business and accepted proportional reinsurance		
		Medical expense insurance	Income protection insurance	Workers' compensation insurance
		C0020	**C0030**	**C0040**
Technical provisions calculated as a whole	**R0010**	**0**	**0**	**0**
Total recoverables from reinsurance/SPV and finite reinsurance after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0
Technical provisions calculated as a sum of BE and RM				
Best estimate				
Premium provisions				
Gross	R0060	0	–2,191	0
Total recoverables from reinsurance/SPV and finite reinsurance after the adjustment for expected losses due to counterparty default	R0140	0	–72	0
Net best estimate of premium provisions	R0150	0	–2,119	0
Claims provisions				
Gross	R0160	0	17,170	0
Total recoverables from reinsurance/SPV and finite reinsurance after the adjustment for expected losses due to counterparty default	R0240	0	0	0
Net best estimate of claims provisions	R0250	0	17,170	0
Total best estimate – gross	**R0260**	**0**	**14,979**	**0**
Total best estimate – net	**R0270**	**0**	**15,051**	**0**
Risk margin	**R0280**	**0**	**5,669**	**0**
Amount of the transitional on technical provisions				
Technical provisions calculated as a whole	R0290	0	0	0
Best estimate	R0300	0	0	0
Risk margin	R0310	0	0	0
Technical provisions – total				
Technical provisions – total	R0320	0	20,648	0
Recoverables from reinsurance contract/SPV and finite reinsurance after the adjustment for expected losses due to counterparty default – total	R0330	0	–72	0
Technical provisions minus recoverables from reinsurance/SPV and finite reinsurance – total	R0340	0	20,720	0

					Direct business and accepted proportional reinsurance
Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
C0050	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
0	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0
2,134	4,071	1,043	9,653	–5,407	318
–387	–837	–1	1,073	–996	0
2,521	4,908	1,044	8,580	–4,411	318
112,917	6,516	2,874	54,930	50,283	824
11,550	472	0	40,618	3,869	0
101,368	6,044	2,874	14,312	46,414	824
115,051	**10,587**	**3,917**	**64,583**	**44,876**	**1,142**
103,889	**10,953**	**3,918**	**22,892**	**42,003**	**1,142**
14,512	**6,567**	**2,105**	**15,787**	**7,310**	**280**
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
129,563	17,154	6,022	80,370	52,185	1,422
11,162	–365	–1	41,691	2,873	0
118,401	17,519	6,023	38,679	49,312	1,422

S.17.01.02 | Non-life technical provisions (continuation)

		Direct business and accepted proportional reinsurance		
		Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0110	**C0120**	**C0130**
Technical provisions calculated as a whole	**R0010**	**0**	**0**	**0**
Total recoverables from reinsurance/SPV and finite reinsurance after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0
Technical provisions calculated as a sum of BE and RM				
Best estimate				
Premium provisions				
Gross	R0060	2,069	342	−1,141
Total recoverables from reinsurance/SPV and finite reinsurance after the adjustment for expected losses due to counterparty default	R0140	0	0	−1,149
Net best estimate of premium provisions	R0150	2,069	342	8
Claims provisions				
Gross	R0160	23,464	119	11,713
Total recoverables from reinsurance/SPV and finite reinsurance after the adjustment for expected losses due to counterparty default	R0240	26	0	13,816
Net best estimate of claims provisions	R0250	23,438	119	−2,102
Total best estimate – gross	**R0260**	**25,532**	**461**	**10,572**
Total best estimate – net	**R0270**	**25,507**	**461**	**−2,094**
Risk margin	**R0280**	**3,140**	**162**	**367**
Amount of the transitional on technical provisions				
Technical provisions calculated as a whole	R0290	0	0	0
Best estimate	R0300	0	0	0
Risk margin	R0310	0	0	0
Technical provisions – total				
Technical provisions – total	R0320	28,672	624	10,940
Recoverables from reinsurance contract/SPV and finite reinsurance after the adjustment for expected losses due to counterparty default – total	R0330	26	0	12,667
Technical provisions minus recoverables from reinsurance/SPV and finite reinsurance – total	R0340	28,647	624	−1,727

Accepted non-proportional reinsurance				Total non-life obligations
Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0140	**C0150**	**C0160**	**C0170**	**C0180**
0	**0**	**0**	**0**	**0**
0	0	0	0	0
–14	–161	65	2,320	13,102
0	–48	0	–343	–2,761
–13	–114	65	2,663	15,863
1,043	63,044	4,054	4,463	353,414
1,107	64,540	3,655	6,893	146,544
–64	–1,496	399	–2,430	206,870
1,029	**62,883**	**4,119**	**6,783**	**366,516**
–77	**–1,610**	**464**	**234**	**222,734**
40	**373**	**113**	**2,312**	**58,737**
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
1,070	63,256	4,232	9,095	425,253
1,106	64,492	3,655	6,549	143,782
–37	–1,237	578	2,546	281,471

S.19.01.21 | Non-life insurance claims

in € thousands

Total non-life business

Accident year / Underwriting year		Z0010	Accident year

Gross claims paid (non-cumulative)

(absolute amount)

						Development year
	Year	**0**	**1**	**2**	**3**	**4**
		C0010	*C0020*	*C0030*	*C0040*	*C0050*
Prior to 2011	R0100					
2011	R0160	82,477	38,417	11,672	4,692	2,362
2012	R0170	88,685	37,372	6,761	3,844	1,753
2013	R0180	206,367	136,901	30,017	15,201	2,890
2014	R0190	86,483	36,460	8,040	5,045	1,959
2015	R0200	98,389	44,864	8,817	7,829	2,433
2016	R0210	96,475	47,327	10,204	6,571	2,585
2017	R0220	99,988	62,911	10,984	10,419	
2018	R0230	104,984	58,655	12,904		
2019	R0240	114,855	61,018			
2020	R0250	116,379				

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Gross undiscounted best estimate claims provisions

(absolute amount)

						Development year
	Year	**0**	**1**	**2**	**3**	**4**
		C0200	*C0210*	*C0220*	*C0230*	*C0240*
Prior to 2011	R0100					
2011	R0160					
2012	R0170					
2013	R0180					
2014	R0190					
2015	R0200					
2016	R0210					12,527
2017	R0220				16,195	
2018	R0230			24,716		
2019	R0240		43,124			
2020	R0250	83,911				

Development year										
5	6	7	8	9	10 & +			In current year	Sum of years (cumulative)
C0060	*C0070*	*C0080*	*C0090*	*C0100*	*C0110*			*C0170*	*C0180*
					6,850		R0100	6,850	6,850
2,028	763	813	473	1,225			R0160	1,225	144,923
1,085	760	602	411				R0170	411	141,272
1,512	1,081	1,388					R0180	1,388	395,358
1,394	802						R0190	802	140,183
1,250							R0200	1,250	163,583
							R0210	2,585	163,161
							R0220	10,419	184,302
							R0230	12,904	176,542
							R0240	61,018	175,873
							R0250	116,379	116,379
						Total	**R0260**	**215,231**	**1,808,426**

Development year								
5	6	7	8	9	10 & +			Year end (discounted data)
C0250	*C0260*	*C0270*	*C0280*	*C0290*	*C0300*			*C0360*
					128,145		R0100	128,878
				6,646			R0160	6,700
			6,260				R0170	6,307
		10,801					R0180	10,875
	9,372						R0190	9,441
9,639							R0200	9,710
							R0210	12,619
							R0220	16,309
							R0230	24,875
							R0240	43,379
							R0250	84,320
						Total	**R0260**	**353,414**

S.23.01.01 | Own funds

in € thousands

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sectors as foreseen in Article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	493,334	493,334		0	
Share premium account related to ordinary share capital	R0030	994,742	994,742		0	
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	5,764,163	5,764,163			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	109,865				109,865
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	
Total basic own funds after deductions	**R0290**	**7,362,104**	**7,252,239**	**0**	**0**	**109,865**
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of Directive 2009/138/EC	R0360	0			0	
Supplementary members calls – other than under first subparagraph of Article 96(3) of Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	**R0400**	**0**			**0**	**0**
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	7,362,104	7,252,239	0	0	109,865
Total available own funds to meet the MCR	R0510	7,252,239	7,252,239	0	0	
Total eligible own funds to meet the SCR	R0540	7,362,104	7,252,239	0	0	109,865
Total eligible own funds to meet the MCR	R0550	7,252,239	7,252,239	0	0	
SCR	**R0580**	**1,819,316**				
MCR	**R0600**	**454,829**				
Ratio of eligible own funds to SCR	**R0620**	**404.7**				
Ratio of eligible own funds to MCR	**R0640**	**1,594.5**				

S.23.01.01 | Own funds (continuation)

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	7,426,134
Own shares (held directly and indirectly)	R0710	3,103
Foreseeable dividends, distributions and charges	R0720	60,927
Other basic own fund items	R0730	1,597,941
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	0
Reconciliation reserve	**R0760**	**5,764,163**
Expected profits		
Expected profits included in future premiums (EPIFP) – life business	R0770	6
Expected profits included in future premiums (EPIFP) – non-life business	R0780	17,727
Total expected profits included in future premiums (EPIFP)	**R0790**	**17,733**

S.25.01.21 | Solvency Capital Requirement – for undertakings on standard formula

in € thousands

		Gross Solvency Capital Requirement	USP	Simplifications
		C0110	**C0090**	**C0100**
Market risk	R0010	1,747,306		0
Counterparty default risk	R0020	72,873		
Life underwriting risk	R0030	766	0	0
Health underwriting risk	R0040	22,938	0	0
Non-life underwriting risk	R0050	114,044	0	0
Diversification	R0060	−150,964		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	**R0100**	**1,806,962**		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	R0130	12,353
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	0
Capital requirement for business operated in accordance with Article 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	**R0200**	**1,819,316**
Capital add-on already set	R0210	0
Solvency Capital Requirement	**R0220**	**1,819,316**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	**0**
Total amount of notional Solvency Capital Requirement for remaining part	R0410	0
Total amount of notional Solvency Capital Requirement for ring-fenced funds	R0420	0
Total amount of notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation as set out in Article 304	R0440	0

S.28.01.01 | Minimum Capital Requirement — Only life or only non-life insurance or reinsurance activity

in € thousands

Linear formula component for non-life insurance and reinsurance obligations

		C0010	
MCR_{NL} result	R0010	47,414	

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	15,051	22,126
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	103,889	71,809
Other motor insurance and proportional reinsurance	R0060	10,953	54,949
Marine, aviation and transport insurance and proportional reinsurance	R0070	3,918	3,560
Fire and other damage to property insurance and proportional reinsurance	R0080	22,892	81,199
General liability insurance and proportional reinsurance	R0090	42,003	34,050
Credit and suretyship insurance and proportional reinsurance	R0100	1,142	742
Legal expenses insurance and proportional reinsurance	R0110	25,507	19,953
Assistance and proportional reinsurance	R0120	461	2,303
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	1,732
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	464	0
Non-proportional property reinsurance	R0170	234	0

S.28.01.01 | Minimum Capital Requirement — Only life or only non-life insurance or reinsurance activity (continuation)

Linear formula component for life insurance and reinsurance obligations

		C0040	
MCR_L result	R0200	2,583	

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	0	
Obligations with profit participation – future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	51,582	
Total capital at risk for all life (re)insurance obligations	R0250		2,142,877

Overall MCR calculation			
		C0070	
Linear MCR	R0300	49,997	
SCR	R0310	1,819,316	
MCR cap	R0320	818,692	
MCR floor	R0330	454,829	
Combined MCR	R0340	454,829	
Absolute floor of the MCR	R0350	3,600	
Minimum Capital Requirement	R0400	454,829	