Solvency and Financial Condition Report (SFCR) 2022

Wüstenrot & Württembergische AG

w&w gruppe

Summary

By publishing the Solvency and Financial Condition Report, Wüstenrot & Württembergische AG (W&W AG) increases the transparency about its economic condition and provides insight into its net assets and solvency condition. It includes the following individual sections:

Business and business results

W&W AG, headquartered in Kornwestheim, 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's operations are almost exclusively restricted to reinsuring the insurance policies written by the Group. It also renders services for the Group as a whole in the areas of personnel, legal, auditing, cost controlling and communication. W&W AG is a publicly traded company.

Net profit of €119,356 (previous year: €111,697) thousand was generated in the 2022 financial year.

Governance system

The Executive Board and the Supervisory Board are key governing bodies at W&W AG. The Executive Board of W&W AG is directly responsible for managing the company 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 the following four key functions: compliance function, independent risk controlling function, actuarial function and internal audit. This group is subject to certain fit and proper requirements specified by the regulatory authorities.

There were no material changes to the Executive Board's business allocation plan or to the shareholder structure of W&W AG.

Risk profile

W&W AG's risk profile consists of the risk areas market price risks, counterparty credit risks, insurance risks, operational risks, business risks and liquidity risks.

According to the perspective relevant to the own-risk and solvency assessment, market price risks account for the largest share of the risk capital requirement at 87.6%. In the risk profile, they are followed by counterparty credit risks at 6.6%, insurance risks at 3.9% and operational risks at 1.9%.

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

Valuation for solvency purposes

As at the reporting date, the financial position of W&W AG under Solvency II valuation requirements was as follows compared with under HGB:

Summary solvency overview

in € thousands	Solvency II 31.12.2022	HGB (carrying amount) 31.12.2022
Total assets	9,560,440	4,616,009
Total liabilities	2,030,646	2,478,308
Excess of assets over liabilities	7,529,794	2,137,702

Holdings in affiliated companies, including participations, accounted for the majority of assets at 67%. The differences between Solvency II and HGB are essentially because Solvency II uses an economic valuation. Under Solvency II, carrying amounts for affiliated companies also include the Solvency II transitional used by the undertaking in question.

Capital management

W&W AG's solvency condition is shown via the solvency ratio. At the time of reporting, this was 418.1%. W&W AG thus has sufficient eligible own funds to meet the Solvency Capital Requirement:

Solvency ratio

in € thousands	Solvency II 31.12.2022
Eligible own funds	7,699,960
Solvency Capital Requirement (SCR)	1,841,857
Solvency ratio in %	418.1

Other

the Russian invasion of Ukraine in February 2022 was a major adverse factor for economic development and is associated with elevated risks. Economic risks are visible and expected to continue as a result of negative growth effects, for example in connection with higher energy and commodities prices, economic sanctions, the resulting disruption to global supply chains and a drop in sentiment among economic players. These risks can be mitigated by government support programmes. It is expected that Wüstenrot und Württembergische AG will continue to be exposed to some higher risks in 2023, especially if the war in Ukraine and the impact of the coronavirus pandemic persist for an extended period.

The consequences of the war in Ukraine and ongoing supply chain disruption due to the pandemic have played a key role in inflation reaching unprecedented highs. The ECB anticipates average inflation of 5.5% in 2023.

Regarding the Ukraine war, the direct effects of this are currently having only a limited impact on the W&W Group. Economic and capital market risks (including interest, equity, credit spread and inflation risks and increased capital market volatility and counterparty credit risks) have an indirect impact on the risk position. The volatile capital market environment and uncertainties regarding economic development moving forwards increase the risks to which W&W is also exposed. Other factors may also have an impact, such as a rise in cyber risks.

Risk governance measures were stepped up in the 2022 calendar year in view of the war in Ukraine. As part of consistent investment risk governance, resolutions were adopted to prohibit new investment and reinvestment and – within the framework of existing trade restrictions – the company completely reduced the portfolio of government bonds in the Russian Federation, Belarus and Ukraine by the start of April 2022. Measures to proactively manage risks that may be increasing as a result of cyber attacks were further expanded to improve information security. In light of turbulence on energy markets and rising energy costs, an "Energy" task force was established that coordinates measures to secure operational supply. However, even after accounting for governance measures, these may result in a financial strain, the extent of which cannot be definitively and reliably estimated due to uncertainty as to how the war will unfold moving forwards.

Inflation risks may impact W&W AG and its subsidiaries primarily in the following areas: poorer growth opportunities as a result of less new business or higher contract cancellations due to a loss of private purchasing power or a reduction in consumer spending; poorer cost position due to rising operating costs; increasing insurance benefits; potential need for additional reserves in pension provisions. A deterioration of the situation, e.g. in the form of a wage/price spiral, cannot be ruled out.

We address inflation risks by maintaining conservative premium calculations and a defensive reserve policy at W&W AG's insurance subsidiaries. Higher inflation-related technical claims and benefits payments may be taken into account in future premium adjustments. The temporary increase in inflation was taken into consideration when valuing technical provisions under Solvency II. Inflation-related cost risks are still managed through strict cost management.

It is not possible to reliably estimate the financial impact given the considerable uncertainty surrounding the further development of the war in Ukraine, inflation and the impact of the coronavirus pandemic. Accordingly, depending on future developments, it may also trigger a decline in results and pressure on the financial position, net assets and risk position cannot be ruled out.

The direct impact of the US regional banking crisis and the crisis at Credit Suisse was not material for W&W AG as at mid-March 2023. Very low holdings of shares in the Silicon Valley Bank Financial Group, Signature Bank and First Republic Bank and low bond investments at Credit Suisse limit the direct risk.

The Executive Board of W&W AG approved this report and its public disclosure on 4 April 2023.

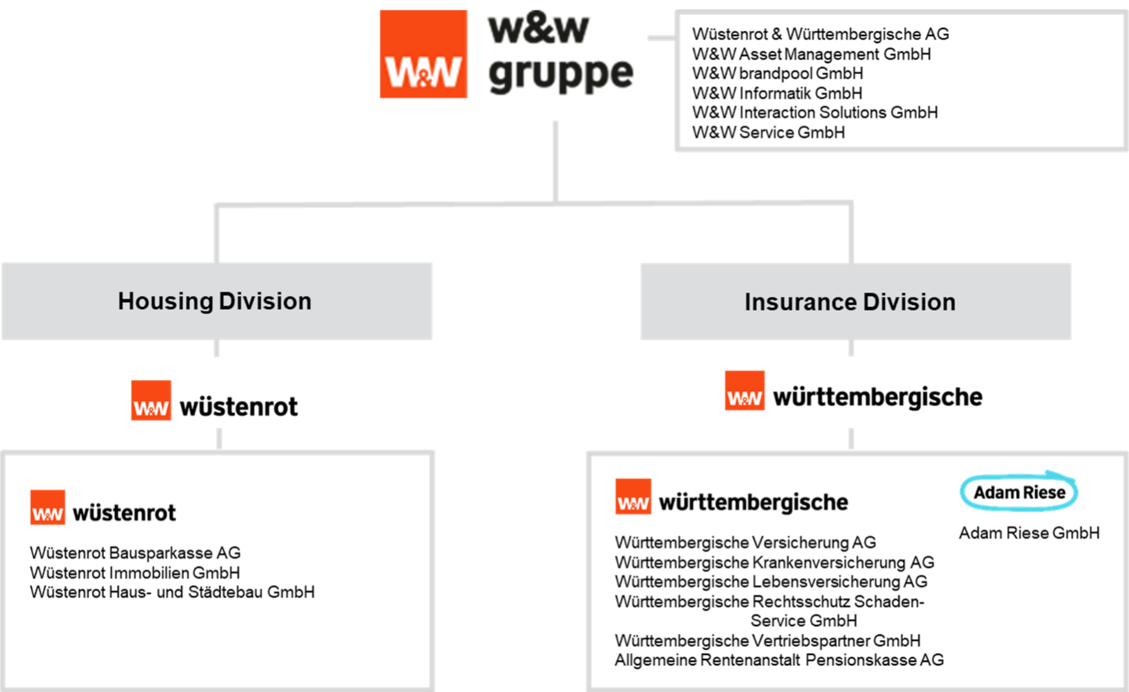
A Business and business results

A.1 Business

Overview of the Group and W&W AG

Established in 1999 from the merger of the two long-standing companies Wüstenrot and Württembergische, today the W&W Group develops and provides the four components of modern financial planning: financial security, housing property, risk protection and savings and investment. It combines the Housing and Insurance divisions with the digital initiatives of W&W Brandpool GmbH and offers customers individual financial planning solutions. 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. The W&W Group operates almost exclusively in Germany.

The listed W&W AG 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.



The Management Board is the central steering body of the W&W Group. It concerns itself with, among other things, Group governance and the definition and development of the business strategy. As well as the members of the W&W AG Executive Board, as at 31 December 2022 it also comprised the division heads Bernd Hertweck (Housing), Zeliha Hanning (Property and Personal Accident Insurance) and Jacques Wasserfall (Life and Health Insurance). Operational and company-specific issues at the individual companies are handled at division 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.

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

Holders of qualified participations 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 67.16% through two holding companies.
Of this, 27.25% 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 with more than 10% of the shares. 0.04% of shares issued are non-voting treasury shares.

General information on the company

Name	Wüstenrot & Württembergische AG
Legal form	Aktiengesellschaft
Statutory auditor	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft Flughafenstrasse 61 70629 Stuttgart
Shareholders	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 information: Tel: 0228/4108-0 Fax: 0228/4108-1550 E-mail: poststelle@bafin.de DE-mail: poststelle@bafin.de-mail.de

Material business transactions or other events

By building a new W&W campus at the Kornwestheim location, W&W AG as owner is investing in the future of the corporate group. Employees moved into the first section of the building in late 2017 and it has been in operation ever since. Work on the second section commenced at the same time. When this is completed, the six-hectare site will provide 4,000 modern workstations plus more than 2,000 flexible office workplaces at a future-oriented, shared location for the W&W Group, where more than 6,000 employees will be able to work. Once construction was completed and it began operating, over the course of several months W&W Group employees began relocating to the second section of the building.

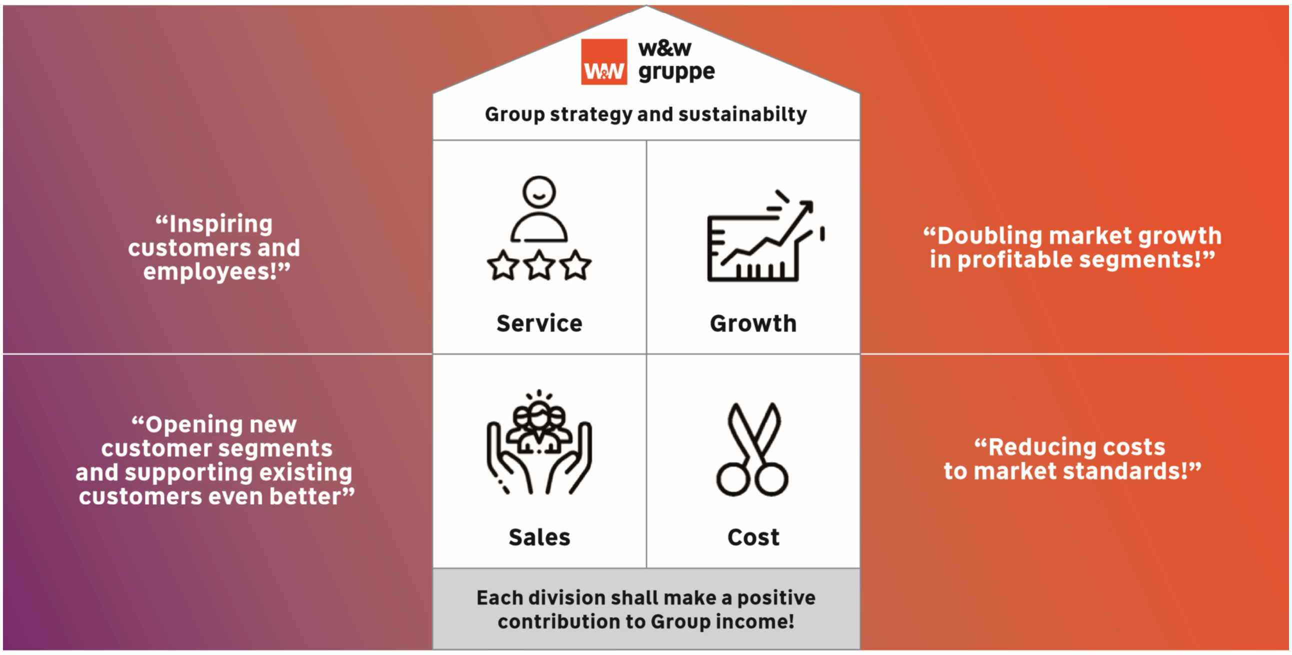
“W&W Besser!” – launch showing signs of success!

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.

The following approaches were maintained in 2022:

- Service – inspiring customers and employees,
- Double market growth in profitable business lines,
- Sales – tapping into new customer groups and providing even better service to existing customers
- Reduce costs to at least market level.

“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. Thanks to “W&W Besser!”, further implementation achievements were seen both in the Housing division and in the Insurance division in 2022. Focus areas included tapping new customer groups, close support for our existing customers, the digital transformation and sustainability.

The “W&W Besser!” initiative will be continued in 2023 in order to rigorously ensure that products, services and processes remain aligned with customer benefits throughout the entire W&W Group.

List of affiliated companies

The company has an interest in the following undertakings:

List of shareholdings

	Share of capital held directly, in %	Share of capital held indirectly, in %[3]	Currency	Reporting date	Equity[1]	Net income after taxes[1]
Germany						
3B Boden-Bauten-Beteiligungs-GmbH, Ludwigsburg	100.00		€	31.12.2021	65,977,807	1,356,250
Adam Riese GmbH, Stuttgart[2]		100.00	€	31.12.2021	25,000	–
Adveq Europe II GmbH, Frankfurt am Main		16.77	€	31.12.2021	910,266	35,058
Adveq Opportunity II Zweite GmbH, Frankfurt am Main		29.31	€	31.12.2021	6,986,424	2,210,311
Adveq Technology V GmbH, Frankfurt am Main		16.50	€	31/12/2021	4,208,911	4,167,822
Allgemeine Rentenanstalt Pensionskasse AG, Stuttgart		100.00	€	31.12.2021	95,390,553	-9,565,087
Altmark Versicherungsmakler GmbH, Stuttgart		100.00	€	31.12.2021	4,588,145	614,405
Altmark Versicherungsvermittlung GmbH, Stuttgart		100.00	€	31.12.2021	664,861	135,715
Asendorfer Kippe ASK GmbH & Co. KG, Stuttgart		100.00	€	31.12.2021	1,612,425	-116,200
Bausparkasse Wüstenrot Immo GmbH, Ludwigsburg		100.00	€	31.12.2021	108,077	-244
Beteiligungs-GmbH der Württembergischen, Stuttgart		100.00	€	31.12.2021	3,565,448	84,992
BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart		35.00	€	31.12.2021	227,900,712	20,981,978
BWK Holding GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart		35.00	€	31.12.2021	14,251,972	1,987,854
City Immobilien GmbH & Co. KG der Württembergischen, Stuttgart		100.00	€	31.12.2021	83,388,615	293,448
Deutscher Solarfonds “Stabilität 2010” GmbH & Co. KG, Frankfurt am Main		17.77	€	31.10.2021	63,331,980	3,714,700
Domus Beteiligungsgesellschaft der Privaten Bausparkassen mbH, Berlin		28.73	€	31.12.2021	27,910	-2,196
European Sustainable Power Fund Nr. 2 GmbH & Co. KG, Grünwald	1.00	11.10	€	30.9.2021	332,675,000	13,358,000
Feuersee Entwicklungsgesellschaft mbH & Co. KG, Kornwestheim		100.00		Established in 2022		
Ganzer GmbH & Co. KG, Stuttgart		100.00	€	31.12.2021	1,977,601	979,601
Gerber GmbH & Co. KG, Stuttgart		100.00	€	31.12.2021	257,841,399	-4,389,136
GLL GmbH & Co. Messeturm Holding KG i.L., Munich		5.97	€	31.12.2021	64,145	-39,854
GMA Gesellschaft für Markt- und Absatzforschung mbH, Ludwigsburg		100.00	€	31.12.2021	1,442,884	167,430
Immomio GmbH, Hamburg		14.34	€	31.12.2021	5,759,158	-751,118
IVB - Institut für Vorsorgeberatung, Risiko- und Finanzierungsanalyse GmbH, Karlsruhe		100.00	€	31.10.2022	144,223	1,885
IVZ Immobilien Verwaltungs GmbH & Co. Südeuropa KG i.L., Munich		10.00	€	31.12.2021	178,931	-66,086
Keleya Digital-Health Solutions GmbH, Berlin		17.53	€	31/12/2020	0	-782,713
Kinderheldin GmbH, Berlin		7.81	€	31/12/2021	0	-691,255
KLV BAKO Dienstleistungs-GmbH, Karlsruhe		94.90	€	31.12.2021	248,299	8,385
KLV BAKO Vermittlungs-GmbH, Karlsruhe		78.60	€	31.12.2021	259,896	8,913
Onshore Wind Portfolio 2012 GmbH & Co. KG, Frankfurt am Main	4.41	16.31	€	31.8.2021	92,819,275	4,212,153
V-Bank AG, Munich		15.34	€	31.12.2021	60,770,512	6,703,984
VC Fonds Baden-Württemberg GmbH & Co. KG, Stuttgart		25.00	€	31.12.2021	1,071,639	254,730
ver.di Service GmbH, Berlin		50.00	€	31.12.2021	195,443	-1,437
W&W Asset Management GmbH, Ludwigsburg[2]	100.00		€	31.12.2021	11,261,185	–

List of shareholdings (continuation)

Name and registered office of the company	Share of capital held directly, in %	Share of capital held indirectly, in %[3]	Currency	Reporting date	Equity[1]	Net income after taxes[1]
W&W brandpool GmbH, Stuttgart[2]	100.00		€	31.12.2021	3,275,000	–
W&W Informatik GmbH, Ludwigsburg[2]	100.00		€	31.12.2021	473,024	–
W&W Interaction Solutions GmbH, Munich[2]		100.00	€	31.12.2021	3,382,560	–
W&W Service GmbH, Stuttgart[2]	100.00		€	31.12.2021	100,153	–
WHS Entwicklungs-GmbH, Kornwestheim		100.00		Established in 2022		
Windpark Golzow GmbH & Co. KG, Rheine		100.00	€	31.12.2021	0	-160,207
WL Erneuerbare Energien Verwaltungs GmbH, Stuttgart		100.00	€	31.12.2021	80,809	2,557
WL Renewable Energy GmbH & Co. KG, Stuttgart		100.00	€	31.12.2021	110,463,551	-1,304,389
WL Sustainable Energy GmbH & Co. KG, Stuttgart		100.00	€	31.12.2021	106,805,487	-1,046,151
Württembergische Akademie GmbH, Stuttgart		100.00	€	31.12.2021	83,123	18,103
Württembergische Immobilien AG, Stuttgart		100.00	€	31.12.2021	118,292,648	991,271
Württembergische Kö 43 GmbH, Stuttgart		89.90	€	31.12.2021	22,797,480	524,264
Württembergische Krankenversicherung AG, Kornwestheim	100.00		€	31.12.2021	54,348,122	6,200,000
Württembergische Lebensversicherung AG, Kornwestheim	94.89		€	31.12.2021	511,511,724	2,000,000
Württembergische Logistik I GmbH & Co. KG, Stuttgart		100.00	€	31.12.2021	15,117,313	1,611,738
Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart		100.00	€	31.12.2021	75,907	-585
Württembergische Versicherung AG, Kornwestheim[2]	100.00		€	31.12.2021	392,563,107	–
Württembergische Vertriebspartner GmbH, Stuttgart[2]		100.00	€	31.12.2021	74,481	–
Württembergische Verwaltungsgesellschaft mbH, Stuttgart		100.00	€	31.12.2021	36,595	132
Württfeuer Beteiligungs-GmbH, Stuttgart[4]	100.00		€	31.12.2021	59,659,128	-38,440
WürttLeben Alternative Investments GmbH, Stuttgart[2]		100.00	€	31.12.2021	198,025,000	–
WürttVers Alternative Investments GmbH, Stuttgart[2]		100.00	€	31.12.2021	61,025,000	–
Wüstenrot Bausparkasse AG, Kornwestheim	100.00		€	31.12.2021	860,937,028	30,273,698
Wüstenrot Grundstücksverwertungs-GmbH, Ludwigsburg	100.00		€	31.12.2021	2,059,681	-5,477
Wüstenrot Haus- und Städtebau GmbH, Ludwigsburg	100.00		€	31.12.2021	107,727,056	1,205,035
Wüstenrot Immobilien GmbH, Ludwigsburg	100.00		€	31.12.2021	7,551,349	1,916,711
France						
Württembergische France Immobiliere SARL, Strasbourg		100.00	€	30.9.2022	32,476,081	1,423,713
Württembergische France Strasbourg SARL, Strasbourg		100.00	€	30.9.2022	54,661,760	1,720,219
Ireland						
W&W Asset Management Dublin DAC, Dublin		100.00	€	31.12.2021	20,367,252	4,397,381
W&W Investment Managers DAC, Dublin		100.00	€	31.12.2021	12,388,604	3,872,126
Austria						
G6 Zeta Errichtungs- und VerwertungsGmbH & Co OG, Vienna		99.90	€	31.12.2021	21,960,550	1,462,685
Kellerwirt Holding GmbH, Brixlegg		100.00	€	31.12.2021	582,978	-17,022
Kellerwirt Mountain Health Resort GmbH, Brixlegg		100.00	€	31.12.2021	202,832	-332,168
SAMARIUM drei GmbH & Co OG, Vienna		100.00	€	31.12.2021	9,587,334	559,482

List of shareholdings (continuation)

Name and registered office of the company	Share of capital held directly, in %	Share of capital held indirectly, in %[3]	Currency	Reporting date	Equity[1]	Net income after taxes[1]
Hungary						
Fundamenta-Lakáskassza-Lakástakarékpénztár Zrt., Budapest	11.47		HUF	31.12.2021	68,128,000,000	5,393,000,000
United Kingdom of Great Britain and Northern Ireland						
Partners Group Emerging Markets 2007, L.P., Edinburgh		9.38	USD	31.12.2021	42,876,000	536,000

1 The figures relate to the most recent annual financial statements available on the reporting date.
2 Profit and loss transfer agreement in place.
3 In accordance with Section 16 (4) AktG, the indirect share (or: shareholding) comprises shares that belong to a dependent undertaking or another undertaking for the account of that undertaking or for the account of an undertaking dependant on that undertaking.
4 Previously W&W Gesellschaft für Finanzbeteiligungen mbH; maintains the name of the original Württfeuer following the merger with W&W Gesellschaft für Finanzbeteiligungen as at 1 August 2022.

A.2 Technical result

W&W's insurance business is shaped predominantly by contributions from the Group subsidiary Württembergische Versicherung AG. Almost 100% of net premiums earned were generated by this Group reinsurance undertaking and, in turn, chiefly in the Federal Republic of Germany. In addition, a share in a German market pool (Pharma Pool) will be acquired and the old business of non-Group companies, most of which was mainly underwritten up to and including 2002, will be wound up.

The technical result before the claims equalisation reserve was €3,853 (previous year: €10,228) thousand, lower than in the previous year. The decline in the technical result is due primarily to lower run-off gains from non-Group old business compared to the prior year.

Gross written premium volume rose by 10.4% to €499,639 thousand as a result of an increase in premium income at Württembergische Versicherung AG and in turn in the reinsurance cessions volume. Net premiums written increased by a disproportionately low rate of 5.2% to €320,682 thousand due to a significant rise in retrocession fees. The main divisions generated growth. Fire and other damage to property insurance in particular enjoyed high growth of 12.1% and 8.3% in general liability insurance. Only in the less important Other (life and non-life) division did premium income decline, falling by 28.1%.

Net claims incurred, which were essentially driven by payments to the German Group company Württembergische Versicherung AG by way of quota share reinsurance, were higher than in the previous year at €168,437 (previous year: 155,724) thousand.

Claims expenses rose by 22.7% to €50,667 (previous year: €41,287) thousand in motor vehicle liability insurance and by 14.4% to €44,445 (previous year: €38,847) thousand in other motor insurance. However, Other (life and non-life) also experienced poorer claims performance, with high run-off gains reported in the previous year due to terminating a contract from the non-Group business in run-off. Claims incurred increased here by €4,379 thousand to €1,070 (previous year: - €3,309) thousand. In the legal expenses insurance segment, claims incurred picked up by 14.1% to €12,145 (previous year: €10,646) thousand, with a rise of 45.6% to €5,489 (previous year: €3,771) thousand seen in income protection insurance. On the other hand, claims expenses declined in fire and other damage to property insurance. Natural events in June/July 2021 had a negative impact on previous year figures here. Claims incurred declined to €46,673 (previous year: €55,009) thousand. In general liability insurance, this figure also dropped to €7,948 (previous year: €9,479) thousand.

The net loss ratio was 60.7% (previous year: 62.5%). Net expenses for the insurance business rose by €8,092 thousand year on year to €120,947 thousand, primarily the result of reinsurance commission from an intragroup proportional reinsurance contract. The net cost ratio increased from 36.8% to 37.8%.

The combined ratio improved to 98.4% (previous year: 99.3%).

€6,315 thousand was added to the claims equalisation reserve in accordance with the conditions (previous year: €7,922 thousand withdrawn). Overall, the claims equalisation reserve remains comfortable at €104,719 (previous year: €98,404) thousand. This represents 32.7% (previous year: 32.1%) of net premiums earned. After the addition to the claims equalisation reserve, there was an actuarial loss of €- 2,462 thousand (previous year: gain of €18,150 thousand).

The material divisions have the following share of technical income and expenses:

Technical income and expenses

	Income from premiums written		Claims incurred		Changes in other technical provisions	
in € thousands	2022	2021	2022	2021	2022	2021
Income protection insurance	23,390	22,861	5,489	3,771	27	- 8
Motor vehicle liability insurance	74,307	73,179	50,667	41,281	136	- 29
Other motor insurance	57,897	55,813	44,445	38,847	15	- 56
Fire and other damage to property insurance	98,525	87,890	46,673	55,009	14	13
General liability insurance	38,761	35,785	7,948	9,479	- 18	29
Legal expenses insurance	21,869	21,096	12,145	10,646	2	26
Other (life and non-life)	5,933	8,257	1,070	- 3,309	346	9,459
Total	**320,682**	**304,881**	**168,437**	**155,724**	**522**	9,434

A full breakdown of technical income and expenses by division can be found in the Annex to this report in Template S.05.01.02.

A.3 Investment performance

Capital markets

Capital markets were characterised by rising interest rated in the reporting period. European equity markets saw a substantial price correction in 2022.

Net investment income

Total net income from investments (HGB) at W&W AG declined from €209,770 thousand to €184,141 thousand in the reporting period. It comprised current income including income from profit transfer agreements of €239,854 (previous year: €243,5955) thousand, current expenses including expenses from loss transfers of -€11,405 (previous year: -€11,187) thousand, net gains and losses on disposal of €3,434 (previous year: -€1,840) thousand and net write-downs and reversals of write-downs of -€-47,743 (previous year: -€20,798) thousand.

Presentation of net investment income

	Net income		Share	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	in € thousands	in € thousands	%	%
Property, plant & equipment held for own use	**- 5,709**	**- 7,935**	**-3.1%**	**-3.8%**
Investments	**194,246**	**222,960**	**105.5%**	**106.3%**
Property (other than for own use)	- 179	0	-0.1%	0.0%
Holdings in affiliated companies, including participations	227,537	174,686	123.6%	83.3%
Equities	1,800	27,045	1.0%	12.9%
Equities – listed	60	55	0.0%	0.0%
Equities – unlisted	1,740	26,990	0.9%	12.9%
Bonds	13,216	10,440	7.2%	5.0%
Government bonds	- 4,548	- 484	-2.5%	-0.2%
Corporate bonds	17,764	10,924	9.6%	5.2%
Structured notes	0	0	0.0%	0.0%
Collateralised securities	0	0	0.0%	0.0%
Collective investment undertakings	- 45,183	12,439	-24.5%	5.9%
Derivatives	- 3,567	- 2,406	-1.9%	-1.1%
Deposits other than cash equivalents	622	756	0.3%	0.4%
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	**0**	**64**	**0.0%**	**0.0%**
Cash and cash equivalents	**0**	**0**	**0.0%**	**0.0%**
Other income/expenses	**- 4,396**	**- 5,320**	**-2.4%**	**-2.5%**
Total	**184,141**	**209,769**	**100.0%**	**100.0%**

Net income from investments is dominated by income from holdings in affiliated companies, including participations. Net earnings for this asset class increased as a result of higher current income. Net income from bonds also picked up, which was chiefly the result of the decline in write-downs and the rise in current income for this asset class. By contrast, net income from collective investment undertakings decreased significantly. This reflects the increase in write-downs for equity and annuity funds.

The other expenses for capital investments item included mainly material and personnel expenses for investment management.

The company did not have any gains and losses reported directly in equity.

The investment performance described is in line with the net investment income published in W&W AG’s 2022 annual report.

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. W&W AG’s direct portfolio did not include any securitisations as at the reporting date.

A.4 Change in other results

The following provides an overview of the company's net other income/expense.

Net other income/expense

	HGB (carrying amount)	HGB (carrying amount)
in € thousands	31.12.2022	31.12.2021
Other income	70,607	71,903
Other expenses	133,409	133,561
Taxes on income	- 242	55,347
Other taxes	- 237	- 846

The individual items are discussed below.

Other income

As well as service income of €58,752 (previous year: €55,955) thousand, this includes income from the reversal of provisions recognised in previous years of €3,396 (previous year: €3,345) thousand, foreign exchange gains of €598 (previous year: €598) thousand and interest income pursuant to Section 233a of the *Abgabenordnung* (German Fiscal Code - AO) of €2,777 (previous year: €9,264) thousand.

Other expenses

General administrative expenses represented the largest item at €108,520 (previous year: €100,664) thousand and include expenses for services provided of €58,752 (previous year: €55,955) thousand. Other material items are interest expenses of €21,077 (previous year: €26,110) thousand and foreign exchange losses of €1,129 (previous year: €1,127) thousand. Interest expenses came to €4,822 (previous year: €12,583) thousand and relate to interest on credit accounts from the assumption of debt for pension obligations, as well as interest expenses from pension provisions of €8,907 (previous year: €11,193) thousand. The item also includes €1,127 (previous year: €1,127) thousand in foreign currency expenses.

In relation to partial retirement agreements, expenses from interest cost of €5.4 (previous year: €4.0) thousand and income from the discounting from assets to be offset of €52.9 (previous year: €43.5) thousand were offset in accordance with Section 246 (2 sentence 2 HGB. Expenses from interest accrued on the pension provision of €4,881,0 (previous year:€12,584,0) thousand and income from discounting asset values from reinsurance policies of €103.2 (previous year: €106.2) thousand were also offset in accordance with Section 246 (2) sentence 2 HGB.

Taxes on income

Taxes on income came to €241.8 thousand (income) in the financial year (previous year: €55,347.5 thousand (expense)). The decline in tax expense in the financial year essentially reflects tax-free income.

Deferred tax assets and deferred tax liabilities result from different carrying amounts under HGB and for tax purposes for land, land rights and buildings from equities, interests or shares in investment assets and other fixed-income securities, the provision for outstanding insurance claims and provisions for pensions. A tax rate of 30.36% was applied for deferred taxes. Expected future tax charges and tax relief are offset when calculating deferred tax amounts. Exercising the option in accordance with Section 274 (1) sentence 2 HGB, the excess of deferred tax assets over the offsetting amount is not recognised in the balance sheet.

Material leasing agreements

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

A.5. Other disclosures

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

B Governance system

B.1 General information on the system of governance

Executive Board

As at 31 December 2022, 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. As at 31 December 2022, the responsibilities on the Executive Board were allocated as follows:

Composition of the Executive Board

Name	Position	Responsibilities	Substitute
Jürgen A. Junker (Executive Board Chair)	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. Its main tasks have to do with strategic alignment and control 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 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 Rules of Procedure 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 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 Chair 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 and the heads of the Housing and Insurance 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 meets regularly with meetings to be held 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 Chair 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 with him the strategy, business performance and risk management of the company. He promptly notifies the Chairman of the Supervisory Board about important events that are of major significance for the assessment of the position and performance of the company, 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 reports regularly, promptly and comprehensively to the Supervisory Board 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 and Insurance 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 company-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 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 Rules of Procedure.

The Supervisory Board has adopted Rules of Procedure for itself that addresses the details about the organisation of the Supervisory Board 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 or 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: Dr Frank Ellenbürger (financial expert in financial statement auditing). Three additional shareholder representatives: Prof Nadine Gatzert, Dr Wolfgang Salzberger (financial expert in accounting) Jutta Stöcker Four additional employee representatives: Ute Kinzinger, 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 Annual General Meeting. 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: Chair of the Supervisory Board (Dr Michael Gutjahr) Two additional shareholder representatives: Corinna Linner Dr Frank Ellenbürger, Three additional employee representatives: Jochen Höpken, Christoph Seeger, Deputy Chair of the Supervisory Board (Frank Weber)	Assisting the Supervisory Board in preparing proposals to the Annual General Meeting 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 setting targets for the representation of the under-represented gender on the Executive Board and Supervisory Board and timelines for achieving these targets. Assisting the Supervisory Board in the annual review to be conducted in accordance with the current version of the internal “fit & proper” policy for managers and members of the supervisory bodies.

Personnel Committee

Composition	Key responsibilities
4 members Chair: Chair of the Supervisory Board (Dr Michael Gutjahr) One additional shareholder representative: Dr Reiner Hagemann Two additional employee representatives: Christoph Seeger, Deputy Chair 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 appointing the Executive Board Chair. Preparing the determination of remuneration for Executive Board members, decisions in accordance with Section 87 (2) sentence 1 and 2 AktG and the remuneration report under Section 162 AktG for adoption of resolutions by the Supervisory Board. Deciding on the conclusion, amendment and termination of the employment and pension agreements of Executive Board members, where prescribed by law. Regularly advising on long-term succession planning for the Executive Board, taking account of the undertaking’s management planning.

Conciliation Committee

Composition	Key responsibilities
4 members Chair: Chair of the Supervisory Board (Dr Michael Gutjahr) One additional shareholder representative: Edith Weymayr Two additional employee representatives: Ute Kinzinger, Deputy Chair 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 that 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 had a total of 16.1 full-time equivalent (FTE) positions as at the reporting date. 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.

Compliance function

The compliance function of W&W AG, which is based in the Risk and Compliance department, is a key component of its compliance management system. It is part of the internal control system (ICS). In this regard, W&W AG follows the three-lines-of-defence concept. The business units that are responsible for decentralised risk governance constitute the first line of defence. The second line of defence comprises the independent risk controlling function/risk management function, the compliance function and the actuarial function. Internal audit represents the third line of defence.

As the key function holder, the compliance officer, who is also the head of the Risk and Compliance department, is assisted by the established compliance function in the performance of his or her tasks. The key tasks include monitoring 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 interfaces 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. 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 of W&W AG responsible for compliance.

Through regular set meetings, the compliance officer reports annually and on an ad hoc basis to the responsible member of the Executive Board of W&W AG, as well as (annually and ad hoc) to the Supervisory Board through corresponding compliance reports. In addition, the compliance officer reports to the Group Board Risk about incidents and developments concerning compliance. 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.

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 33.3 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 that 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 internal audit is furnished with the staff and resources whose quality and quantity are appropriate in light of the nature and scope of its tasks.

Quarterly and annual reporting is also addressed to the company'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 holder of the actuarial function reports directly to the Executive Board of the company. He/she is supported in his/her tasks by employees in the W&W/VMF department. He/she is also head of the Actuarial Services & Property and Casualty Reinsurance department of Württembergische Versicherung AG, which is also responsible for actuarial valuations of loss reserves, tariff calculations as part of product development projects and for reinsurance at 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 Executive Board ensures the actuarial function has the appropriate positions and resources to perform 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 regularly reports to the Executive Board on current issues.
The actuarial function also 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

There were no changes to the content of the Executive Board's business allocation plan. The statement of compliance with the German Corporate Governance Code was updated effective December 2022. In this regard, explanations were provided for the derogations from the recommendations of the German Corporate Governance Code in the version of 16 December 2020 ("2020 Code") to 27 June 2022 concerning the establishment of an Audit Committee that addresses the review of the accounting (interim financial information), from recommendation D.5 2020 Code on the formation of a Nomination Committee composed exclusively of shareholder representatives, from recommendation G.10 sentence 1 2020 Code on the variable remuneration of Executive Board members being granted partly in shares and from recommendation G.15 2020 Code on taking remuneration as a Supervisory Board member into account with regard to remuneration as Executive Board member. In addition, explanations were provided for the derogations from recommendation C sentence 2 of the German Corporate Governance Code in the version of 28 April 2022 ("2022 Code") from 27 June 2022 on the expertise profile of the Supervisory Board in relation to sustainability issues, from recommendation D.4 2022 Code on appointing exclusively shareholder representatives to the Nomination Committee, from recommendation F.2 second half of the sentence 2022 Code on Group quarterly reports within 45 days of the end of the reporting period, from recommendation G.10 sentence 1 2022 Code on variable remuneration of Executive Board members being granted partly in shares and from recommendation G.15 2022 Code on taking remuneration as a Supervisory Board member into account with regard to remuneration as Executive Board member.

There were the following personnel changes on the Supervisory Board in the 2022 financial year.

Hans Dietmar Sauer resigned as a member of the Supervisory Board and as its Chair with effect from the end of 31 August 2022. With effect from 1 September 2022, the Annual General Meeting appointed Dr. Michael Gutjahr as a shareholder representative member of the Supervisory Board on 25 May 2022. In a Supervisory Board resolution from 13 June 2022, he was appointed Chair of the Supervisory Board with effect from 1 September 2022.

Marika Lulay resigned as shareholder representative on the Supervisory Board with effect from 9 August 2022. Effective from the end of 31 August 2022, Hans-Ulrich Schulz stepped down from the Supervisory Board. The Annual General Meeting on 25 May 2022 elected Dr. Wolfgang Salzberger and Edith Weymayr as new shareholder representatives on the Supervisory Board with effect from 1 September 2022. Dr Reiner Hagemann resigned as a member of the Supervisory Board with effect from the end of 31 August 2022. Following the resignation of Marika Lulay, he was reappointed as a member of the Supervisory Board with effect from 1 September 2022 in a ruling by the Stuttgart district court.

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 remuneration policies of the company 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 W&W AG's risk strategy, the remuneration schemes are designed in conformity with the business and risk objectives. They are designed in 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 company 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 W&W Group has average IFRS net income of at least €140 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 €140 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 of staff below management consists of a 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 of staff is normally consists of a 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 considering 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. Salaried employees generally do not receive individual variable remuneration.

However, in addition to the fixed pay specified in the collective bargaining agreement, as a general rule they are entitled 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%. Fixed and variable remuneration components were determined and split as 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. Targets are based on sustainable business key performance indicators and on environmental, social and governance factors. 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 in-come for the year after taxes (HGB) is specified for each undertaking/division in order to sustainably generate current and future own fund 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 and sustainable targets and thus remuneration that is appropriately in line with performance.

The variable remuneration paid to senior executives is likewise tied to a targets agreement system. At least 50% of variable remuneration is set on the basis of sustainable criteria. Taking account of the tasks and position, these comprise both business and environmental and social criteria and are based on the targets of the respective Executive Board members. 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.

60% 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-contribution pension commitment in the form of a pension and surviving dependant's pension and a defined benefit in the event of disability. The defined-contribution pension commitment is linked to a reinsurance policy. The annual premium is 23% of the pensionable fixed salary. A system change for the reinsurance policy means that the features of retirement provisions for Executive Board members in office on 31 December 2019 differ from those appointed on or after 1 January 2020:

	Company pension scheme until 31 December 2019	Company pension scheme from 1 January 2020 onwards
Retirement benefit from 65:	Life-long pension	Lump-sum benefit with pension option
Surviving dependants benefits:	In case of death after retirement: 60% of pension as widow pension, 15%/20% of pension as orphan's pension In case of death before retirement: 60% of pension as widow pension based on notional pension age of 60, 15%/20% of pension as orphan's pension based on notional pension age of 60.	In case of death after retirement: Continued payment of pension for 20 years (calculated from the first receipt of the pension). Alternatively: In the event of pension transfer, a surviving dependant's pension can be included at the expense of the pension. In case of death before retirement: Maximum 300% of the pensionable fixed salary as minimum death benefit in the form of a lump-sum benefit. This benefit can also be converted to an annuity at the request of the surviving dependant.
Disability benefit:	Life-long pension equal to the notional pension at the age of 60.	Pension until age 65 of 50% of fixed salary. Benefits from the age of 65: Retirement lump sum based on the reinsurance policy financed until occupational disability or corresponding pension (dual approval required).

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

The employer-financed company pension scheme 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% to 20% of the pension drawn for half-orphans and 20% to 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 at 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 Chair 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 and the body as a whole.

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 and, where necessary by external consultants, 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 company’s Annual General Meeting 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 and 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 Committee, the Supervisory Board routinely reviews the professional qualification of the Supervisory Board members and the body as a whole. 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

The Executive Board is responsible for compliance with the fit and proper requirements of the responsible persons. Processes have been established at W&W AG to ensure that these requirements are satisfied at the time of initial appointment, as well as in connection with the ongoing exercise of the key function.

If it is necessary to appoint a new person to a key function (e.g. because a responsible person leaves), the department in question reports to the Group Personnel and Group Legal departments as soon as possible. These coordinate with the Executive Board without delay to propose a successor. To review the fit and proper requirements, the Group Legal department requests the necessary documents from the candidate (CV, form concerning aptitude and other mandates, excerpt from the central commercial register). The Group Legal department uses the documents submitted to assess whether the candidate is professionally suited to the key function in question and whether he/she meets the fit and proper requirements. If the Group Legal department is of the opinion that the supervisory requirements are met, it sends a positive response to the Executive Board Chair and a notification of intent to the German Federal Financial Supervisory Authority (BaFin). After the Executive Board determines that the candidate is fit and proper and after carrying out the notification procedure required by supervisory law, the Executive Board appoints the person responsible for the key function.

The Group Legal department initiates the review of the fit and proper requirements of the responsible person for a key function once per year. This person confirms in writing that they continue to satisfy the fit and proper requirements. The Group Legal department informs the Executive Board about the result of the annual request and confirms that fit and proper requirements are still met by way of a resolution. If some requirements are no longer met, the Group Legal department assesses, together with the jobholder, whether and, where applicable, how (e.g. using qualification measures) the requirements can be met again promptly and informs the Executive Board of this. The Executive Board decides whether the requirements are met (again). If this cannot be quickly remedied, the BaFin is informed. The person in the key position is then promptly switched in consultation with the BaFin.

If special indications become apparent during the year that a responsible person no longer satisfies the fit and proper requirements for a key function, the Group Legal department performs an unscheduled review on behalf of the Executive Board. 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 business. 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 appropriateness and effectiveness of the risk management system are reviewed internally at W&W. In particular, internal audit assesses the appropriateness and effectiveness of the internal control system and processes in all areas. As part of the audit of the annual financial statements, the early risk identification system is audited at the level of the individual undertaking, as is the appropriateness and effectiveness of risk management at the level of the W&W financial conglomerate.

The principles and configuration elements of the risk management system as well as our general treatment of material risks are described below. Current developments such as the war in Ukraine, interest rate hikes, inflation and sustainability risks are given particular consideration here.

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 and in line with the business strategy, the definitions are established for risk appetite based on 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 on 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 requirements 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 audited, 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 is intended to ensure 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 insurance 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.

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.

In its role as the control body overseeing the Executive Board, the Supervisory Board of W&W AG 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. Certain types of transactions require the approval of the Supervisory Board/its Risk and Audit Committee.

The Risk and Audit Committee regularly receives the information required under the rules of procedure, in particular risk reports with a description of the current risk situation and the management measures taken. It meets at least twice a year and additional teleconferences or meetings are held where necessary.

The Executive Board of W&W AG bears overall responsibility for the proper business organisation and 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.

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. Regular members of the Group Board Risk are the CRO of W&W AG and the CRO of Housing division, the risk management key function holder of W&W AG, the W&W Group, Württembergische Lebensversicherung AG and Württembergische Versicherung AG and the holder of the risk controlling function at Wüstenrot Bausparkasse AG. Selected observers are also members. 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, as well as their appropriate capitalisation and 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 and adopts resolutions on these within the scope of its competencies.

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.
- The Group Compliance Committee facilitates Group-wide discussions on compliance issues. It is responsible for the central and Group-wide coordination and management of compliance matters. Compliance issues are pooled, analysed, discussed and evaluated at Group level in the Group Compliance Committee.
- 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: Persons or business lines charged with exercising this function must be able to perform their tasks objectively, fairly and independently:

- 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. It regularly reports to the Executive Board of W&W AG and to the Group Board Risk about compliance-related matters and risks. 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 ensures correct calculation of the technical provisions, among other duties, and assists the relevant (independent) risk controlling function or risk management function in risk assessment. The actuarial function of W&W AG is carried out by the head of the Actuarial Services & Property and Casualty Reinsurance department at 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.

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 pursuant to 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, he or she 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

The Risk management process at W&W AG and its operating subsidiaries is based on the control loop described in the integrated risk strategy and in the section below.

Risk identification

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. The risks are differentiated into material and immaterial risks using defined thresholds values. Also evaluated is the extent to which individual risks can take on a material character through interaction or accumulation (risk concentrations). By involving different company units, the risk inventory makes a decisive contribution to promoting an appropriate risk culture.

Systematically reporting claims indicates any new or changing risks in the area of operational risk and thus also helps identify risks.

A 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.

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, insurance risk and operational risk.

- In addition, the risk capital requirements for market price risk, counterparty credit risk, insurance risk and operational risk are quantified with a proprietary economic model based in large part on a stochastic risk simulation. This 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 strategy and risk strategy requirements by the decision-making body in each individual undertaking. Based on the risk strategy, the respective specialist sections at our operating individual undertakings 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.

The entity that assumed the risks is responsible in the first line of defence for governing and controlling them. It decides about products, transactions and risk governance measures in the first line of defence. It must ensure that the assumed risks are in conformity with the risk profile specified by the risk strategy of W&W AG 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.

A specific balance sheet/income statement-based risk model is also applied in line with the requirements of balance sheet/income statement management.

While the economic risk-bearing capacity concept and the accounting risk model have each 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. quotas of risk bearing capacity, 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, takes place primarily at the level of the individual undertaking.
If the risks are also material at Group level or there are Group-wide material risks, these are also monitored at 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 W&W

AG's risk controlling function, 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, existing risk concentrations, 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, we immediately forward information that is considered material from the standpoint of risk to the Group Board Risk, the Executive Board and the Supervisory Board. We have put in place processes and reporting procedures for internal ad hoc risk reporting at the Group 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, ad hoc risk reporting also takes place when qualitatively material events occur.

Furthermore, the general public is informed about the risk situation in 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 fund planning, as well as for calculating technical provisions,
- assessment of the material drivers, risk-bearing capacity and the meeting of the supervisory solvency capital 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. This uses 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 quota of risk bearing capacity (ratio of financial resources available for risk cover 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:

- 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 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.
- 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 are involved in the ORSA process on specific topics. For instance, the actuarial 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, it is reviewed whether the planned development is being achieved by means of the governance cockpit as well as twice a year on the basis extrapolations to year-end. In the case of deviations, governance measures are considered and initiated where necessary.
- 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 into the W&W Group's Group-wide ICS procedure. The ICS procedure established at the W&W Group was resolved 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 in the W&W Group.

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 remedies them in coordination with the person in charge of the process. 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 remedies them in coordination with the person in charge of the process. 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 section reviews, assesses and, using specified forms, explicitly confirms that the Group-wide ICS procedure in effect was complied with 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 appraisal

The required processes for the material components of the ICS have been established in the W&W Group and implemented in any appropriate manner. Accordingly, W&W AG is of the opinion that the requirements regarding the ICS in accordance with Solvency II are met.

Compliance

The company has a comprehensive compliance management system. In organisational terms, the activities are based in the Risk and Compliance department. The compliance policy addresses the compliance management system, the material processes and the tasks and responsibilities. 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 then approved by the Executive Board if the case of material changes. To perform its role, the compliance function has unrestricted access to all relevant information.

The compliance function must monitor compliance with legal provisions that are relevant and material for the company. Changes to the law are also monitored. The compliance function systematically monitors changes in the legal environment and then determines the specialist sections and individuals responsible for implementation. During implementation, the compliance function assesses appropriateness and confirms the effectiveness of measures at the end.

Compliance risks are recorded systematically. The focus here is on the probability of violations of legal standards and the potential repercussions of non-compliance with the law. In the event of changes to legal standards, a risk assessment is conducted at the start of the implementation phase on the basis of defined criteria. It is then regularly reviewed during implementation and – depending on the status of implementation – adjusted where necessary. The compliance risk of existing standards is represented as part of the systematic monitoring and assessment of neuralgic issues and processes by the compliance function. The compliance function generally works on the basis of third-party information such as reports, although it also acquires knowledge through audit activities in operating processes such as the new product process. The compliance risk assessments are transferred to the general risk management process system on a quarterly basis and thus, as part of operational risks, are part of the company risk reporting.

Within the compliance function, risk assessments also prompt what are known as monitoring actions. These project-based audits check whether topics or processes comply with the law. A planning round is conducted twice a year to plan monitoring actions. A monitoring plan is prepared at this time. In the event of compliance breaches, measures are established together with the specialist section and implementation of these is monitored by the compliance function. The compliance function’s regular activities are documented in a compliance plan. This is reviewed and updated each year, in particular regarding activities to further develop and optimise the compliance management system.

The Group Compliance Committee is the central coordination body for compliance activities. It meets regularly on invitation of the compliance officer and comprises representatives from areas relevant to compliance. In addition, regular reports are sent to the Executive Board and Supervisory Board. In this context, the compliance function also takes on an advisory function and holds training sessions for various target groups. As well as the central compliance function, an external ombudsman is also available for reports of legal violations.

The compliance management system is enhanced on a regular basis and adjusted to meet changing basic conditions. In addition, the functioning of the compliance function is regularly audited by internal audit and external monitoring bodies such as auditors and supervisory authorities.

B.5 Internal audit function

Internal audit for W&W AG is handled by the W&W AG Group Audit department. 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 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.

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 holder of the actuarial function reports directly to the Executive Board of the company. He/she is supported in his/her tasks by employees in the Actuarial Function department at W&W AG. He/she is also head of the Actuarial Services & Property and Casualty Reinsurance department of Württembergische Versicherung AG, which is also responsible for actuarial valuations of loss reserves, tariff calculations as part of product development projects and for reinsurance at 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 and other external procurement of IT Services”. 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 Kornwestheim,
- Württembergische Versicherung AG, insurance company with registered office in Kornwestheim.

The services providers for key outsourcing are located within German legal jurisdiction.

B.8 Other disclosures

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 2022, 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.

All necessary information about the governance system and the business organisation has been presented in Sections B.1 to B.7. The company does not believe there is any other material information 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:

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

Overall risk profile					
Market price risks	**Counterparty credit risks**	**Insurance risks**	**Operational risks**	**Business risks**	**Liquidity risks**
Interest rate risk	Counterparty credit risk associated with capital investments	VTR life and health insurance life	Legal risk	Strategic risk	Insolvency risk
Credit spread risk	Other counterparty credit risk	VTR life and health insurance health	Compliance risk	External risk	Funding risk
Equity risk		VTR property and casualty insurance	Personnel risk	Reputation risk	Market liquidity risk
Foreign currency risk			Process risk		
Real estate risk			Information risk		
Participation risk			Model risk		
Commodities 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), insurance 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 2022:

Risk profile

	Portion of economic risk capital requirements	
%	31.12.2022	31.12.2021
Market price risks	87.6	85.4
Counterparty credit risks	6.6	8.9
Insurance risks	3.9	3.3
Operational risks	1.9	2.4

Business risks are taken into account within the calculation of risk bearing capacity by applying a flat-rate deduction when determining risk capital.

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 2022, risk measurement in the economic perspective was adjusted on the basis of ad hoc risk events in line with Solvency II logic. There were no material model adjustments in the regulatory perspective.

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.

Impact of the war in Ukraine, inflation and the coronavirus pandemic

In view of the war in Ukraine, inflation trends and the impact of the coronavirus pandemic, there are currently significant environmental risks that adversely affect economic development. Economic risks are visible and expected to continue as a result of negative growth effects, for example in connection with higher energy and commodities prices, economic sanctions, the resulting disruption to global supply chains and a drop in sentiment among economic players. These risks can be mitigated by government support programmes.

The uncertain economic environment is associated with high capital market volatility and increased inflation. Inflation risks may have an impact primarily in the following areas: poorer growth opportunities as a result of less new business or higher contract cancellations due to a loss of private purchasing power or a reduction in consumer spending; poorer cost position due to rising operating costs; increasing insurance benefits; potential need for additional reserves in pension provisions. A deterioration of the situation, e.g. in the form of a wage/price spiral, cannot be ruled out.

Regarding the Ukraine war, the direct effects of this are currently having only a limited impact on the W&W Group. Economic and capital market risks (including interest, equity, credit spread and inflation risks and increased capital market volatility and counterparty credit risks) have an indirect impact on the risk position. The volatile capital market environment and uncertainties regarding economic development moving forwards increase the risks to which the W&W Group is also exposed. Other factors may also have an impact, such as a rise in cyber risks.

Risk governance measures were stepped up in the 2022 calendar year in view of the war in Ukraine. As part of consistent investment risk governance, resolutions were adopted to prohibit new investment and reinvestment and – within the framework of existing trade restrictions – the company completely reduced the portfolio of government bonds in the Russian Federation, Belarus and Ukraine by the start of April 2022. Measures to proactively manage risks that may be increasing as a result of cyber attacks were further expanded to improve information security. In light of turbulence on energy markets and rising energy costs, an “Energy” task force was established that coordinates measures to secure operational supply.

However, even after accounting for governance measures, these may result in a financial strain, the extent of which cannot be definitively and reliably estimated due to uncertainty as to how the war will unfold moving forwards.

It is not possible to reliably estimate the financial impact given the considerable uncertainty surrounding the further development of the war in Ukraine, inflation and the impact of the coronavirus pandemic. Accordingly, depending on future developments, it may also trigger a decline in results and pressure on the financial position, net assets and risk position cannot be ruled out.

The individual risk areas are described in the following sections.

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 asset and liability items in 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 enacted, 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.

Undisclosed conflicts of interest when investing can have negative economic effects and result in legal risks, reputation risks and operating risks. In accordance with the EIOPA guideline 31 on the governance system, it must be disclosed to what extent conflicts of interest may arise and what solutions the company has in place for these.
In its interpretive decision "Investment decisions in the interests of policyholders and beneficiaries and handling conflicts of interest in line with the prudent person principle (Section 124 (1) sentence 2 no. 3 and 4 VAG)" dated 13 July 2020, the German Federal Financial Supervisory Authority (BaFin) stipulated how insurance undertakings are to handle conflicts of interest. In the event of conflicts of interest, the undertaking must ensure that investment decisions are made in the interests of the persons insured at all times. If it fails to do so, the company would be in breach of the prudent person principle. Basic regulations for conflicts of interest in investments were thus set out in an internal policy for investment risk management.

Pursuant to the interpretive decision, the company also determined a range of potential issues that could, under certain circumstances, result in conflicts of interest. In addition to existing general regulations such as the W&W Group's code of conduct, which is relevant to conflicts of interest, the company also has specific work instructions in place for the relevant investment areas of front and back office that stipulate how any conflicts of interest relating to investments are to be identified and resolved. Regulations have also been established as to how to document these issues.

No conflicts of interest were identified when making investment decisions in the past financial year.

Sustainability risks in the area of investments are limited by defining corresponding exclusion criteria. Sustainability aspects must be given adequate consideration, especially in strategic asset allocation as a framework for capital investments. This includes continually expanding the investment portfolio to include sustainable instruments and steadily reducing the portfolio's CO_2 emissions to achieve the goal of a carbon neutral portfolio in the long term.
In addition, W&W AG has long since taken an active approach to sustainability, with "renewable energies" an integral part of its strategic investment process for many years. Investment in green bonds is also taken into account for new investments and reinvestments.

The W&W Group has signed the PRI (Principles for Responsible Investment), which commits the Group to introducing and implementing six principles of responsible investment, and the PSI (Principles for Sustainable Insurance), through which the Group is increasingly enshrining environment, social, governance (ESG) aspects into insurance business.

Sustainability plays an increasingly important role in investments and so it will remain on the agenda for further development in the future.

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.

C.1 Insurance risk

Risk exposure

Insurance 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 is the reinsurer for the operating subsidiaries. Property/personal accident business accepted by Württembergische Versicherung AG is particularly important and results chiefly in premium and reserve risks. Outside the Group, only one share is underwritten in a German market pool. The insurance risk in life and health insurance results from the accident annuities of Württembergische Versicherung AG reinsured at W&W AG in, which create biometric risks.

In accordance with internal provisions, the operating subsidiaries enter into insurance transactions only where the risks associated with them do not endanger the company as a going concern. Incidental risks that cannot be influenced are limited with suitable and adequate protective instruments (e.g. reinsurance). As an internal Group reinsurance undertaking, W&W AG assumes the risks and passes some of these on to third-party reinsurers.

An economic model is used for measuring insurance 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 insurance 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 insurance risks is limited by means of defined risk limits. This is the maximum amount that the insurance 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 pricing and underwriting policy of the subsidiaries underwriting the risks is risk- and income-oriented. 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.

Insurance risks were in line with the risk strategy in 2022. W&W AG’s risk limit was complied with at all times.

War in Ukraine/inflation/coronavirus pandemic

Following the rulings of the German Federal Court of Justice regarding the coverage of business closure insurance policy due to the coronavirus pandemic, we no longer believe there are any material risks for Württembergische Versicherung AG at present and we reversed all existing lump-sum provisions in connection with business closure insurance policies in 2022.

Exceptionally high inflation seen in 2022 may result in higher claims expenses in the future at Württembergische Versicherung AG and the share acquired by W&W AG. Württembergische Versicherung AG will maintain its conservative premium calculation and defensive reserve policy. Premium adjustments can offset higher claims expenses.

The general repercussions of the war in Ukraine are discussed in Section C. Risk profile.

Risk concentrations

The focus of the operating subsidiaries' insurance business reinsured by W&W AG is in 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 further 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 insurance 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 insurance 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 contract content of the risk transferred by W&W AG is equivalent to the risk assumed.
The ratings of reinsurers are continually monitored by the specialist 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. This assumes the occurrence of an earthquake event in southern Germany with a magnitude of about six.

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 insurance risk

	Solvency II	Stress test
in € thousands	31.12.2022	31.12.2022
Eligible own funds	7,699,960	7,257,730
Solvency Capital Requirement	1,841,857	1,781,722
Solvency ratio (%)	418.1	407.3

The considered scenario led to a reduction in own funds of €442,230 thousand, in the Solvency Capital Requirement of €60,135 thousand and the solvency ratio of 10.8 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 insurance 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 value 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 and the economic 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 2022:

Exposure to market price risks

	Portion of economic risk capital requirements	
%	31.12.2022	31.12.2021
Participation risk	60.7	54.4
Interest rate risk	11.3	11.2
Credit spread risk	6.7	9.4
Equity risk	6.7	8.2
Real estate risk	2.2	2.2

For W&W AG, the strategic investment portfolio represents the material risk. When participation risks materialise, changes in value (valuation losses) can result in the writing down of participations, the non-payment of dividends or the need to make contributions to earnings. In this context, the interest risk is still extremely important within the W&W Group.

If interest rates were to rise further or spreads widen comparably, there would be increased hidden liabilities on the assets side of the HGB balance sheet and write-downs would become necessary. In addition, customers might make increased use of their option rights, resulting in hidden liabilities. In the medium to long term, however, the scenario would have a positive impact on the asset/liability mismatch, as new investments and reinvestments would again be possible at a higher interest rate.
On the other hand, a decline in interest rates would have a positive impact on net income in the short term thanks to the fair value measurement of assets in accordance with IFRS 9 and assets would accumulate under HGB. At the same time, in the medium to long term risks would arise from the obligations as investments and reinvestments are possible only at a lower interest rate, which would create additional risks from the increase in the asset/liability mismatch and mean that it may be necessary to realise reserves in the future to meet customer requirements.

W&W AG itself is subject to interest rate change risks as a result of investments in interest-bearing assets. Given the sharp rise in interest rates, W&W AG's accounting risk model experienced rising risks to earnings over the course of the year. The reclassifications of capital investments to fixed assets under Section 341b HGB avoided write-downs over time and reduced the interest risk in W&W AG's accounting risk model again. However, options for managing earnings in the future were reduced by the reclassification to fixed assets and existing hidden liabilities.

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 W&W AG's bond portfolio, which comprises both intragroup bonds and bonds outside the Group.

in view of volatile markets, equity risks are mitigated through hedging strategies. Regardless of this, sudden and severe price slumps on equity markets could impair the recoverability of W&W AG's equity portfolios by forcing write-downs.

Foreign currency risks can result from open net FX positions in globally aligned investment funds and from foreign currency bonds. In accordance with the strategic orientation, the foreign currency exposure in W&W AG's direct portfolio is essentially concentrated in Danish krones and U.S. dollars. It holds the material foreign currency portfolios on the assets side 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 the Hungarian forint.

The company is not exposed to material market price risks from off-balance-sheet items. When outstanding payment obligations for equity investments entered into are called, the outflow of funds is matched by a corresponding inflow from the perspective of own funds. In addition, the economic model also takes into account the potential additional risk capital requirements that may arise.

As part of asset liability management, assets are managed and monitored in such a way that they account for the amount and maturity of the liabilities.

It influences the business and risk policy of participations, inter alia, through representation in supervisory bodies, depending on the size and significance of the participations.

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

In 2022, the market price risks were consistently in conformity with the risk strategy and the strategic asset allocations. W&W AG's risk limit was complied with at all times.

War in Ukraine/inflation/coronavirus pandemic

The war in Ukraine and the coronavirus pandemic triggered a fall in equity prices and rising inflation, which in turn prompted higher credit spreads and interest rates.

To manage risks, exposure to equities was reduced and hedging transactions concluded to tackle rising interest rates. Exposures from government bonds issued by the Russian Federation, Belarus and Ukraine had already been eliminated in full by the start of April 2022. This decrease in the portfolio reduced consolidated net profit by a low eight-figure amount in the 2022 financial year.

In view of the war in Ukraine, persistently high inflation and uncertainties about further developments in relation to the coronavirus, it is expected that the W&W Group will be exposed to increased risks in the area of market price risk in 2023 as well.

An overview of the effects of the war in Ukraine, inflation and the coronavirus pandemic is provided in Section C. Risk profile.

Risk concentrations

As described above in this section under Risk exposure, as the parent company W&W AG is particularly dependent on the recoverability of its large operating subsidiaries. This is also reflected in the Solvency Capital Requirement in the standard formula, which includes a capital requirement of €379,167 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 and other non-insurance undertakings in the Group. This is based on an average credit rating that corresponds to a rating of between BBB+ and 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 2022 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 assured mainly 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 controlling the changes in the value of the instruments used and assessing effectiveness of the use of derivatives. A derivative is then 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 a change in the interest rate curve by 50 basis points for interest rate risk, a fall in equity prices by 36% (participations by 18%) for equity risk and an increase in the credit spread by 50 basis points for credit spread risk.

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	31.12.2022	31.12.2022	31.12.2022
Eligible own funds	7,699,960	7,791,377	7,571,125
Solvency Capital Requirement	1,841,857	1,854,119	1,822,711
Solvency ratio (%)	418.1	420.2	415.4

A lowering of the interest rate curve by 50 basis points would reduce own funds by €128,836 thousand and the Solvency Capital Requirement by €19,147 thousand. The solvency capital ratio declines by 2.7 percentage points. The sensitivity to a raising of the interest rate curve by 50 basis points would be 2.1 percentage points lower with an increase in the solvency ratio. The risk governance tools presented in this section under “Risk exposure” and “Risk mitigation techniques” are used to govern interest risk and the sensitivities associated with it.

Sensitivity of equity risk

	Solvency II	Stress test
in € thousands	31.12.2022	31.12.2022
Eligible own funds	7,699,960	6,437,531
Solvency Capital Requirement	1,841,857	1,541,247
Solvency ratio (%)	418.1	417.7

A 36% decrease in equity prices (participations where strategic participations have a stress factor of 18%) would reduce own funds by €1,262,429 thousand and the Solvency Capital Requirement by €300,611 thousand and thus result in an overall decline in free own funds. The solvency capital ratio declines by 0.4 percentage points as a result. 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.

The sensitivity of the credit risk spread is based on the bonds that are also to be backed by capital at risk in accordance with the standard formula when calculating the credit spread risk. These are mainly corporate bonds, including debt securities e.g. in the form of German covered bonds, emerging market government bonds and US municipals.

Sensitivity of credit spread risk

	Solvency II	Stress test
in € thousands	31.12.2022	31.12.2022
Eligible own funds	7,699,960	7,304,909
Solvency Capital Requirement	1,841,857	1,749,434
Solvency ratio (%)	418.1	417.6

A rise in the credit spread by 50 basis points based on the interest-rate-sensitive investments of W&W AG would reduce own funds by €395,051 thousand, the Solvency Capital Requirement by €92,423 thousand and thus result in an overall decline in free own funds. The solvency capital ratio declines by 0.5 percentage points as a result. 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 can arise from the default or changed rating of securities (counter-party credit risk associated with capital investments) and from the default on receivables due from counterparties in reinsurance.

For internal governance, credit risks from capital investments are measured using a loan portfolio model. In this regard, in an economic view, risk capital requirement is calculated on the basis of a credit value at risk approach that is standard in the sector with the prescribed confidence level of 99.5% and using one-year default/migration probabilities. Other counterparty credit risks mainly consist of the risk of default by undertakings that reinsure insurance 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 2022:

Exposure to counterparty credit risks

	Portion of economic risk capital requirements	
%	31.12.2022	31.12.2021
Counterparty credit risk associated with capital investments	5.4	7.8
Other counterparty credit risk	1.2	1.1

In line with our strategic orientation, the credit rating structure of our interest-bearing securities is conservative, with 94.3% (prior year: 93.3%) of investments in the investment grade range.

97.3% (previous year: 98.8%) of receivables from reinsurance business are from companies rated “A” or higher. Counterparty credit risks in the reinsurance business declined year on year in the financial year due to fewer natural disasters.

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 capital investment rules are taken into consideration in the process. Contracting partners and securities are limited mainly to credit ratings in the investment grade range. In general, the capital 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 2022, counterparty credit risks were consistently in line with the risk strategy. W&W AG’s risk limit was complied with at all times.

War in Ukraine/inflation/coronavirus pandemic

Risk governance measures were stepped up in the 2022 calendar year in view of the war in Ukraine. As part of consistent investment risk governance, resolutions were adopted to prohibit new investment and reinvestment and – within the framework of existing trade restrictions – the company completely reduced the portfolio of government bonds in the Russian Federation, Belarus and Ukraine by the start of April 2022.

Our subsidiaries’ customer loan portfolios are indirectly affected by the energy crisis and inflation trends on account of the resulting (risk of) recession. Increased inflation represents a significant burden for private households, especially low and middle income families.

Given the strain the war in Ukraine and the impact of the coronavirus pandemic put on the economy, delayed effects may result in poorer credit quality, credit defaults or credit rating-related impairment over time. This may be true in particular of corporate bonds.

Because of the war in Ukraine and the coronavirus pandemic and the associated uncertainties about further developments, we expect that W&W AG will be exposed to increased risks in the area of counterparty credit risk in 2023 as well.

An overview of the effects of the war in Ukraine, inflation and the coronavirus pandemic is provided in Section C. Risk profile.

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.

Sensitivity of counterparty credit risk

	Solvency II	Stress test
in € thousands	31.12.2022	31.12.2022
Eligible own funds	7,699,960	7,440,187
Solvency Capital Requirement	1,841,857	1,791,277
Solvency ratio (%)	418.1	415.4

A default by the largest counterparty outside the Group would lead to a reduction of own funds of €259,773 thousand, in the Solvency Capital Requirement of €50,580 thousand and the solvency ratio by 2.7 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 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 primarily receives liquidity inflows from the income (dividends and profit transfer) of its participations and premium income from reinsurance activities. The investment policy of W&W AG is designed to ensure that investments that can be liquidated are available at all times. 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 calculated also 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 capital investments. For instance, if the floor is reached, planned investments are postponed or liquidity is generated by selling corresponding capital 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.

Risk concentrations

As the parent company of the financial conglomerate, W&W AG benefits from the diversification of its refinancing sources. Concentrations in illiquid asset classes are controlled by monitoring investments in liquidity classes. W&W AG does not currently have any appreciable risk concentrations in 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 amounts to €35,008 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) and project risks.
- Information risk
  Information risks arise from the threat to the availability, confidentiality and/or integrity of data. They result mainly 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 model results that are flawed in their development, execution or use.
- Service provider risk
  Service provider risk refers mainly to risks resulting from contractual relationships with third parties. In particular, this includes outsourcing risks regarding the loss of quality, control or expertise.

Operational risks are identified in the risk inventory. The risks are systematically recorded in software applications, described and assessed in terms of loss potential and probability of occurrence. The risk inventory thus forms the basis for risk-oriented measures governance and reporting of operational risks. The results of the risk inventory are taken into account in our economic risk-bearing capacity model to determine the risk capital requirement for operational risks. Based on the risk inventory, the risk types compliance, process, information, model and service provider risk were identified within operational risk as material for W&W AG.

As for the risk inventory, operational loss events are recorded in a software application. Entries in the loss event database are analysed and edited. Measures are documented and monitored as part of risk governance.

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.

- Business continuity management
  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 W&W AG and the W&W Group is largely 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. In view of the labour shortage associated with demographic change, maintaining a balanced employee structure with the expertise required is key to success. Accordingly, we closely monitor the risk of demographic change in 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.
- Project management
  Our project management procedures establish requirements in order to limit project risks.
- 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 2022, the assumed operational risks were consistently in line with the risk strategy.
A breach of the limit for operational risks was resolved by increasing the limit.

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

War in Ukraine/inflation/coronavirus pandemic

The risk of cyber attacks is increasing as a result of the uncertain global political and economic environment. Especially since the outbreak of war in Ukraine, there has been an increased risk of cyber attacks in Germany to which W&W AG is not immune. Measures to proactively manage risks that may be increasing as a result of cyber attacks were further expanded to improve information security – in particular in light of the war in Ukraine. The establishment of a cyber resilience centre at the W&W Group that is constantly adapted to the cyber threat level is a key factor here in ensuring a balanced mix of preventative and reactive measures to identify and prevent cyber attacks.

In light of turbulence on energy markets and rising energy costs, an “Energy” task force was established that coordinates measures to secure operational supply. The Ukraine/energy crises have not resulted in any material operational risks in business processes to date.

In light of uncertainties about how the war in Ukraine and the coronavirus pandemic will develop moving forwards and the repercussions of these, the W&W Group is still exposed to some increased risks in the area of operational risk.

The general repercussions of the war in Ukraine are discussed in Section C. Risk profile.

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. This affects 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. Business risks may also 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. 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 material business 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. We intend to achieve our strategic objectives 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.
  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
  W&W'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.

Significant risk potential could arise as a result of the political and social environment (geopolitics, global developments, e.g. due to military war, trade disputes, terrorism, social unrest, migration/movement of refugees). In particular, the Russian invasion of Ukraine in February 2022 should be noted here. This is a major adverse factor for economic development and is associated with elevated risks.

War in Ukraine/inflation/coronavirus pandemic

In view of the war in Ukraine, inflation trends and the impact of the coronavirus pandemic, there are currently significant environmental risks that adversely affect economic development.

Economic risks are visible and expected to continue as a result of negative growth effects, for example in connection with higher energy and commodities prices, economic sanctions, the resulting disruption to global supply chains and a drop in sentiment among economic players. These risks can be mitigated by government support programmes. The uncertain economic environment is associated with high capital market volatility and increased inflation. Inflation risks may have an impact primarily in the following areas: poorer growth opportunities as a result of less new business or higher contract cancellations due to a loss of private purchasing power or a reduction in consumer spending; poorer cost position due to rising operating costs; increasing insurance benefits; potential need for additional reserves in pension provisions. A deterioration of the situation, e.g. in the form of a wage/price spiral, cannot be ruled out.

Accordingly, depending on how the war in Ukraine, inflation and the coronavirus pandemic develop in future, they may also trigger a decline in results and put pressure on the future financial position, net assets and risk position, particularly if these factors persist for an extended period.

An overview of the effects of the war in Ukraine, inflation and the coronavirus pandemic is provided in Section C. Risk profile.

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 disclosures

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 operating subsidiaries. Accordingly, sustainability risks are to be addressed in the organisation and actions of W&W AG and its operating 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, transformation risks in investments (transition to a low carbon economy) and physical risks in the area of insurance risks (natural disaster risks).

In order to limit, in particular, reputation risks that arise from sustainability aspects, the sustainability strategy of the W&W Group specifies the principles for sustainable and responsible actions. Meeting the requirements under the German Supply Chain Act should, in particular, help reduce risks relating to human rights and the environment. The aim here is to identify and evaluate these risks in supply chains and take measures to address these.

Sustainability risks in the area of investments are limited by defining corresponding exclusion criteria. Sustainability aspects must be given adequate consideration, especially in strategic asset allocation as a framework for capital investments. This includes continually expanding the investment portfolio to include sustainable instruments and steadily reducing the portfolio’s CO_2 emissions to achieve the goal of a carbon neutral portfolio in the long term.

Sustainability risks also include climate risks. Climate risks primarily take the form of physical risks. In the area of insurance risks, these are limited, inter alia, through underwriting policies and reinsurance arrangements. Within our internal work processes, for example, physical risks may result in infrastructure or system availability failures (process and information risk) or in an increased workload in operations (process risk).

Further information about W&W AG’s commitment to sustainability is publicly available in the annual report under the chapter Business model – sustainable commitment and in the non-financial report on the W&W Group website at www.ww-ag.com/de/gruppe/sustainability.

D Valuation for solvency purposes

Assets

in € thousands	Solvency II 31.12.2022	HGB 31.12.2022
Goodwill	0	0
Deferred acquisition costs	0	0
Intangible assets	0	0
Deferred tax assets	106,663	0
Pension benefit surplus	0	0
Property, plant & equipment held for own use	460,756	460,756
Investments (other than assets for index- or unit-linked contracts)	8,534,741	3,597,836
Property (other than for own use)	575	575
Holdings in affiliated companies, including participations	6,418,446	1,399,375
Equities	25,526	20,615
Bonds	1,079,846	1,205,594
Government bonds	313,152	392,036
Corporate bonds	766,695	813,558
Structured notes	0	0
Collateralised securities	0	0
Collective investment undertakings	930,118	890,934
Derivatives	1,367	1,337
Deposits other than cash equivalents	78,862	79,405
Other investments	0	0
Assets held for index-linked and unit-linked contracts	0	0
Loans and mortgages	0	0
Reinsurance recoverables from:	212,528	237,435
Non-life and health similar to non-life	211,279	235,355
Non-life excluding health	211,178	235,162
Health similar to non-life	101	192
Life and health similar to life, excluding health and index-linked and unit-linked	1,250	2,081
Health similar to life	0	0
Life excluding health and index-linked and unit-linked	1,250	2,081
Life index-linked and unit-linked	0	0
Deposits to cedants	847	847
Policyholder and intermediaries receivables	0	0
Reinsurance receivables	0	73,262
Receivables (trade, not insurance)	216,647	216,647
Own shares (held directly)	4,256	4,256
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0
Cash and cash equivalents	8,653	8,653
Any other assets, not elsewhere shown	15,349	16,318
Total assets	**9,560,440**	**4,616,009**

Liabilities

in € thousands	Solvency II 31.12.2022	HGB (carrying amount) 31.12.2022
Technical provisions – non-life	468,435	611,224
Technical provisions – non-life (excluding health)	452,520	592,579
Technical provisions calculated as a whole		
Best estimate	413,735	
Risk margin	38,785	
Technical provisions – health (similar to non-life)	15,915	18,645
Technical provisions calculated as a whole		
Best estimate	12,679	
Risk margin	3,236	
Technical provisions – life (excluding index-linked and unit-linked)	17,182	25,889
Technical provisions – health (similar to life)	10,169	15,510
Technical provisions calculated as a whole		
Best estimate	9,071	
Risk margin	1,098	
Technical provisions – life (excluding health and index-linked and unit-linked)	7,013	10,379
Technical provisions calculated as a whole		
Best estimate	6,782	
Risk margin	231	
Technical provisions – index-linked and unit-linked	0	0
Technical provisions calculated as a whole		
Best estimate	0	
Risk margin	0	
Any other technical provisions		104,719
Contingent liabilities	0	0
Provisions other than technical provisions	678	1,061
Pension benefit obligations	154,987	186,562
Deposits from reinsurers	38,644	38,644
Deferred tax liabilities	0	0
Derivatives	110	715
Debts owed to credit institutions	1,154	1,154
Financial liabilities other than debts owed to credit institutions	75,521	75,000
Policyholder and intermediaries payables	0	0
Reinsurance payables	0	53,081
Payables (trade, not insurance)	1,038,598	1,080,801
Subordinated liabilities	235,337	299,458
Subordinated liabilities not in Basic Own Funds	0	0
Subordinated liabilities in Basic Own Funds	235,337	299,458
Any other liabilities, not elsewhere shown	0	0
Total liabilities	**2,030,646**	**2,478,308**
Excess of assets over liabilities	**7,529,794**	**2,137,702**

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

The following sections outline the recognition and measurement methods for the significant positions of the solvency overview moreover the differences between the Solvency II values and the book value in accordance with HGB will be analysed.

D.1 Assets

Recognition and valuation methods for investments and financial instruments

The assets of the undertaking 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 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 accordance with the IFRS applicable in the European Union in the form of reporting data for the consolidated financial statements.

The recognition of assets for the purposes of the undertaking'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 undertaking 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 business 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. The fair value calculation takes account of the risk factors for the asset or liability relevant to the valuation. Typical risk factors are:

- 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,
- 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. An illiquidity spread is also taken into account when calculating the fair value of registered securities and private placements. 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 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.

The certificate price of collective investment undertakings (with the exception of participations in the area of alternative investments) is also 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 company 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 company applies alternative valuation methods mainly for properties, affiliated companies, unquoted equities and non-standardised derivatives (OTC derivatives), as well as for certain collective investment undertakings.

Alternative valuation methods

	Solvency II	Share
	31.12.2022	31.12.2022
	in € thousands	%
Total investments	9,004,150	100.0
thereof valued using alternative valuation methods	1,812,102	20.1

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 so doing, 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.

With a Solvency II value of €1,049,865 thousand, holdings in affiliated companies account for the largest share of capital investments valued using alternative valuation methods.

Wüstenrot Bausparkasse AG is valued using the capitalised earnings method pursuant to IDW S1. This going concern value is derived from the financial excesses generated if the company continues as a going concern and any assets not necessary for operations are sold. By its nature, the forecast of future excesses is increasingly subject to uncertainty and so a careful plausibility assessment of the planning and forecast is conducted as part of a multi-stage model. The uncertainty of future events on the valuation of assets is accounted for by including adequate haircuts.

The second largest share of capital investments valued using alternative valuation methods are properties for own use at €460,756 thousand. External appraisers are engaged for this 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 from 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 write-downs. 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.

The third largest share of investments valued using alternative valuation methods are collective investment undertakings at €186,411 thousand. These mainly have to do with commitments in the area of alternative investments in the form of an alternative investment fund (AIF). In view of the fact that the portfolio is so multifaceted, these are mostly valued by the respective managers at the net asset value in order to preserve an appropriate cost-benefit relationship, as well as from the standpoint of materiality. This has to do with the excess of assets over liabilities. This constitutes the IFRS fair value. This method is customary on the market and is subsumed under alternative valuation methods. The undertaking is in close contact with the managers. Potential uncertainties are closely limited through detailed reporting, intensive monitoring, and plausibility checks performed with the necessary specialist expertise.

Deferred tax assets

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2022	31.12.2022	31.12.2022
Deferred tax assets	106,663	0	106,663

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.

In the event of a material excess of assets over liabilities, deferred tax assets arising from temporary differences are tested for impairment at each reporting date, taking account of valuation consistency for the planning calculation, which is fundamentally to be aligned with corporate planning. As W&W AG is the parent company of a tax group for income tax purposes, this can be based on the cumulative taxable income of W&W AG, including dividends and profit transfers, and of all dependent companies. Deferred tax assets are not material as they account for only around 1.1% of assets and about 1.4% of own funds.

In order to increase meaningfulness and comparability, deferred taxes are shown netted. Deferred tax assets of €106,663 thousand relate essentially to differences between the carrying amounts of settlement liabilities from pension provisions.

HGB

The option to recognise deferred tax assets on account of tax relief in accordance with Section 274 (1) sentence 2 HGB is not utilised. Accordingly, the figure recognised under HGB is zero.

Property, plant & equipment held for own use

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2022	31.12.2022	31.12.2022
Property, plant & equipment held for own use	460,756	460,756	0

Solvency II

The term “property held 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 and inventories 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 rights and buildings (including buildings on third-party land) are measured at cost less the permitted straight line/diminishing balance method depreciation or at the lower fair value. Impairment losses are recognised only if the impairment is expected to be permanent and the lower fair value is recognised. If the reasons for a lower carrying amount cease to apply, the write-down is reversed up to a maximum of amortised cost.

The difference between the Solvency II value and the HGB value reflects the differences between the valuation at the economic value and the HGB accounting method described. In particular, this comprises the valuation reserves for property for own use under HGB.

Holdings in affiliated companies, including participations

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2022	31.12.2022	31.12.2022
Insurance subsidiaries	5,226,711	418,244	4,808,467
Subsidiaries (non-insurance undertakings)	1,191,736	981,131	210,604
Participations (non-insurance undertakings)	0	0	0
Holdings in affiliated companies, including participations	6,418,446	1,399,375	5,019,071

Solvency II

Under Solvency II, holdings in subsidiaries and participations with a participation of at least 20% are recognised under affiliated companies.

The method for valuing affiliated companies is based on the special valuation hierarchy for affiliated companies 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 affiliated company, 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 affiliated company.

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 affiliated companies are often not insurance undertakings, such that valuation in accordance with the afore-mentioned adjusted equity method would not be practical, it was not applied for certain undertakings. Valuation is performed 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. Another valuation method used is the discounted cash flow method (DCF).

HGB

Holdings in affiliated companies and participations are measured at cost. As per Section 341b (1) HGB in conjunction with Section 253 (3) sentence 3 HGB, impairment losses are recognised on the lower fair value only if the impairment is expected to be permanent (moderate lower of cost or market principle). If the reasons for a lower carrying amount cease to apply, the write-down is reversed up to a maximum of 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 affiliated companies.

Equities

in € thousands	Solvency II 31.12.2022	HGB (carrying amount) 31.12.2022	Delta 31.12.2022
Equities – listed	5,000	5,000	0
Equities – unlisted	20,526	15,615	4,911

Solvency II

Equities recognised in the item equities – listed are valued at amortised cost as there are no prices on active markets for the equities.

The equities – unlisted item includes other unlisted equities. These are essentially commitments in the area of alternative investments without alternative investment fund manager registration (AIFM registration) with a participation of less than 20%. These equities are measured using alternative valuation methods. These are 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 shares in Fundamenta-Lakaskassza Zrt. are valued at the capitalised earnings value.

For the portfolio of alternative investments, valuation is performed 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.

HGB

Unlisted equities are valued at cost in the participations item. As per Section 341b (1) HGB in conjunction with Section 253 (3) sentence 3 HGB, impairment losses are recognised on the lower fair value only if the impairment is expected to be permanent (moderate lower of cost or market principle). If the reasons for a lower carrying amount cease to apply, the write-down is reversed up to a maximum of cost.

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 unlisted holdings.

Bonds

in € thousands	Solvency II 31.12.2022	HGB (carrying amount) 31.12.2022	Delta 31.12.2022
Government bonds	313,152	392,036	- 78,884
Corporate bonds	766,695	813,558	- 46,863
Structured notes	0	0	0
Collateralised securities	0	0	0
Bonds	**1,079,847**	**1,205,594**	**- 125,747**

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 input parameters observable on the market and an illiquidity spread (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 under “Recognition and valuation methods for investments and financial instruments”.

HGB

Bearer bonds and other fixed income securities recognised under bonds are recognised at the average cost of a security less impairment losses pursuant to the strict lower of cost or market principle in accordance with Section 341b (2) HGB in conjunction with Section 253 (4) HGB, and valued taking into account the requirement to reverse write-downs.

Bearer bonds intended for use in business operations in the long term are recognised in accordance with Section 341b (2) HGB in conjunction with Section 253 (3) sentence 3 HGB and valued at the lower of cost or fair value in accordance with the applicable regulations for the fixed assets.

Registered bonds, notes receivable, promissory notes and other loans recognised under bonds are valued in accordance with the applicable regulations for the fixed assets. In accordance with Section 341c (1) HGB, registered bonds are recognised at their nominal amount less repayments made. Premiums and discounts are distributed on a straight-line basis over the term. Notes receivable, promissory notes and other loans are valued at amortised cost in accordance with Section 341c (3) HGB by allocating the difference between cost and the repayment amount over the remaining term using the effective interest method.

In the Solvency II balance sheet and in the table above, the “HGB (carrying amount)” column includes the carrying amounts recognised in the annual financial statements plus the prorated deferred interest on the valuation date. This is presented in line with the Solvency II figure, which includes the pro-rated amount of deferred interest on the valuation date as well as the clean value.

The difference between the Solvency II value and the HGB value reflects the differences between the valuation at the economic value and the HGB carrying amounts described above. The considerable difference between the Solvency II value and the HGB carrying amount is the result of the significant increase in interest rates, which led to a low valuation of these securities.

Collective investment undertakings

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2022	31.12.2022	31.12.2022
Collective investment undertakings	930,118	890,934	39,184

Solvency II

Recognised under the item “Collective investment undertakings” are special and mutual investment funds. Also recognised under this item are commitments in the area of alternative investments with AIFM registration, insofar as the participation is less than 20%.

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 an alternative valuation method.

HGB

Interests in investment assets are recognised at the average cost of a security less impairment losses pursuant to the strict lower of cost or market principle in accordance with Section 341b (2) HGB in conjunction with Section 253 (4) HGB. If the reasons for a lower carrying amount cease to apply, the write-down is reversed up to a maximum of cost.

Interests in investment assets intended for use in business operations in the long term are recognised in accordance with Section 341b (2) second half of the sentence HGB in conjunction with Section 253 (3) sentence 3 HGB and valued at the lower of cost or fair value, determined using an appropriate method, in accordance with the less strict lower of cost or market principle.

The difference between the Solvency II value and the HGB value reflects the differences between the valuation at the economic value and amortised cost/fair value.

Derivatives

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2022	31.12.2022	31.12.2022
Derivatives	1,367	1,337	30

These are options and a currency forward to hedge participations and bearer bonds.

Solvency II

Derivatives are recognised at fair value under Solvency II. They are recognised as assets if the fair value is positive and as a liability if the fair value is negative. Derivatives are mostly valued using alternative valuation methods as for non-exchange-traded derivatives (OTC derivatives) there are no active markets within the meaning of the valuation hierarchy presented above. These are recognised valuation methods that are customary on the market such as the Black-Scholes model and the discounted cash flow method.

HGB

In the HGB annual financial statements, derivatives that are not included in hedge accounting as per Section 254 HGB are considered executory contracts and not recognised. In the event of an expected loss from the derivative, a provision is recognised in accordance with Section 249 (1) HGB.

Purchased option rights are valued at cost at the amount of the option premium, less write-downs in accordance with the strict lower of cost or market principle, taking into account the requirement to reverse write-downs. The HGB carrying amount shown above thus relates to options that are recognised in the HGB “equities” item.

Currency forwards are valued in relation to individual transactions or as part of hedge accounting.
Provisions as per Section 249 (1)HGB are recognised for expected losses from these transactions.

The difference between the solvency overview and the HGB annual financial statements is chiefly a result of recognition at the economic value under Solvency II and the HGB accounting method described.

Deposits other than cash equivalents

in € thousands	Solvency II 31.12.2022	HGB (carrying amount) 31.12.2022	Delta 31.12.2022
Deposits other than cash equivalents	78,862	79,405	- 543

Solvency II

Short-term investments at credit institutions are recognised under deposits other than cash equivalents. They are valued at economic value, which is essentially the same as the nominal amount. Foreign currency investments are translated at average exchange rates on the reporting date. Unlike the HGB carrying amount, the Solvency II value contains pro-rated interest accrued up to the reporting date.

HGB

Deposits at credit institutions are recognised at their nominal amounts. Foreign currency investments were translated at average exchange rates on the reporting date. The difference between the Solvency II value and the HGB carrying amount is the pro-rated amount of deferred interest at the valuation date.

Reinsurance recoverables

in € thousands	Solvency II 31.12.2022	HGB (carrying amount) 31.12.2022	Delta 31.12.2022
Reinsurance recoverables – non-life excluding health	211,178	235,162	- 23,985
Reinsurance recoverables – health similar to non-life	101	192	- 91
Reinsurance recoverables – health similar to life	0	0	0
Reinsurance recoverables – life excluding health and index-linked and unit-linked	1,250	2,081	- 831
Reinsurance recoverables	**212,528**	**237,435**	**- 24,907**

Reinsurance recoverables correspond to the reinsurer’s portion of technical provisions. For an explanation of this, please see “Calculation of the best estimate of claims provisions and pension obligations” and “Calculation of the best estimate of premium provisions” in Section D.2.

Receivables

in € thousands	Solvency II 31.12.2022	HGB (carrying amount) 31.12.2022	Delta 31.12.2022
Deposits to cedants	847	847	0
Reinsurance receivables	0	73,262	73,262
Receivables (trade, not insurance)	216,647	216,647	0

Solvency II

The receivables listed here are measured at amortised cost for the IFRS reporting data. Regardless of the valuation under IFRS, the fair values of financial instruments – including those valued at amortised cost in the balance sheet – are calculated for the IFRS 7 disclosures in the notes. The fair values calculated for IFRS are used as the economic value under Solvency II. There is no separate discounting for Solvency II for reasons of materiality.

In accordance with the German Federal Financial Supervisory Authority's Interpretative decision "Evaluation of recoverables from reinsurance contracts and special purpose vehicles and handling of settlement receivables and payables and deposits to cedants and from reinsurers under Solvency II", only past-due amounts are to be recognised in the item reinsurance receivables. Settlements with our reinsurers were not past due as at the reporting date.

HGB

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

Differences between the Solvency II figure and that under HGB financial reporting can, in particular, result from longer-term receivables on account of the use of the present value method. However, this is not the case for the items listed here due to the application of the materiality concept.

Leasing agreements

W&W AG is an intragroup lessor for W&W Service GmbH under operating leases for investment property. Rental income is of minor significance relative to total income from capital investments. Accordingly, the leasing agreements are considered immaterial.

D.2 Technical provisions

Composition of technical provisions

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

Technical provisions – non-life – claims provisions

in € thousands	Best estimate, gross 31.12.2022	Reinsurance (after expected default) 31.12.2022
Non-life (excluding health)	**402,304**	**227,593**
Motor vehicle liability insurance	99,110	6,305
Other motor insurance	12,403	955
Marine, aviation and transport insurance	2,369	0
Fire and other damage to property insurance	114,902	82,394
General liability insurance	43,603	5,152
Credit and suretyship insurance	126	0
Legal expenses insurance	22,878	12
Assistance	188	0
Miscellaneous financial loss	8,918	6,899
Non-proportional liability reinsurance	32,595	35,439
Non-proportional marine, aviation and transport reinsurance	1,609	1,177
Non-proportional property reinsurance	63,601	89,260
Health (similar to non-life)	**15,471**	**223**
Income protection insurance	15,156	0
Non-proportional health reinsurance	315	223

Technical provisions – non-life – premium provisions

in € thousands	Best estimate, gross 31.12.2022	Reinsurance (after expected default) 31.12.2022
Non-life (excluding health)	**11,430**	**- 16,415**
Motor vehicle liability insurance	1,063	- 423
Other motor insurance	5,801	- 3,052
Marine, aviation and transport insurance	1,430	- 92
Fire and other damage to property insurance	7,829	- 5,997
General liability insurance	- 8,921	- 3,662
Credit and suretyship insurance	1,407	0
Legal expenses insurance	958	4
Assistance	- 216	0
Miscellaneous financial loss	- 635	- 1,345
Non-proportional liability reinsurance	- 330	- 153
Non-proportional marine, aviation and transport reinsurance	117	- 8
Non-proportional property reinsurance	2,926	- 1,686
Health (similar to non-life)	**- 2,792**	**- 122**
Income protection insurance	- 2,764	- 121
Non-proportional health reinsurance	- 27	- 1

The non-life technical provisions are the sum of claims provisions and premium provisions:

Technical provisions – non-life

in € thousands	Best estimate, gross 31.12.2022	Reinsurance (after expected default) 31.12.2022	Risk margin 31.12.2022
Non-life (excluding health)	**413,735**	**211,178**	**38,785**
Motor vehicle liability insurance	100,173	5,881	8,190
Other motor insurance	18,204	- 2,097	5,287
Marine, aviation and transport insurance	3,799	- 92	1,139
Fire and other damage to property insurance	122,731	76,397	14,302
General liability insurance	34,683	1,490	4,428
Credit and suretyship insurance	1,533	0	252
Legal expenses insurance	23,836	16	1,810
Assistance	- 27	0	132
Miscellaneous financial loss	8,284	5,553	420
Non-proportional liability reinsurance	32,265	35,286	309
Non-proportional marine, aviation and transport reinsurance	1,726	1,169	80
Non-proportional property reinsurance	66,527	87,575	2,435
Health (similar to non-life)	**12,679**	**101**	**3,236**
Income protection insurance	12,392	- 121	3,199
Non-proportional health reinsurance	287	222	36

The company has the following technical provisions – life:

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

in € thousands	Best estimate, gross 31.12.2022	Reinsurance (after expected default) 31.12.2022	Risk margin 31.12.2022
Health (similar to life)	**9,071**	**0**	**1,098**
Health reinsurance	9,071	0	1,098
Life (excluding health and index-linked and unit-linked)	**6,782**	**1,250**	**231**
Life reinsurance	6,782	1,250	231

Further information on the composition of technical provisions can be found in forms S.12.01.02 and S.17.01.02 and in the corresponding items in the S.02.01.02 form in the Annex. Data on gross best estimates for non-life claims provisions across all lines can be found in the form S.19.01.21 in the Annex.

Basic valuation principles

Contract segmentation

Calculations of the best estimates of technical provisions in the company's solvency overview comprise business accepted by W&W AG from Württembergische Versicherung AG under reinsurance relationships and reinsurance similar to non-life underwritten outside the Group.

Most of the technical provisions stem from business accepted from Württembergische Versicherung AG, which is the only business still actively underwritten other than a small share in a German market pool.

To take account of the type of risks underlying each obligation, calculations within these areas are made at the level of Solvency II business lines or smaller.

General explanation of principles of valuation and assumptions

Technical provisions are calculated based on a present value calculation for cash flows expected in the future. Currency-specific risk-free base interest rate term structures are used for discounting. The company does not use the volatility adjustment or matching adjustment. Cash flows are discounted annually, assuming a mid-year payment.

The provisions for the majority of business underwritten are denominated in EUR. Within non-life business underwritten outside the Group, there is business denominated in the original currencies EUR and USD. Business in other original currencies is valued on the basis of cash flows translated into EUR.

The company does not apply transitional measures on risk-free interest rates or technical provisions in accordance with Section 351 to 352 VAG.

Data used

Cash flows for claims provisions from business accepted from Württembergische Versicherung AG are determined on the basis of modelling by Württembergische Versicherung AG. This is based on an actuarial assessment of relevant future claims settlement, which is partly based on past data. Actuarial modelling of expected future cash flows, supplemented by an expert opinion, is also used for reinsurance underwritten outside the Group.

Given that premium provisions are based on business accepted from Württembergische Versicherung AG, the best estimate of these is determined using data from Württembergische Versicherung AG's economic risk model on expected losses. Future premiums are taken from W&W AG's corporate planning.

For business similar to life accepted by W&W AG (liability and accident annuities of Württembergische Versicherung AG), cash flows are calculated based on existing data and relevant biometric actuarial assumptions.

Data are also used from the company's annual financial statements or that are generated from such data. In particular, these include costs and HGB provisions.

Calculation of best estimate for claims provisions and pension obligations assumed by Württembergische Versicherung AG

To determine the best estimate of claims provisions for business accepted from Württembergische Versicherung AG, gross cash flows actuarially modelled by Württembergische Versicherung AG are reconciled with cash flows assumed from W&W AG. The reconciliation is based in part on the ratio of related HGB provisions. Where possible, cash flows from reinsurance similar to non-life underwritten outside the Group are projected on the basis of actuarial processes for modelling claims settlement (chain ladder method). The cash flows used to value liability and accident annuities accepted from Württembergische Versicherung AG are based on those used for the annual financial statements.

Recoverables from reinsurance are determined based on the ratios of HGB provisions (reinsurers' share/gross provision) and adjusted for the expected default using a simplified method.

Cost components are taken into account in cash flows through surcharge rates.

Appropriate approximations are used for the portion of the company's business for which insufficient data of appropriate quality are available to apply a reliable actuarial method to a group or sub-group of insurance obligations or to reinsurance recoverables. These are generally based on HGB provisions.

The best estimates for technical provisions are allocated to the Solvency II business lines for business similar to non-life, with the exception of provisions from motor vehicle liability/liability/accident annuities, which are assigned to the "life reinsurance" and "health reinsurance" Solvency II business lines.

Calculation of best estimate for premium provisions

The premium provision is a provision for losses from past insurance obligations that have not yet occurred and insurance obligations expected in the year ahead. Premium provisions are recognised for business accepted from Württembergische Versicherung AG.

The premium provisions consist of future premiums, claims and costs. Future premiums are based on corporate planning. Future cash flows for losses are determined using loss ratios and run-off patterns from the corresponding modelling of primary insurance business at Württembergische Versicherung AG. Costs are reflected in appropriate surcharge rates.

Reinsurance recoverables are calculated according to the share of premiums ceded to reinsurers. As with the claims provisions, an adjustment is made for the expected loss on the recoverables from reinsurance.

Risk margin

A notional reference undertaking is used to calculate the risk margin in accordance with Article 37-39 of Delegated Regulation (EU) 2015/3. This undertaking assumes the company's technical obligations. The reference undertaking does not have any portfolios and does not write new business. This means that the reference undertaking's best estimate is the same as the company's. To calculate the risk margin, the reference undertaking is wound up, incurring a cost of capital of 6.0% of the reference undertaking's Solvency Capital Requirement (SCR). The risk margin is the sum of the present value of this future cost of capital.

Simplifications are applied when calculating the future SCR and the timing of the SCR.

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
- 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" is a result of the random nature of actuarial business. However, these are not risks that arise because the valuation process itself is inappropriate. If this is based on a suitable statistical model, the same applies to the parameter errors. This is essentially the case for the current actuarial triangulation methods used to determine cash flows and in connection with calculating premium provisions when determining loss ratios for current business. However, these methods involve adjustments to incoming data or the parameters calculated. Parameters used in the valuation process are also calculated based on simple calculations of the mean value over short periods of time or on estimates made by experts. Uncertainties exist here as a result of the possibility of error by the experts.

The uncertainty resulting from random error is accounted for in the risk margin for the technical provisions.

Each year, the company's actuarial function calculates the uncertainty associated with determining the best estimate of the technical provisions. It assumes that two analysis scenarios provide a particularly reliable picture. The results of the statistical models of the company's own methods for measuring risk-bearing capacity at Württembergische Versicherung AG are used here. These are 40% and 70% quantiles of the distribution of premium reserves depending on the loss ratios used and the corresponding quantiles of the loss reserves required to settle losses already incurred at the reporting date. In addition, the uncertainty of the loss reserves from the company's non-Group business is modelled for this evaluation using a distribution adjustment in which the coefficients of variation of the standard formula are used as parameters. 40% and 70% quantiles of the resulting distribution are also used.

Loss ratios used

	Net premium provisions	Absolute change	Relative change
	31.12.2022	31.12.2022	31.12.2022
	in € thousands	in € thousands	%
Best estimate	25,176	0	0.0
Scenario based on 40% quantile	15,359	- 9,817	- 39.0
Scenario based on 70% quantile	28,004	2,828	11.2

Uncertainty of loss reserves

	Net claims equalisation reserve	Absolute change	Relative change
	31.12.2022	31.12.2022	31.12.2022
	in € thousands	in € thousands	%
Best estimate	189,959	0	0.0
Scenario based on 40% quantile	185,189	- 4,770	- 2.5
Scenario based on 70% quantile	198,513	8,554	4.5

The W&W AG portfolio is suitably scaled.

Although these models theoretically show random error and parameter error but not model error, the actuarial function nonetheless considers interpreting the quantiles as a range, which generally includes the best estimates, a suitable, pragmatic approach. Skewed distributions can cause the best estimate to lie outside this range. This is the case if events with a low probability of occurrence but very significant impact are to be incorporated in the average.

Other identified assumptions or specifications with the potential to influence the best estimate of the technical provisions in the event of a variation within a reasonable range are:

- inclusion and exclusion of observations in the actuarial triangulation methods used,
- use of the implicit inflation included in the triangulation methods,
- biometric actuarial assumptions when calculating the technical provisions similar to life,
- average of results from loss expense and claims payments triangle valuations,
- recognition of a lag in addition to the settlement periods taken into account in the claims triangles in the long-tail lines of business,
- cost assumptions, in particular for the claims adjustment expenses incurred at Württembergische Versicherung AG.

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

Technical provisions: Solvency II compared to HGB

The following section compares the best estimates of technical provisions in accordance with Solvency II with the same provisions under HGB to illustrate the main differences in the valuations. This comparison is made for each Solvency II business line and for the non-life area, divided by premium and claims provisions.

For non-life, the components of technical provisions under HGB are allocated either to premium provisions or to claims provisions, depending on where they are included in the Solvency II valuation. The premium provisions under Solvency II are compared to the following components of technical provisions under HGB: provision for unearned premiums, provision for future policy benefits and part of other technical provisions (cancellation, closure, “Unfall 60+” reserve). The Solvency II claims provision corresponds to the HGB provision for outstanding insurance claims and the provision for traffic victim assistance (part of other technical provisions). The HGB claims equalisation reserve is not included in the comparison as it is not taken into account under Solvency II.

A key difference is that the HGB items for 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 premium reserves at W&W AG includes, in particular, the planned future new business of Württembergische Versicherung AG accepted within the term of the reinsurance contracts. In contrast to the Solvency II premium provision, the provision for unearned premiums corresponds merely to the pro rata temporis unearned premiums.

A key difference in the valuation of the claims equalisation reserve is that the reserve policy under HGB, HGB takes the principle of prudence into account, whereas the Solvency II “best estimate” is based on the expected value of the reserves required.

HGB does not include a provision corresponding to the risk margin. Although the risk margin is part of the technical provision under Solvency II, it is not included in this section to ensure improved comparability. The values of the risk margin for each Solvency II line of business are shown in this section under “composition of technical provisions”. 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.

Unlike the corresponding HGB provisions, reinsurance recoverables in accordance with the Solvency II valuation are adjusted for the expected loss. This effect is minor and has no material impact on the comparison. Reinsurance recoverables under Solvency II still include receivables less reinsurance payables. HGB provisions do not include these values as they are recognised in a separate item of the HGB balance sheet.

The following table compares gross technical provisions and reinsurance recoverables in accordance with Solvency II, together with the corresponding provisions under HGB:

Technical provisions – non-life – claims provisions

	Best estimate, gross	Best estimate, gross, undiscounted	HGB gross (carrying amount)	Reinsurance (after expected default)	HGB reinsurance
in € thousands	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022
Non-life (excluding health)	**402,304**	**445,858**	**570,175**	**227,593**	**235,162**
Motor vehicle liability insurance	99,110	120,664	155,788	6,305	10,221
Other motor insurance	12,403	12,601	14,803	955	709
Marine, aviation and transport insurance	2,369	2,650	5,051	0	0
Fire and other damage to property insurance	114,902	118,482	144,129	82,394	87,624
General liability insurance	43,603	49,432	78,417	5,152	7,963
Credit and suretyship insurance	126	164	270	0	0
Legal expenses insurance	22,878	24,789	32,335	12	263
Assistance	188	199	181	0	0
Miscellaneous financial loss	8,918	9,118	10,816	6,899	8,617
Non-proportional liability reinsurance	32,595	40,456	45,710	35,439	39,690
Non-proportional marine, aviation and transport reinsurance	1,609	1,935	3,531	1,177	2,255
Non-proportional property reinsurance	63,601	65,368	79,146	89,260	77,822
Health (similar to non-life)	**15,471**	**16,232**	**18,010**	**223**	**192**
Income protection insurance	15,156	15,860	17,547	0	0
Non-proportional health reinsurance	315	371	463	223	192

There are particularly significant differences between the best estimate and HGB provisions in the Motor Liability Insurance and General Liability lines. These tend to be long-tail lines of business where the HGB principle of prudence is more visible than in more short-tail lines of business.

To assess the discounting effect included in the best estimates, the tables of technical provisions – non-life also show the undiscounted values. In the event of positive interest rates, the discounting effect means that the best estimates of claims provisions in accordance with Solvency II are lower than the undiscounted values.

Technical provisions – non-life – premium provisions

in € thousands	Best estimate, gross 31.12.2022	Best estimate, gross, undiscounted 31.12.2022	HGB gross (carrying amount) 31.12.2022	Reinsurance (after expected default) 31.12.2022	HGB reinsurance 31.12.2022
Non-life (excluding health)	**11,430**	**19,704**	**20,451**	**- 16,415**	**0**
Motor vehicle liability insurance	1,063	2,916	2,153	- 423	0
Other motor insurance	5,801	6,265	1,907	- 3,052	0
Marine, aviation and transport insurance	1,430	1,609	231	- 92	0
Fire and other damage to property insurance	7,829	10,975	10,085	- 5,997	0
General liability insurance	- 8,921	- 8,017	3,679	- 3,662	0
Credit and suretyship insurance	1,407	1,484	0	0	0
Legal expenses insurance	958	1,631	1,956	4	0
Assistance	- 216	- 211	307	0	0
Miscellaneous financial loss	- 635	- 402	133	- 1,345	0
Non-proportional liability reinsurance	- 330	- 256	0	- 153	0
Non-proportional marine, aviation and transport reinsurance	117	132	0	- 8	0
Non-proportional property reinsurance	2,926	3,579	0	- 1,686	0
Health (similar to non-life)	**- 2,792**	**- 2,387**	**2,588**	**- 122**	**0**
Income protection insurance	- 2,764	- 2,364	2,588	- 121	0
Non-proportional health reinsurance	- 27	- 23	0	- 1	0

In the case of technical provisions – life, the differences in valuation essentially relate to different interest rates used for the discounting, as well as to different mortality assumptions. While, under HGB, the provision is discounted at a constant actuarial interest rate, under Solvency II the provision is discounted at the stipulated risk-free yield curve. HGB mortality assumptions include safety margins. As the Solvency II values and the HGB values for technical provisions – life are discounted, the table does not include any undiscounted best estimates.

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

in € thousands	Best estimate, gross 31.12.2022	HGB gross (carrying amount) 31.12.2022	Reinsurance (after expected default) 31.12.2022	HGB reinsurance 31.12.2022
Health (similar to life)	**9,071**	**15,510**	**0**	**0**
Health reinsurance	9,071	15,510	0	0
Life (excluding health and index-linked and unit-linked)	**6,782**	**10,379**	**1,250**	**2,081**
Life reinsurance	6,782	10,379	1,250	2,081

D.3 Miscellaneous liabilities

Pension benefit obligations

Liability item

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2022	31.12.2022	31.12.2022
Pension benefit obligations	154,987	186,562	31,575

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

Provisions for pensions and similar obligations in the amount of the settlement amount in accordance with Section 253 (2) HGB were calculated using the projected unit credit method on the basis of the Heubeck 2018 G reference tables. This was based on an interest rate of 1.79% (previous year: 1.87%), a salary trend of 3.0% p. a., a pension trend of 2.0% p. a. and a turnover of 3.5% p. a. (salaried employees) and 1.0% p. a. (non-tariff employees). In the case of reinsurance policies, IDW RH FAB 1.021 was applied when valuing pension provisions, using the plan assets method (*Deckungskapitalverfahren*) and valuing the reinsurance policy at the settlement amount of the pension provision (*Passivprimat*).

The difference in value compared to the provision under Solvency II is essentially due to the use of different calculation parameters.

Derivatives

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2022	31.12.2022	31.12.2022
Derivatives	110	715	- 605

These are sale of call options and currency forwards.

Solvency II

Derivatives with a negative economic value are reported in this item. Please see the explanations under “Derivatives” in Section D.1 “Assets” for information on the valuation of derivatives.

HGB

Provisions for anticipated losses are recognised for the call options sold, which are accounted for separately. These are included in the “Provisions other than technical provisions” item. Under Solvency II, negative market values are also reported under equity and liabilities, but in contrast to HGB they are explicitly assigned to the derivatives item.

Liabilities

in € thousands	Solvency II 31.12.2022	HGB (carrying amount) 31.12.2022	Delta 31.12.2022
Deposits from reinsurers	38,644	38,644	0
Debts owed to credit institutions	1,154	1,154	0
Financial liabilities other than debts owed to credit institutions	75,521	75,000	521
Reinsurance payables	0	53,081	53,081
Payables (trade, not insurance)	1,038,598	1,080,801	42,203

Solvency II

Liabilities are valued at economic value in the solvency overview. Economic value is defined as the amount at which the liability can be transferred or settled between knowledgeable, willing parties in an arm's length transaction. The general recognition and valuation rules for assets already described in Section D.1 also apply to miscellaneous liabilities in the following sections. Please see the explanations in Section D.1.

The liabilities recognised here are measured at amortised cost in IFRS financial reporting. Regardless of the valuation under IFRS, the fair values of liabilities are calculated for the IFRS 7 "Statement of Cash Flows" disclosures in the notes. The fair values calculated for IFRS are used as the economic value under Solvency II.

In accordance with the German Federal Financial Supervisory Authority's Interpretative decision "Evaluation of recoverables from reinsurance contracts and special purpose vehicles and handling of settlement receivables and payables and deposits to cedants and from reinsurers under Solvency II", only past-due amounts are to be recognised in the item reinsurance payables. Settlements with our reinsurers were not past due as at the reporting date.

The delta in the item "liabilities (trade)" is due to the difference in how certain pension commitments are accounted for under Solvency II and HGB. Under Solvency II, they are recognised in line with IFRS (IAS 19), which requires the liability resulting from the assumption of debt to be reported separately as a reimbursement right. This reimbursement right was thus recognised in "Liabilities (trade, not insurance)".

No assumptions or judgements are made about the future when valuing miscellaneous liabilities.

In addition, the difference compared to the HGB balance sheet results from the recognition of interest liabilities in connection with pension benefit obligations. Under Solvency II, the reimbursement right from pension benefit obligations calculated in accordance with IAS 19 is recognised under liabilities and is offset by a discounted receivable for future interest payments of the subsidiaries.

HGB

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

Other differences between the Solvency II figure and that under HGB reporting can, in particular, result from longer-term liabilities on account of the use of the present value method.
This is the case for some personnel-related items.

Subordinated liabilities

in € thousands	Solvency II 31.12.2022	HGB (carrying amount) 31.12.2022	Delta 31.12.2022
Subordinated liabilities not in Basic Own Funds	0	0	0
Subordinated liabilities in Basic Own Funds	235,337	299,458	- 64,121
Subordinated liabilities	**235,337**	**299,458**	**- 64,121**

Solvency II

Subordinated liabilities issued by the company with final maturity on 10 September 2041 (nominal amount: €300 million) are recognised under subordinated liabilities allocated to basic own funds.

Subordinated liabilities are measured at the stock market price ("dirty value" with issue spread).

HGB

In accordance with HGB, subordinated liabilities are recognised in basic own funds at their repayment amounts (Section 341b (2) sentence 1 HGB in conjunction with Section 253 (1) HGB).

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 are regularly reported to the supervisory authorities. Pursuant to statutory requirements, no further information about alternative valuation methods is necessary in this report.

D.5 Other disclosures

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 from a regulatory and economic perspective,
- management based on internal target ratios/limits
- optimising capital allocation within the Group,
- enabling an adequate return on the capital employed,
- ensuring capital flexibility,
- making use of strategic options/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 fund planning process is a key part of the capital management process in the W&W Group. The own fund 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 fund planning takes place from a supervisory and from an economic perspective. As part of own fund 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 was 418.1% as at the reporting date. It consists of eligible own funds of €7,699,960 thousand and the Solvency Capital Requirement of €1,841,857 thousand.

Excess of assets over liabilities:

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

Excess of assets over liabilities		
	Solvency II	HGB (carrying amount)
in € thousands	31.12.2022	31.12.2022
Total assets	9,560,440	4,616,009
Total liabilities	2,030,646	2,478,308
Excess of assets over liabilities	7,529,794	2,137,702
Share capital (including own shares pursuant to Solvency II)	494,386	494,386
Reserve capital (premium from the capital contribution)	993,690	993,690
Retained earnings	649,625	649,625
Reserve from valuation difference	5,285,429	
Revaluation of assets	4,837,767	
Revaluation of technical provisions	- 256,215	
Revaluation of other liabilities	- 191,447	
Net deferred tax assets	106,663	

The differences between Solvency II and HGB result from revaluation effects as a consequence of the complete economic valuation in the solvency overview under Solvency II of €5,285,429 thousand compared with the valuation principles under HGB. There are also differences from the valuation of net deferred tax assets. Under Solvency II. A detailed overview of the value differences between Solvency II and HGB can be found in sections D.1 to D.3.

Available own funds

Available own funds under Solvency II as at the reporting date consisted of the following:

Available own funds

	Solvency II	
in € thousands	31.12.2022	31.12.2021
Excess of assets over liabilities	**7,529,794**	**7,803,136**
Own shares	- 4,256	- 4,715
Non-eligible participations in financial and credit institutions	0	0
Foreseeable dividend payments and distributions	- 60,915	- 60,885
Restricted own fund items from ring-fenced funds	0	0
Subordinated liabilities	235,337	292,364
Basic own funds	**7,699,960**	**8,029,899**
Ancillary own funds	0	0
Available own funds	**7,699,960**	**8,029,899**

Other than those listed above, the company does not have any other basic own fund items or ancillary own funds. There is no deduction due to restrictions, nor does principal loss absorbency under Article 71 (1) (e) of Delegated Regulation (EU) 2015/35 take place.

Available own funds as at the reporting date were distributed as follows across the three quality levels under Solvency II:

Available own funds by quality level

in € thousands	Quality level 1		Quality level 2		Quality level 3	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Share capital	494,386	494,608	0	0	0	0
Capital reserve	993,690	993,468	0	0	0	0
Reconciliation Reserve	5,869,884	6,114,353	0	0	0	0
Subordinated liabilities	0	0	235,337	292,364	0	0
Excess of deferred tax assets	0	0	0	0	106,663	135,107
Available own funds	**7,357,960**	**7,602,429**	**235,337**	**292,364**	**106,663**	135,107

Own funds in quality level 2 are capital from issuing a subordinated bond, whereas own funds in quality level 3 are net deferred tax assets under Solvency II (see Chapter D.1 Deferred tax assets and D.3 Deferred tax liabilities).

As at the reporting date, the company had a reconciliation reserve of €5,869,884 thousand. This value is the sum total of “reserve from valuation difference” and “retained earnings” less “own shares” and “foreseeable dividend payments and distributions”.

Eligible own funds: Limiting available own funds

Eligible own funds to meet the Solvency Capital Requirement were equal to available own funds as at the reporting date. Own funds of €7,450,053 thousand are eligible to meet the Minimum Capital Requirement.

E.2 Solvency capital requirement and minimum capital requirement

Regulatory capital requirements are determined using the European Insurance and Occupational Pensions Authority EIOPA’s standard formula. The regulatory Minimum Capital Requirement (MCR) and Solvency Capital Requirement (SCR) are determined here using the stipulated parameters and methods.

The standard formula follows a modular approach, where the entire risk to which an insurance undertaking is exposed is subdivided into risk modules and, within the risk modules, into sub-modules. A capital requirement is determined for each risk module and sub-module. The capital requirement at risk module or sub-module level is aggregated into an overall SCR using correlation matrices.

Using the value at risk (VaR) of an undertaking’s basic own funds, the overall SCR is calibrated for each individual risk module at a confidence level of 99.5% over one year. The SCR thus represents the economic loss that has a 0.5% probability of being exceeded in a one-year time period, i.e. on average once every 200 years. Formula-based calculations are used for individual sub-modules. Diversification effects are taken into account by aggregating capital requirements using the correlation matrices provided.

The risk measurement is based on a net view. This means that risk sharing and risk transfer measures such as entering into derivative instruments, reinsurance and the risk buffer effect of deferred taxes are taken into consideration.

Solvency Capital Requirement

The company’s Solvency Capital Requirement is calculated using the Solvency II standard formula. As at the reporting date, it comprised the following:

Solvency Capital Requirement

in € thousands	31.12.2022	31.12.2021
Market risk	1,775,402	1,895,779
Counterparty default risk	38,795	57,175
Life insurance risk	284	452
Health insurance risk	16,602	16,981
Non-life insurance risk	127,101	121,675
Operational risk	14,973	17,759
Diversification	- 131,300	- 141,202
Loss-absorbing capacity of deferred taxes	0	0
Solvency Capital Requirement (SCR)	**1,841,857**	1,968,619

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

Market risk is the largest risk facing the company. The largest item within market risk is the equity risk, which results from the major participations. The decline in market risk essentially reflects the decline in equity risk in connection with lower Solvency II participation values at the insurance undertakings. By comparison, concentration, spread, real estate, interest and foreign currency risk experience more minor changes as a result of changes in capital market parameters and market value exposures.

In terms of the Solvency Capital Requirement, market risk is followed by insurance risk. Under Solvency II, it is divided into “life”, “health” and “non-life”. “Life insurance risk” includes the risk from liability annuities assumed by Württembergischen Versicherung in connection with reinsurance. “Health insurance risk” includes the risk from health insurance (similar to non-life). “Non-life insurance risk” includes the risk from non-life insurance (excluding health). Life insurance risk and health insurance risk decreased compared to the previous year, whereas non-life insurance risk increased due to exposure changes.

The counterparty default risk declined in the reporting period, predominantly due to a reduced exposure for reinsurance shares in technical provisions, receivables from affiliated companies and bank balances.

When calculating the Solvency Capital Requirement, the company applies the simplifications provided for in of Delegated Regulation (EU) 2015/35 in the area of counterparty default risk. The company did not use any undertaking specific parameters and no capital add-on was set.

Minimum Capital Requirement

The Minimum Capital Requirement (MCR) is the maximum of a predefined absolute floor (AMCR), which depends on the type of insurance undertaking, and a linear MCR that is capped at a minimum of 25% and maximum of 45% of the SCR (compare Articles 248 to 253 Delegated Regulation (EU) 2015/35). The best estimates of net technical provisions and net premiums written is included when calculating the linear MCR.

The company’s Minimum Capital Requirement as at the reporting date breaks down as follows:

Minimum Capital Requirement

in € thousands	31.12.2022	31.12.2021
Combined Minimum Capital Requirement	460,464	492,155
Linear Minimum Capital Requirement	51,832	47,957
Linear Minimum Capital Requirement cap (45% SCR)	828,836	885,878
Linear Minimum Capital Requirement floor (25% SCR)	460,464	492,155
Absolute floor of Minimum Capital Requirement (AMCR)	3,900	3,600
Minimum Capital Requirement (MCR)	**460,464**	492,155

As at the reporting date, this put the MCR ratio at 1.617.9%, which is calculated as the ratio of eligible own funds of €7,450,053 thousand and the Minimum Capital Requirement of €460,464 thousand. The Minimum Capital Requirement decreased in the reporting period due to the lower Solvency Capital Requirement in the reporting period (see previous section). Further information on the Minimum Capital Requirement can be found in the 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

When calculating the Solvency Capital Requirement, the company does not use the duration-based equity risk submodule.

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

The undertaking 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 undertaking 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 disclosures

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 disclosed:
S.05.02.01 Information on premiums, claims and expenses by countries:

More than 90% of our gross premiums derive from Germany. By that, we exceed the regulatory required minimum limit and are exempt from providing the QRT S.05.02.01.

S.22.01.01 Effects of long-term guarantees and transitional:
We do not use any transitional.

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
As we carry out solely reinsurance activities, we prepare the 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	106,663
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	460,756
Investments (other than assets for index- or unit-linked contracts)	R0070	8,534,741
Property (other than for own use)	R0080	575
Holdings in affiliated companies, including participations	R0090	6,418,446
Equities	R0100	25,526
Equities – listed	R0110	5,000
Equities – unlisted	R0120	20,526
Bonds	R0130	1,079,846
Government bonds	R0140	313,152
Corporate bonds	R0150	766,695
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective investment undertakings	R0180	930,118
Derivatives	R0190	1,367
Deposits other than cash equivalents	R0200	78,862
Other investments	R0210	0
Assets held for index-linked and 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	212,528
Non-life and health similar to non-life	R0280	211,279
Non-life excluding health	R0290	211,178
Health similar to non-life	R0300	101
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	1,250
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	1,250
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	847
Policyholder and intermediaries receivables	R0360	0
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	216,647
Own shares (held directly)	R0390	4,256
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	8,653
Any other assets, not elsewhere shown	R0420	15,349
Total assets	**R0500**	**9,560,440**

S.02.01.02 | Balance sheet (continuation)

in € thousands

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	R0510	468,435
Technical provisions – non-life (excluding health)	R0520	452,520
Technical provisions calculated as a whole	R0530	0
Best estimate	R0540	413,735
Risk margin	R0550	38,785
Technical provisions – health (similar to non-life)	R0560	15,915
Technical provisions calculated as a whole	R0570	0
Best estimate	R0580	12,679
Risk margin	R0590	3,236
Technical provisions – life (excluding index-linked and unit-linked)	R0600	17,182
Technical provisions – health (similar to life)	R0610	10,169
Technical provisions calculated as a whole	R0620	0
Best estimate	R0630	9,071
Risk margin	R0640	1,098
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	7,013
Technical provisions calculated as a whole	R0660	0
Best estimate	R0670	6,782
Risk margin	R0680	231
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	678
Pension benefit obligations	R0760	154,987
Deposits from reinsurers	R0770	38,644
Deferred tax liabilities	R0780	0
Derivatives	R0790	110
Debts owed to credit institutions	R0800	1,154
Financial liabilities other than debts owed to credit institutions	R0810	75,521
Policyholder and intermediaries payables	R0820	0
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	1,038,598
Subordinated liabilities	R0850	235,337
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	235,337
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	**R0900**	**2,030,646**
Excess of assets over liabilities	**R1000**	**7,529,794**

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	23,390	0	74,307	58,252	4,150	203,884
Gross – Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	0	0	0	0	355	30	105,359
Net	R0200	0	23,390	0	74,307	57,897	4,121	98,525
Premiums earned								
Gross – Direct Business	R0210	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0220	0	23,405	0	74,310	58,253	4,150	203,248
Gross – Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	0	0	0	0	355	30	105,359
Net	R0300	0	23,405	0	74,310	57,898	4,121	97,889
Claims incurred								
Gross – Direct Business	R0310	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0320	0	5,489	0	50 466	45,185	1,947	126,645
Gross – Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	0	0	0	- 202	740	0	79,972
Net	R0400	0	5,489	0	50,667	44,445	1,947	46,673
Changes in other technical provisions								
Gross – Direct Business	R0410	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	27	0	136	15	- 110	14
Gross – Non-proportional reinsurance accepted	R0430							
Reinsurers' share	R0440	0	0	0	0	0	0	0
Net	R0500	0	27	0	136	15	- 110	14
Expenses incurred	**R0550**	**0**	**11,406**	**0**	**28,634**	**24,351**	**2,387**	**55,217**
Other expenses	**R1200**							
Total expenses	**R1300**							

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

	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
	49,344	- 2,422	22,185	3,114	11,882					448,085
						233	2,847	320	48,126	51,526
	10,582	0	316	0	9,819	233	2,847	323	49,093	178,957
	38,761	- 2,422	21,869	3,114	2,063	0	0	- 3	- 966	320,655
	0	0	0	0	0					0
	49,239	- 2,148	22,158	3,063	11,871					447,550
						233	2,847	320	48,126	51,526
	10,582	0	316	0	9,819	233	2,847	323	49,093	178,957
	38,657	- 2,148	21,842	3,063	2,053	0	0	- 3	- 966	320,120
	0	0	0	0	0					0
	9,545	- 1,967	12,332	483	1,022					251,148
						8	3,613	- 5	12,714	16,330
	1,597	0	188	0	1,230	8	3,824	- 5	12,748	100,100
	7,948	- 1,967	12,145	483	- 207	0	- 211	0	- 34	167,378
	0	0	0	0	0					0
	- 18	6	2	- 1	2					71

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' compensati on insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance

					0	0	- 24	- 10,897	- 10,921
0	0	0	0	0	0	0	- 24	- 10,897	- 10,921
- 18	6	2	- 1	2	0	0	0	0	71
19,564	**- 1,403**	**12,238**	**1,842**	**1,027**	**4**	**44**	**5**	**739**	**156,054**
									0
									156,054

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

		Line of Business for: life insurance obligations			
		Health	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
Changes 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 obligation other than health insurance obligations	Health reinsurance	Life reinsurance	
C0250	**C0260**	**C0270**	**C0280**	**C0300**
0	0	0	26,823	26,823
0	0	0	0	0
0	0	0	26,823	26,823
0	0	0	27,319	27,319
0	0	0	0	0
0	0	0	27,319	27,319
0	0	0	1,059,384	1,059,384
0	0	0	0	0
0	0	0	1,059,384	1,059,384
0	0	0	450,826	450,826
0	0	0	0	0
0	0	0	450,826	450,826
0	**0**	**0**	**3,412**	**3,412**
				0
				3,412

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 or guarantees		Contracts without options and guarantees	Contracts with options or 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 Re 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 Best Estimate and Risk margin								
Best estimate								
Gross Best Estimate	**R0030**	**0**		**0**	**0**		**0**	**0**
Total Recoverables from reinsurance/SPV and Finite Re 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 Re - 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, incl. 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 or 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	**6,782**	**6,782**		**0**	**0**	**0**	**9,071**	**9,071**
	0	1,250	1,250		0	0	0	0	0
	0	5,533	5,533		0	0	0	9,071	9,071
	0	**231**	**231**	**0**			**0**	**1,098**	**1,098**
	0	0	0	0			0	0	0
	0	0	0		0	0	0	0	0
	0	0	0	0			0	0	0
	0	**7,013**	**7,013**	**0**			**0**	**10,169**	**10,169**

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 Re 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 Best Estimate and Risk margin				
Best estimate				
Premium provisions				
Gross	R0060	0	- 2,764	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	- 121	0
Net Best Estimate of Premium Provisions	R0150	0	- 2,644	0
Claims provisions				
Gross	R0160	0	15,156	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	0
Net Best Estimate of Claims Provisions	R0250	0	15,156	0
Total Best estimate – gross	**R0260**	**0**	**12,392**	**0**
Total Best estimate – net	**R0270**	**0**	**12,513**	**0**
Risk margin	**R0280**	**0**	**3,199**	**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	15,591	0
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	R0330	0	- 121	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	R0340	0	15,712	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
1,063	5,801	1,430	7,829	- 8,921	1,407
- 423	- 3,052	- 92	- 5,997	- 3,662	0
1,486	8,854	1,522	13,826	- 5,258	1,407
99,110	12,403	2,369	114,902	43,603	126
6,305	955	0	82,394	5,152	0
92,806	11,448	2,369	32,508	38,451	126
100,173	**18,204**	**3,799**	**122,731**	**34,683**	**1,533**
94,292	**20,302**	**3,891**	**46,334**	**33,193**	**1,533**
8,190	**5,287**	**1,139**	**14,302**	**4,428**	**252**
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
108,364	23,492	4,938	137,034	39,111	1,785
5,881	- 2,097	- 92	76,397	1,490	0
102,483	25,589	5,030	60,636	37,621	1,785

S.17.01.02 | 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 Re 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 Best Estimate and Risk margin				
Best estimate				
Premium provisions				
Gross	R0060	958	- 216	- 635
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	4	0	- 1,345
Net Best Estimate of Premium Provisions	R0150	954	- 216	711
Claims provisions				
Gross	R0160	22,878	188	8,918
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	12	0	6,899
Net Best Estimate of Claims Provisions	R0250	22,866	188	2,020
Total Best estimate – gross	**R0260**	**23,836**	**- 27**	**8,284**
Total Best estimate – net	**R0270**	**23,821**	**- 27**	**2,730**
Risk margin	**R0280**	**1,810**	**132**	**420**
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	25,646	105	8,704
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	R0330	16	0	5,553
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	R0340	25,630	105	3,151

			Accepted non-proportional reinsurance	Total Non-Life obligation
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
- 27	- 330	117	2,926	8,639
- 1	- 153	- 8	- 1,686	- 16,537
- 26	- 177	125	4,611	25,176
315	32,595	1,609	63,601	417,776
223	35,439	1,177	89,260	227,816
92	- 2,844	432	- 25,660	189,960
287	**32,265**	**1,726**	**66,527**	**426,414**
66	**- 3,021**	**557**	**- 21,048**	**215,135**
36	**309**	**80**	**2,435**	**42,021**
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
324	32,575	1,806	68,962	468,435
222	35,286	1,169	87,575	211,279
102	- 2,711	637	- 18,613	257,156

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**
Before 2013	R0100					
2013	R0160	206,367	136,901	30,017	15,201	2,890
2014	R0170	86,483	36,460	8,040	5,045	1,959
2015	R0180	98,389	44,864	8,817	7,829	2,433
2016	R0190	96,475	47,327	10,204	6,571	2,585
2017	R0200	99,988	62,911	10,984	10,419	2,579
2018	R0210	104,984	58,655	12,904	6,250	1,901
2019	R0220	114,855	61,018	12,629	8,589	
2020	R0230	116,379	52,764	11,147		
2021	R0240	259,729	239,959			
2022	R0250	125,857				

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)
Development year

	Year	0	1	2	3	4
		C0200	**C0210**	**C0220**	**C0230**	**C0240**
Before 2013	R0100					
2013	R0160					
2014	R0170					
2015	R0180					
2016	R0190					
2017	R0200					
2018	R0210					12,328
2019	R0220				17,918	
2020	R0230			29,954		
2021	R0240		124,951			
2022	R0250	121,906				

					Development year				
5	6	7	8	9	10 & +			In current year	Sum of years (cumulative)
C0060	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**			**C0170**	**C0180**
					4,198		R0100	4,198	4,198
1,512	1,081	1,388	391	305			R0160	305	396,054
1,394	802	616	494				R0170	494	141,292
1,250	771	545					R0180	545	164,898
1,738	1,620						R0190	1,620	166,519
1,448							R0200	1,448	188,329
							R0210	1,901	184,694
							R0220	8,589	197,091
							R0230	11,147	180,289
							R0240	239,959	499,688
							R0250	125,857	125,857
						Total	**R0260**	**396,062**	**2,248,910**

					Development year			
5	6	7	8	9	10 & +			Year end (discounted data)
C0250	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**			**C0360**
					109,316		R0100	91,298
				8,908			R0160	7,471
			7,954				R0170	6,725
		7,492					R0180	6,357
	10,305						R0190	8,949
10,731							R0200	9,211
							R0210	10,614
							R0220	15,500
							R0230	27,211
							R0240	119,438
							R0250	115,002
						Total	**R0260**	**417,776**

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 sector as foreseen in Article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	494,386	494,386		0	
Share premium account related to ordinary share capital	R0030	993,690	993,690		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	5,869,884	5,869,884			
Subordinated liabilities	R0140	235,337		0	235,337	0
An amount equal to the value of net deferred tax assets	R0160	106,663				106,663
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**	**7,699,960**	**7,357,960**	**0**	**235,337**	**106,663**
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 the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls — other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0

S.23.01.01 | Own funds

in € thousands

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
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	7,699,960	7,357,960	0	235,337	106,663
Total available own funds to meet the MCR	R0510	7,593,297	7,357,960	0	235,337	
Total eligible own funds to meet the SCR	R0540	7,699,960	7,357,960	0	235,337	106,663
Total eligible own funds to meet the MCR	R0550	7,450,053	7,357,960	0	92,093	
SCR	**R0580**	**1,841,857**				
MCR	**R0600**	**460,464**				
Ratio of Eligible own funds to SCR	**R0620**	**418.1**				
Ratio of Eligible own funds to MCR	**R0640**	**1,617,9**				

S.23.01.01 | Own funds (continuation)

		C0060
Reconciliation Reserve		
Excess of assets over liabilities	R0700	7,529,794
Own shares (held directly and indirectly)	R0710	4,256
Foreseeable dividends, distributions and charges	R0720	60,915
Other basic own fund items	R0730	1,594,740
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation Reserve	**R076 0**	**5,869,884**
Expected profits		
Expected profits included in future premiums (EPIFP) – life business	R0770	0
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	35,008
Total Expected profits included in future premiums (EPIFP)	**R079 0**	**35,008**

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	1,775,402		0
Counterparty default risk	R0020	38,795		
Life insurance risk	R0030	284	0	0
Health insurance risk	R0040	16,602	0	0
Non-life insurance risk	R0050	127,101	0	0
Diversification	R0060	- 131,300		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	**R0100**	**1,826,884**		

Calculation of Solvency Capital Requirement		**C0100**		
Operational risk	R0130	14,973		
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**	**1,841,857**		
Capital add-on already set	R0210	0		
Solvency Capital Requirement	**R0220**	**1,841,857**		
Other information on SCR				
Capital requirement for duration-based equity risk sub-module	**R0400**	**0**		
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0		
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0		
Diversification effects due to RFF nSCR aggregation for 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	51,525

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Premiums written (net of reinsurance) in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	12,513	23,390
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	94,292	74,307
Other motor insurance and proportional reinsurance	R0060	20,302	57,897
Marine, aviation and transport insurance and proportional reinsurance	R0070	3,891	4,150
Fire and other damage to property insurance and proportional reinsurance	R0080	46,334	98,403
General liability insurance and proportional reinsurance	R0090	33,193	38,761
Credit and suretyship insurance and proportional reinsurance	R0100	1,533	0
Legal expenses insurance and proportional reinsurance	R0110	23,821	21,869
Assistance and proportional reinsurance	R0120	0	3,114
Miscellaneous financial loss insurance and proportional reinsurance	R0130	2,730	2,105
Non-proportional health reinsurance	R0140	66	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	557	3
Non-proportional property reinsurance	R0170	0	1,678

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	307	

		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	14,604	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation

		C0070
Linear MCR	R0300	51,832
SCR	R0310	1,841,857
MCR cap	R0320	828,836
MCR floor	R0330	460,464
Combined MCR	R0340	460,464
Absolute floor of the MCR	R0350	3,900
Minimum Capital Requirement	R0400	460,464

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